

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II
Form N-CSR
May 08, 2007

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, 2007

Date of reporting period: February 28, 2007

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

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

Item 1. Report to Shareholders

Nicholas-Applegate Convertible & Income Fund

Nicholas-Applegate Convertible & Income Fund II

Annual Report
February 28, 2007

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Nicholas-Applegate Convertible & Income Funds Letter to Shareholders

April 16, 2007

Dear Shareholder:

We are pleased to provide you with the annual report for Nicholas-Applegate Convertible & Income Fund and Nicholas-Applegate Convertible & Income Fund II (collectively, the "Funds") for the fiscal year ended February 28, 2007.

The convertible market finished the twelve-month period ended February 28, 2007 on a positive note, as measured by the Merrill Lynch All-Convertible Index, increasing 11.01% . For the period, the convertible market underperformed both the Dow Jones Industrial Average and the S&P 500 Index, but outperformed the NASDAQ Composite Index. U.S. debt markets, as represented by the Lehman Brothers Aggregate Bond Index, produced positive, though modest, returns during the twelve-month period.

Please review 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.

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Nicholas-Applegate Capital Management, 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

Nicholas-Applegate Convertible & Income Fund Performance & Statistics

February 28, 2007 (unaudited)

- Nicholas-Applegate Convertible & Income Fund had a net asset value (NAV) and market price return of 13.46% and 14.60%, respectively, for the fiscal year ended February 28, 2007. Careful security selection was a key driver of the Fund performance. In the convertible portion of the portfolio, top performers were companies in the consumer discretionary and cyclical categories. In the high-yield portion of the portfolio, performance was attributable to a broad range of sectors with a brisk pace of upgrades fueling relative returns over the reporting period.
- Corporate credit markets generally delivered solid returns for the one-year period ended February 28, 2007. The convertible market finished the period on a positive note, as the Merrill Lynch All-Convertible Corporate Index increased 11.01%. During the same period, this measure of the convertible market slightly lagged the S&P 500, which returned 11.97%. The Merrill Lynch Master II Index, a gauge for the high yield market, returned 3.65%.
- Among high yield bonds, solid market performance was a result of ongoing confidence in the core fundamentals across the issuers in the market. Balance sheets have been healthy. Refinancing over the past three years has generally created lower interest-expense obligations and extended maturities. The default rate remains low and is not expected to change in the near future.
- The new issues calendar for high yield bonds has been significant; in November 2006 the tally for new issues was not only a record \$29 billion, but \$10 billion ahead of the record set in 1998.
- In the high yield portion of the portfolio, we experienced a brisk pace of upgrades in the high yield portion of the portfolio with nine positive rating actions in the fourth quarter of 2006 alone.
- In the convertible market, advancing U.S. equity and debt markets contributed to positive returns. Equities rallied through the period on healthy economic activity, solid corporate profits and the Fed's decision to stop raising interest rates. All sectors posted positive returns in 2006 as companies continued to use strengthened balance sheets to improve shareholder value.
- Investors exhibited a preference for mid- and larger-capitalized convertibles, and convertible securities oriented to total return continued to outperform yield-oriented or busted convertibles.
- Despite a pickup in new issuance of convertible securities toward the end of the period, there was negative net new growth in the convertible market as solid equity market returns and low interest rates continue to drive calls, redemptions and tenders.
- We believe that convertibles remain a compelling investment. The economy is healthy, corporate balance sheets are solid, and defaults are low. The stock market reflects investor confidence in a positive economic outlook. We expect companies to use the high cash levels on their balance sheets and future free cash flow to boost shareholder value. Share buybacks, increased dividends and merger and acquisition activity are possible uses of excess cash issuers may deploy excess cash to fund share buybacks, an increase in dividends as well as merger and acquisition activity. Other catalysts for the equity markets could include such possible events as Fed rate cuts, a cooling of inflation, an expansion of market multiple expansion and healthy corporate profits.

