

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II  
Form N-CSR  
May 09, 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 811-21338

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 29, 2008

Date of reporting period: February 29, 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.

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ITEM 1. REPORT TO SHAREHOLDERS

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

Annual Report  
February 29, 2008

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

April 16, 2008

Dear Shareholder:

We are pleased to provide you with the annual reports of the Nicholas-Applegate Convertible & Income Fund and Nicholas-Applegate Convertible & Income Fund II (collectively, the Funds) for the fiscal year ended February 29, 2008.

The convertible market finished the reporting period with relatively flat returns, falling 0.58%, as measured by the Merrill Lynch All-Convertible Index. The convertible market outperformed the S&P 500 Index, which returned (3.59)% for the period. It trailed the Dow Jones Industrial Average, which advanced 2.23%.

During February 2008, industry-wide developments in the auction-rate preferred markets caused auctions for the Funds' 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 recent failed auctions can be accessed on the Funds' website <http://www.allianzinvestors.com/closedendfunds>.

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 investment 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 29, 2008 (unaudited)

For the 12-months ended February 29, 2008, Nicholas-Applegate Convertible & Income Fund returned (6.33)% on net asset value and (13.63)% on market price.

For the 12-months ended February 29, 2008, Nicholas-Applegate Convertible & Income II Fund returned (7.13)% on net asset value and (12.08)% on market price.

The convertible and high yield markets followed the broad equity market lower in the period as there were no significant catalysts to drive the market higher. Slowing corporate profits, widening credit spreads, recession fears, high oil prices, and continued negative subprime news were responsible for the broad equity market pull-back.

Industry performance was mixed and driven by broad market themes. Financial issuer underperformance was clearly the most severe of any industry in the broad markets. The consumer sector also performed poorly. The best performing industries during the twelve month period were healthcare, utilities and energy. These sectors performed well because of favorable operating performance as well as an expected flight to quality.

The Funds' convertible positions were helped by many industries during the period. Healthcare companies rallied in response to better-than-expected corporate profits and positive outlooks. Consumer staple companies benefited from record commodity prices as well as an investor rotation into more defensive industries. Material companies were higher on impressive quarterly results despite a slowing economy.

Select sectors within the Funds' the convertible portfolio's hindered performance in the period. Despite positive performance for the year, select technology issuers pulled back during the period on fears of slowing earnings growth. Automotive companies moved lower on concerns that weaker-than-expected consumer spending would cause auto sales to fall below expectations in 2008. Retail companies continued their move lower as the challenging economic backdrop weighed on consumer spending.

Remarkably, with all of the financial chaos and headlines, the fundamentals of the majority of issuers in the high yield market remained intact. The default rate for 2007 was a record setting low.

Throughout the continued volatility, relative high yield performance was driven by stringent credit selection. We continued to have bonds tendered for as well as companies, demonstrated improving fundamentals, upgraded.

There were negative high yield contributors during the period. In the auto industry, bonds traded lower across the board. Other negative movers included certain retail-related issuers.

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

February 29, 2008 (unaudited)

<b>Total Return <sup>(1)</sup> :</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 year	(13.63)%	(6.33)%
3 year	4.22%	3.87%
Commencement of Operations (3/31/03) to 2/29/08	8.62%	9.74%

**Common Share Market Price/NAV Performance:**

Commencement of Operations (3/31/03) to 2/29/08

n Market Price

n NAV

**Market Price/NAV:**

Market Price	\$	12.50
NAV	\$	12.52
Discount to NAV		(0.16)%
Market Price Yield <sup>(2)</sup>		12.00%

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

(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 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. 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.

Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) with all distributions reinvested. 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.

## Edgar Filing: NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II - Form N-CSR

An investment in the Fund involves risk, including the loss of principal. Total return, price, market yield and market 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 applicable 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 February 29, 2008.

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

February 29, 2008 (unaudited)

<b>Total Return <sup>(1)</sup> :</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 year	(12.08)%	(7.13)%
3 year	4.77%	3.69%
Commencement of Operations (7/31/03) to 2/29/08	6.47%	8.07%

**Common Share Market Price/NAV Performance:**

Commencement of Operations (7/31/03) to 2/29/08

n Market Price

n NAV

**Market Price/NAV:**

Market Price	\$	12.09
NAV	\$	12.38
Discount to NAV		(2.34)%
Market Price Yield <sup>(2)</sup>		11.79%

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

(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 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. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual return.

Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) with all distributions reinvested. 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.

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

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## Nicholas-Applegate Convertible &amp; Income Fund Schedule of Investments

February 29, 2008

Shares (000)		Credit Rating (Moody s/S&P)*	Value
<b>CONVERTIBLE PREFERRED STOCK 43.1%</b>			
<b>Agriculture 1.9%</b>			
	Bunge Ltd.,		
136	4.875%, 12/31/49	Ba1/BB	\$ 18,615,156
8	5.125%, 12/1/10	NR/BB	8,280,000
			26,895,156
<b>Automotive 2.0%</b>			
	General Motors Corp.,		
785	5.25%, 3/6/32, Ser. B	Caa1/B	14,216,350
700	6.25%, 7/15/33, Ser. C	Caa1/B	13,538,000
			27,754,350
<b>Banking 3.7%</b>			
17	Bank of America Corp., 7.25%, 12/31/49, Ser. L	Aa3/A+	18,695,854
315	Washington Mutual Capital Trust, 5.375%, 5/1/41, Ser. UNIT	Baa3/BBB-	11,047,406
181	Wells Fargo Co., 8.00%, 6/1/08, Ser. AAPL (Apple, Inc.) (e)	Aa1/AA+	21,595,110
			51,338,370
<b>Commercial Services 0.7%</b>			
305	United Rentals, Inc., 6.50%, 8/1/28	B3/B-	10,516,014
<b>Electric 4.6%</b>			
441	AES Trust III, 6.75%, 10/15/29	B3/B-	20,891,550
322	Entergy Corp., 7.625%, 2/17/09	NR/BBB	20,051,760
68	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	24,314,800
			65,258,110
<b>Financial Services 11.7%</b>			
366	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (Genworth Financial, Inc.) (d) (e)	Aa3/AA- A2/A	8,724,248
35	Citigroup, Inc., 6.50%, 12/31/49, Ser. T		1,733,788
1,216	Eksportfinans A/S, 13.00%, 11/1/08, Ser. TWX (Time Warner, Inc.) (e)	Aaa/A+	19,037,442
830	Goldman Sachs Group, Inc., 9.75%, 12/19/08, Ser. CSCO (Cisco Systems, Inc.) (e)	Aa3/NR	21,088,432
505	20.00%, 3/6/08, Ser. DISH (Echostar Communications Corp.) (e)	Aa3/NR	15,792,188
281	Lazard Ltd., 6.625%, 5/15/08 Lehman Brothers Holdings, Inc.,	Ba1/NR	9,034,635
892	6.00%, 10/12/10, Ser. GIS (General Mills, Inc.) (e)	A1/A+	21,915,528
255	8.50%, 8/25/08, Ser. UTX (United Technologies Corp.) (e)	A1/A+	17,255,893
139	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.) (e) Morgan Stanley,	A1/A+	19,660,570

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36	20.00%, 3/8/08, Ser. GOOG (Google, Inc.) (e)	Aa3/NR	14,866,702
554	20.00%, 3/24/08, Ser. DIS (The Walt Disney Co.) (e)	Aa3/NR	15,155,966
			164,265,392
	<b>Hand/Machine Tools 1.1%</b>		
18	Stanley Works, 5.125%, 5/17/12 (d)	A2/A	15,656,550