Nicholas-Applegate Convertible & Income Fund Performance & Statistics

February 28, 2007 (unaudited)

Total Return (1) :	Market Price	Net Asset Value (NAV)
1 year	14.60%	13.46%
3 year	13.46%	9.96%
Commencement of Operations (3/31/03) to 2/28/07	15.16%	14.27%
Common Share Market Price/NAV Performance:		
Commencement of Operations (3/31/03) to 2/28/07	Market Price/NAV:	
g Market Price	Market Price	\$16.08
g NAV	NAV	\$14.84
	Premium to NAV	8.36%
	Market Price Yield (2)	9.33%

(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 income dividends and capital gain distributions have been reinvested at prices obtained under the Fund's 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, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is 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 per share dividend to common shareholders by the market price per common share at February 28, 2007.

Nicholas-Applegate Convertible & Income Fund II Performance & Statistics

February 28, 2007 (unaudited)

- Nicholas-Applegate Convertible & Income Fund II had a net asset value (NAV) and market price return of 13.64% and 13.99%, respectively, for the fiscal year ended February 28, 2007. Careful security selection was a key driver of the Fund performance. In the convertible portion of the portfolio, top performers were companies in the consumer discretionary and cyclical categories. In the high-yield portion of the portfolio, performance was attributable to a broad range of sectors with a brisk pace of upgrades fueling relative returns over the reporting period.
- Corporate credit markets generally delivered solid returns for the one-year period ended February 28, 2007. The convertible market finished the period on a positive note, as measured by the Merrill Lynch All-Convertible Corporate Index, increased 11.01%. During the same period, the convertible market slightly lagged the S&P 500, which returned 11.97%. The Merrill Lynch Master II Index, a gauge for the high yield market, returned 3.65%.
- Among high yield bonds, solid market performance was a result of ongoing confidence in the core fundamentals across the issuers in the market. Balance sheets have been healthy. Refinancing over the past three years has generally created lower interest-expense obligations and extended maturities. The default rate remains low and is not expected to change in the near future.
- The new issues calendar for high yield bonds has been significant; in November 2006 the tally for new issues was not only a record \$29 billion, but \$10 billion ahead of the record set in 1998.
- In the high yield portion of the portfolio, we experienced a brisk pace of upgrades in the high yield portion of the portfolio with nine positive rating actions in the fourth quarter of 2006 alone.
- In the convertible market, advancing U.S. equity and debt markets contributed to positive returns. Equities rallied through the period on healthy economic activity, solid corporate profits and the Fed's decision to stop raising interest rates. All sectors posted positive returns in 2006 as companies continued to use strengthened balance sheets to improve shareholder value.
- Investors exhibited a preference for mid- and larger-capitalized convertibles, and convertible securities oriented to total return continued to outperform yield-oriented or busted convertibles.
- Despite a pickup in new issuance of convertible securities toward the end of the period, there was negative net new growth in the convertible market as solid equity market returns and low interest rates continue to drive calls, redemptions and tenders.
- We believe that convertibles remain a compelling investment. The economy is healthy, corporate balance sheets are solid, and defaults are low. The stock market reflects investor confidence in a positive economic outlook. We expect companies to use the high cash levels on their balance sheets and future free cash flow to boost shareholder value. Share buybacks, increased dividends and merger and acquisition activity are possible uses of excess cash issuers may deploy excess cash to fund share buybacks, an increase in dividends as well as merger and acquisition activity. Other catalysts for the equity markets could include such possible events as from Fed rate cuts, a cooling of inflation, an expansion of market multiple expansion and healthy corporate profits.

Nicholas-Applegate Convertible & Income Fund II Performance & Statistics

February 28, 2007 (unaudited)

Total Return (1) :	Market Price	Net Asset Value (NAV)
1 year	13.99%	13.64%
3 year	11.81%	10.32%
Commencement of Operations (7/31/03) to 2/28/07	12.32%	12.74%

Common Share Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (7/31/03) to 2/28/07	Market Price	\$15.42
g Market Price	NAV	\$14.91
g NAV	Premium to NAV	3.42%
	Market Price Yield (2)	9.00%

(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 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 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 per share dividend to common shareholders by the market price per common share at February 28, 2007.