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

February 29, 2008

Shares (000)		Credit Rating (Moody s/S&P)*	Value
	<b>Insurance 3.5%</b>		
629	Metlife, Inc., 6.375%, 8/15/08	NR/BBB+	\$ 18,172,320
687	Platinum Underwriters Holdings Ltd., 6.00%, 2/15/09, Ser. A	NR/BB+	21,211,125
687	XL Capital Ltd., 7.00%, 2/15/09	Baa1/A-	9,793,313
			49,176,758
	<b>Investment Company 1.7%</b>		
356	Vale Capital Ltd., 5.50%, 6/15/10, Ser. RIO (Companhia Vale do Rio Doce) (e)	NR/NR	23,951,813
	<b>Metals &amp; Mining 1.8%</b>		
169	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/B+	24,899,245
	<b>Oil &amp; Gas 1.9%</b>		
203	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	26,486,337
	<b>Packaging &amp; Containers 0.8%</b>		
201	Owens-Illinois, Inc., 4.75%, 12/31/49	Caa1/B	11,109,968
	<b>Pharmaceuticals 1.0%</b>		
71	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	14,608,388
	<b>Real Estate (REIT) 1.2%</b>		
867	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B2/B-	17,214,912
	<b>Sovereign 3.1%</b>		
511	Svensk Exportkredit AB, 10.00%, 10/20/08, Ser. TEVA (Teva Pharmaceutical Industries Ltd.) (e)	Aa1/AA+	23,547,630
226	12.50%, 12/12/08, Ser. XOM (Exxon Mobil Corp.) (e)	Aa1/AA+	19,463,836
			43,011,466
	<b>Telecommunications 1.3%</b>		
330	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	18,562,500
	<b>Waste Disposal 1.1%</b>		
57	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3/B	14,816,182
	Total Convertible Preferred Stock (cost-\$618,771,333)		605,521,511

**CORPORATE BONDS & NOTES 40.0%**

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Principal Amount (000)				
\$	11,450	<b>Advertising 0.8%</b> Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	10,591,250
	3,990	<b>Apparel 0.7%</b> Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	3,980,025
	6,090	Oxford Industries, Inc., 8.875%, 6/1/11	B1/B	5,876,850
				9,856,875

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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**  
February 29, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	<b>Automotive 3.1%</b>		
\$ 7,545	Accuride Corp., 8.50%, 2/1/15	B3/B-	\$ 5,922,825
3,615	American Axle & Manufacturing, Inc., 7.875%, 3/1/17	Ba3/BB	3,117,937
14,195	Exide Technologies, 10.50%, 3/15/13, Ser. B	Caa1/CCC+	13,201,350
12,875	General Motors Corp., 8.375%, 7/15/33	Caa1/B-	9,913,750
10,890	Goodyear Tire & Rubber Co., 11.00%, 3/1/11	Ba3/B+	11,488,950
			43,644,812
	<b>Chemicals 0.4%</b>		
6,165	Momentive Performance Materials, Inc. 9.75%, 12/1/14	B3/B-	5,548,500
	<b>Coal 0.4%</b>		
6,280	James River Coal Co., 9.375%, 6/1/12	Ca/CC	5,840,400
	<b>Commercial Services 1.6%</b>		
13,465	Cenveo Corp., 7.875%, 12/1/13	B3/B	11,546,237
11,060	Hertz Corp., 10.50%, 1/1/16	B2/B	10,562,300
			22,108,537
	<b>Computers 0.6%</b>		
10,325	Unisys Corp., 8.00%, 10/15/12	B2/B+	8,982,750
	<b>Electric 1.9%</b>		
13,275	AES Corp., 9.50%, 6/1/09	B1/B	13,806,000
7,560	Energy Future Holdings Corp., 10.875%, 11/1/17 (a) (b)	B3/CCC+	7,488,936
5,400	Texas Competitive Electric Holdings Co. LLC, 10.25%, 11/1/15 (a) (b)	B3/CCC	5,292,000
			26,586,936
	<b>Electronics 0.9%</b>		
12,170	Stoneridge, Inc., 11.50%, 5/1/12	B2/B	12,535,100
	<b>Financial Services 3.0%</b>		
8,725	AMR Holdings Co., 10.00%, 2/15/15	B1/B-	9,292,125
11,230	E*Trade Financial Corp., 8.00%, 6/15/11	Ba3/B	9,798,175
10,795	Ford Motor Credit Co., 7.00%, 10/1/13	B1/B	8,867,715
9,990	KAR Holdings, Inc., 8.75%, 5/1/14 (a) (b)	B3/CCC	8,991,000
3,655	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	3,856,025
3,770	Residential Capital LLC, 8.375%, 6/30/10	B2/B	2,167,750
			42,972,790
	<b>Healthcare 1.2%</b>		

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6,735	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	6,398,250
9,015	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa1/CCC+	9,127,688
1,350	Psychiatric Solutions, Inc., 7.75%, 7/15/15	B3/B-	1,343,250
			16,869,188
	<b>Home Furnishings 1.0%</b>		
10,830	Central Garden & Pet Co., 9.125%, 2/1/13	Caa1/CCC+	8,826,450
7,120	Jarden Corp., 7.50%, 5/1/17	B3/B-	6,274,500
			15,100,950

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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**  
February 29, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Manufacturing 2.3%</b>			
\$ 13,310	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	\$ 9,915,950
2,155	Park-Ohio Industries, Inc., 8.375%, 11/15/14	B3/B-	1,740,163
9,710	Polypore, Inc., 8.75%, 5/15/12	Caa1/CCC+	9,273,050
12,115	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/CCC+	11,085,225
			32,014,388
<b>Metals &amp; Mining 1.4%</b>			
8,310	PNA Group, Inc., 10.75%, 9/1/16	B3/B-	7,354,350
12,735	RathGibson, Inc., 11.25%, 2/15/14	B3/B-	12,225,600
			19,579,950
<b>Miscellaneous 0.7%</b>			
9,477	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b) (c)	NR/NR	9,785,003
<b>Multi-Media 1.9%</b>			
14,370	CCH I LLC, 11.00%, 10/1/15	Caa2/CCC	10,059,000
8,220	Mediacom LLC, 9.50%, 1/15/13	B3/B-	7,233,600
10,835	Sirius Satellite Radio, Inc., 9.625%, 8/1/13	Caa2/CCC	8,993,050
			26,285,650
<b>Office Furnishings 0.9%</b>			
5,375	Interface, Inc., 9.50%, 2/1/14	B3/B-	5,563,125
6,600	10.375%, 2/1/10	B1/B+	6,930,000
			12,493,125
<b>Paper Products 1.5%</b>			
10,205	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	8,929,375
12,945	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	12,815,550
			21,744,925
<b>Pharmaceuticals 0.1%</b>			
8,530	Leiner Health Products, Inc., 11.00%, 6/1/12	Ca/CC	1,748,650
<b>Pipelines 0.6%</b>			
8,600	Dynegy Holdings, Inc., 7.75%, 6/1/19	B2/B-	8,041,000
<b>Retail 4.8%</b>			
8,250	Bon-Ton Stores, Inc., 10.25%, 3/15/14	Caa1/CCC+	5,568,750
7,550	Burlington Coat Factory Warehouse Corp.,		

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	11.125%, 4/15/14	B3/CCC+	6,153,250
8,405	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa1/CCC	7,858,675
12,825	Michaels Stores, Inc., 10.00%, 11/1/14	B2/CCC	11,269,969
13,355	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B	13,371,694
4,695	R.H. Donnelley, Inc., 8.875%, 1/15/16, Ser. A-3	B3/B	2,817,000
12,785	Rite Aid Corp., 8.625%, 3/1/15	Caa1/CCC+	9,780,525
10,900	Star Gas Partners L.P., 10.25%, 2/15/13, Ser. B	Caa3/CCC	10,954,500
			67,774,363
	<b>Semi-Conductors 0.9%</b>		
3,275	Amkor Technology, Inc., 9.25%, 6/1/16	B1/B	3,199,282
12,405	Freescale Semiconductor, Inc., 10.125%, 12/15/16	B3/B-	8,869,575
			12,068,857
	<b>Software 0.8%</b>		
12,395	First Data Corp., 9.875%, 9/24/15 (a) (b)	B3/B-	10,768,156



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

February 29, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Telecommunications 6.7%</b>			
\$ 9,705	Centennial Cellular Operating Co., 10.125%, 6/15/13	B2/CCC+	\$ 9,850,575
5,195	Centennial Communications Corp., 10.00%, 1/1/13	Caa1/CCC+	5,039,150
6,060	Cricket Communications, Inc., 9.375%, 11/1/14	Caa1/CCC	5,423,700
13,560	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15, Ser. B	Caa1/CCC	10,509,000
9,925	Intelsat Bermuda Ltd., 11.25%, 6/15/16	Caa2/CCC+	9,937,406
13,555	Level 3 Financing, Inc., 12.25%, 3/15/13	Caa1/CCC+	12,673,925
15,700	Millicom International Cellular S.A., 10.00%, 12/1/13	B1/B+	16,838,250
12,680	Nortel Networks Ltd., 10.75%, 7/15/16	B3/B-	11,982,600
14,220	West Corp., 11.00%, 10/15/16	Caa1/B-	11,980,350
			94,234,956
<b>Theaters 0.9%</b>			
12,940	AMC Entertainment, Inc., 11.00%, 2/1/16	B2/CCC+	12,228,300
<b>Travel Services 0.9%</b>			
14,560	Travelport LLC, 11.875%, 9/1/16	Caa1/CCC+	12,376,000
	Total Corporate Bonds & Notes (cost-\$620,973,420)		561,781,411
<b>CONVERTIBLE BONDS &amp; NOTES 10.6%</b>			
<b>Automotive 1.1%</b>			
15,930	Ford Motor Co., 4.25%, 12/15/36	Caa1/CCC+	15,472,013
<b>Commercial Services 0.6%</b>			
9,100	Bowne & Co., Inc., 5.00%, 10/1/33	B2/B-	8,645,000
<b>Computers 1.3%</b>			
17,355	Maxtor Corp., 6.80%, 4/30/10	Ba1/NR	18,851,869
<b>Electric 0.4%</b>			
1,995	PG&E Corp., 9.50%, 6/30/10	NR/NR	5,276,775
<b>Hotels/Gaming 0.2%</b>			
2,365	Mandalay Resort Group, Inc., 5.66%, 3/21/33 (d) (f)	Ba2/BB	3,346,475
<b>Internet 1.1%</b>			
15,055	Amazon.com, Inc., 4.75%, 2/1/09	Ba2/B+	15,581,925
<b>Oil &amp; Gas 1.5%</b>			
12,755	Devon Energy Corp., 4.95%, 8/15/08	Baa1/BBB	20,694,987
<b>Retail 1.5%</b>			

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21,008	Sonic Automotive, Inc., 5.25%, 5/7/09	B2/B	20,692,880
	<b>Telecommunications 2.9%</b>		
20,550	Level 3 Communications, Inc., 6.00%, 3/15/10	Caa3/CCC	17,570,250
18,885	Nextel Communications, Inc., 5.25%, 1/15/10	Baa3/BBB-	17,657,475
5,567	Nortel Networks Corp., 4.25%, 9/1/08	B3/B-	5,532,206
			40,759,931
	Total Convertible Bonds & Notes (cost-\$149,922,541)		149,321,855

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

February 29, 2008

Shares (000)		Value
<b>COMMON STOCK 0.0%</b>		
	<b>Computers 0.0%</b>	
	** Hewlett-Packard Co. (cost-\$6)	\$ 6
<b>U.S. GOVERNMENT SECURITIES 2.8%</b>		
Principal Amount (000)		
\$ 25,435	United States Treasury Notes, 12.00%, 8/15/13	26,593,488
10,775	13.25%, 5/15/14	12,229,636
	Total U.S. Government Securities (cost-\$41,897,897)	38,823,124
<b>SHORT-TERM INVESTMENT 3.5%</b>		
	<b>Time Deposit 3.5%</b>	
49,212	Wachovia London, 2.39%, 3/3/08	49,211,552
	(cost-\$49,211,552)	
	<b>Total Investments</b> (cost-\$1,480,776,749) <b>100.0%</b>	<b>\$ 1,404,659,459</b>

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## Nicholas-Applegate Convertible &amp; Income Fund II Schedule of Investments

February 29, 2008

Shares (000)		Credit Rating (Moody s/S&P)*	Value
<b>CONVERTIBLE PREFERRED STOCK 43.9%</b>			
<b>Agriculture 2.0%</b>			
	Bunge Ltd.,		
122	4.875%, 12/31/49	Ba1/BB	\$ 16,709,238
8	5.125%, 12/1/10	NR/BB	8,280,000
			24,989,238
<b>Automotive 2.2%</b>			
	General Motors Corp.,		
680	5.25%, 3/6/32, Ser. B	Caa1/B-	12,314,800
750	6.25%, 7/15/33, Ser. C	Caa1/B-	14,505,000
			26,819,800
<b>Banking 3.8%</b>			
15	Bank of America Corp., 7.25%, 12/31/49, Ser. L	Aa3/A+	16,539,878
292	Washington Mutual Capital Trust, 5.375%, 5/1/41, Ser. UNIT	Baa3/BBB-	10,230,508
162	Wells Fargo Co., 8.00%, 6/1/08, Ser. AAPL (Apple, Inc.) (e)	Aa1/AA+	19,352,082
			46,122,468
<b>Commercial Services 0.8%</b>			
287	United Rentals, Inc., 6.50%, 8/1/28	B3/B-	9,895,394
<b>Electric 4.2%</b>			
367	AES Trust III, 6.75%, 10/15/29	B3/B-	17,388,690
273	Entergy Corp., 7.625%, 2/17/09	NR/BBB	17,021,550
48	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	17,088,000
			51,498,240
<b>Financial Services 12.1%</b>			
355	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (Genworth Financial, Inc.) (d) (e)	Aa3/AA- A2/A	8,459,624 1,532,300
31	Citigroup, Inc., 6.50%, 12/31/49, Ser. T		
1,101	Eksporthfinans A/S, 13.00%, 11/1/08, Ser. TWX (Time Warner, Inc.) (e)	Aaa/A+	17,222,825
745	Goldman Sachs Group, Inc., 9.75%, 12/19/08, Ser. CSCO (Cisco Systems, Inc.) (e)	Aa3/NR	18,944,255
454	20.00%, 3/6/08, Ser. DISH (Echostar Communications Corp.) (e)	Aa3/NR	14,193,906
253	Lazard Ltd., 6.625%, 5/15/08	Ba1/NR	8,124,070
802	Lehman Brothers Holdings, Inc., 6.00%, 10/12/10, Ser. GIS (General Mills, Inc.) (e)	A1/A+	19,702,099
228	8.50%, 8/25/08, Ser. UTX (United Technologies Corp.) (e)	A1/A+	15,450,745
123	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.) (e)	A1/A+	17,398,860

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	Morgan Stanley,		
32	20.00%, 3/8/08, Ser. GOOG (Google, Inc.) (e)	Aa3/NR	13,342,968
496	20.00%, 3/24/08, Ser. DIS (The Walt Disney Co.) (e)	Aa3/NR	13,567,222
			147,938,874
	<b>Hand/Machine Tools 1.2%</b>		
17	Stanley Works, 5.125%, 5/17/12 (d)	A2/A	14,882,325
	<b>Insurance 3.5%</b>		
526	Metlife, Inc., 6.375%, 8/15/08	NR/BBB+	15,186,950
598	Platinum Underwriters Holdings Ltd., 6.00%, 2/15/09, Ser. A	NR/BB+	18,463,250
635	XL Capital Ltd., 7.00%, 2/15/09	Baa1/A-	9,048,750
			42,698,950

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

February 29, 2008

Shares (000)		Credit Rating (Moody s/S&P)*	Value
	<b>Investment Company 1.7%</b>		
314	Vale Capital Ltd., 5.50%, 6/15/10, Ser. RIO (Companhia Vale do Rio Doce) (e)	NR/NR	\$ 21,172,594
	<b>Metals &amp; Mining 1.8%</b>		
152	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/B+	22,394,543
	<b>Oil &amp; Gas 1.9%</b>		
179	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	23,249,625
	<b>Packaging &amp; Containers 0.7%</b>		
148	Owens-Illinois, Inc., 4.75, 12/31/49	Caa1/B	8,184,260
	<b>Pharmaceuticals 1.1%</b>		
64	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	13,162,012
	<b>Real Estate (REIT) 1.2%</b>		
777	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B2/B-	15,416,502
	<b>Sovereign 3.2%</b>		
459	Svensk Exportkredit AB, 10.00%, 10/20/08, Ser. TEVA (Teva Pharmaceutical Industries Ltd.) (e)	Aa1/AA+	21,171,433
203	12.50%, 12/12/08, Ser. XOM (Exxon Mobil Corp.) (e)	Aa1/AA+	17,486,067
			38,657,500
	<b>Telecommunications 1.4%</b>		
310	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	17,437,500
	<b>Waste Disposal 1.1%</b>		
51	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3/B	13,219,385
	Total Convertible Preferred Stock (cost-\$551,112,625)		537,739,210

**CORPORATE BONDS & NOTES 39.1%**

Principal Amount (000)			
\$ 9,900	<b>Advertising 0.7%</b> Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	9,157,500

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<b>Apparel 0.7%</b>			
3,545	Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	3,536,137
5,160	Oxford Industries, Inc., 8.875%, 6/1/11	B1/B	4,979,400
			8,515,537
<b>Automotive 3.0%</b>			
6,455	Accuride Corp., 8.50%, 2/1/15	B3/B-	5,067,175
3,385	American Axle & Manufacturing, Inc., 7.875%, 3/1/17	Ba3/BB	2,919,562
12,120	Exide Technologies, 10.50%, 3/15/13, Ser. B	Caa1/CCC+	11,271,600
11,040	General Motors Corp., 8.375%, 7/15/33	Caa1/B-	8,500,800
9,260	Goodyear Tire & Rubber Co., 11.00%, 3/1/11	Ba3/B+	9,769,300
			37,528,437
<b>Chemicals 0.4%</b>			
5,255	Momentive Performance Materials, Inc. 9.75%, 12/1/14	B3/B-	4,729,500
<b>Coal 0.4%</b>			
5,580	James River Coal Co., 9.375%, 6/1/12	Ca/CC	5,189,400

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

February 29, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	<b>Commercial Services 1.5%</b>		
\$ 11,580	Cenveo Corp., 7.875%, 12/1/13	B3/B	\$ 9,929,850
9,440	Hertz Corp., 10.50%, 1/1/16	B2/B	9,015,200
			18,945,050
	<b>Computers 0.6%</b>		
8,925	Unisys Corp., 8.00%, 10/15/12	B2/B+	7,764,750
	<b>Electric 1.8%</b>		
10,895	AES Corp., 9.50%, 6/1/09	B1/B	11,330,800
6,440	Energy Future Holdings Corp., 10.875%, 11/1/17 (a) (b)	B3/CCC+	6,379,464
4,600	Texas Competitive Electric Holdings Co. LLC, 10.25%, 11/1/15 (a) (b)	B3/CCC	4,508,000
			22,218,264
	<b>Electronics 0.9%</b>		
10,335	Stoneridge, Inc., 11.50%, 5/1/12	B2/B	10,645,050
	<b>Financial Services 2.9%</b>		
6,755	AMR Holdings Co., 10.00%, 2/15/15	B1/B-	7,194,075
9,345	E*Trade Financial Corp., 8.00%, 6/15/11	Ba3/B	8,153,512
9,205	Ford Motor Credit Co., 7.00%, 10/1/13	B1/B	7,561,585
8,710	KAR Holdings, Inc., 8.75%, 5/1/14 (a) (b)	B3/CCC	7,839,000
3,223	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	3,400,265
3,230	Residential Capital LLC, 8.375%, 6/30/10	B2/B	1,857,250
			36,005,687
	<b>Healthcare 1.1%</b>		
5,865	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	5,571,750
7,985	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa1/CCC+	8,084,813
			13,656,563
	<b>Home Furnishings 1.0%</b>		
9,210	Central Garden & Pet Co., 9.125%, 2/1/13	Caa1/CCC+	7,506,150
6,030	Jarden Corp., 7.50%, 5/1/17	B3/B-	5,313,938
			12,820,088
	<b>Manufacturing 2.2%</b>		
11,265	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	8,392,425
1,845	Park-Ohio Industries, Inc., 8.375%, 11/15/14	B3/B-	1,489,838
8,290	Polypore, Inc., 8.75%, 5/15/12	Caa1/CCC+	7,916,950



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10,385	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/CCC+	9,502,275
			27,301,488
	<b>Metals &amp; Mining 1.4%</b>		
7,090	PNA Group, Inc., 10.75%, 9/1/16	B3/B-	6,274,650
10,875	RathGibson, Inc., 11.25%, 2/15/14	B3/B-	10,440,000
			16,714,650
	<b>Miscellaneous 0.6%</b>		
6,723	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b) (c)	NR/NR	6,941,497