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2007

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CORPORATE BONDS & NOTES 40.5%			
Advertising 0.7%			
\$ 10,700	Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	\$ 11,609,500
Apparel 1.0%			
2,000	Levi Strauss & Co., 9.75%, 1/15/15	B2/B	2,210,000
12,990	12.25%, 12/15/12	B2/B	14,337,713
			16,547,713
Automotive 1.7%			
5,395	Exide Technologies, 10.50%, 3/15/13	Caa1/CC	5,462,438
10,180	General Motors Corp., 8.375%, 7/15/33	Caa1/B-	9,441,950
10,890	Goodyear Tire & Rubber Co., 11.25%, 3/1/11	B2	12,006,225
			26,910,613
Chemicals 1.8%			
8,090	Georgia Gulf Corp., 10.75%, 10/15/16 (a)	B2/B	7,928,200
4,703	Huntsman LLC, 11.625%, 10/15/10	Ba3/BB-	5,102,755
5,115	Lyondell Chemical Co., 10.875%, 5/1/09	B2/B	5,178,938
5,435	1.125%, 7/15/12	Ba2/BB	5,815,450
5,125	PolyOne Corp., 10.625%, 5/15/10	B2/B+	5,426,094
			29,451,437
Coal 0.4%			
7,090	James River Coal Co., 9.375%, 6/1/12	Caa3/CCC-	6,097,400
Commercial Services 2.0%			
11,785	Cenveo Corp., 7.875%, 12/1/13	B3/B-	11,578,762
9,715	Hertz Corp., 10.50%, 1/1/16	B2/B	11,075,100
9,250	Vertrue, Inc., 9.25%, 4/1/14	Ba3/B	9,943,750
			32,597,612
Computers 0.5%			
8,515	Unisys Corp., 8.00%, 10/15/12	B2/B+	8,600,150
Electric 2.6%			
13,025	AES Corp., 9.50%, 6/1/09	B1/B	13,839,062
12,750	Mission Energy Holdings Co., 13.50%, 7/15/08	B2/B	13,913,438
12,630	PSEG Energy Holdings LLC, 10.00%, 10/1/09	Ba3/BB-	13,782,488
			41,534,988
Electronics 1.3%			
8,375	IMAX Corp., 9.625%, 12/1/10	Caa1/B-	8,008,594
12,170	Stoneridge, Inc., 11.50%, 5/1/12	B2/B	12,915,412
			20,924,006
Financial Services 3.0%			
11,080	Alamosa Delaware, Inc., 11.00%, 7/31/10	Baa3/BBB	11,883,776
8,185	AMR Holdings Co., 10.00%, 2/15/15	B3/B-	9,044,425
10,795	Ford Motor Credit Co., 7.00%, 10/1/13	B1/B	10,355,568

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3,655	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	3,919,987
11,865	Sally Holdings LLC, 10.50%, 11/15/16 (a)	Caa1/CCC+	12,280,275
			47,484,031

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Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2007

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Food Products [0.8%		
\$ 12,805	Pilgrim's Pride Corp., 9.625%, 9/15/11	B1/B	\$ 13,413,237
	Healthcare [1.0%		
7,275	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	7,074,938
8,475	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa2/CCC+	9,068,250
			16,143,188
	Home Builders [0.8%		
12,160	William Lyon Homes, Inc., 10.75%, 4/1/13	B3/B	12,129,600
	Home Furnishings [0.7%		
11,370	Central Garden & Pet Co., 9.125%, 2/1/13	B2/B	11,824,800
	Machinery [0.9%		
12,940	Case New Holland, Inc., 9.25%, 8/1/11	Ba3/BB	13,651,700
	Manufacturing [0.5%		
6,875	Clarke American Corp., 11.75%, 12/15/13	B3/B-	7,906,250
	Metals & Mining [2.4%		
7,710	AK Steel Corp., 7.875%, 2/15/09	B2/B+	7,690,725
11,665	Freeport-McMoRan Copper & Gold, Inc., 10.125%, 2/1/10	Ba2/BB+	12,160,763
8,310	PNA Group, Inc., 10.75%, 9/1/16 (a)	B3/B-	8,933,250
8,090	RathGibson, Inc., 11.25%, 2/15/14	B3/B-	8,656,300
			37,441,038
	Miscellaneous [0.6%		
9,477	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b)	NR/NR	10,235,161
	Multi-Media [2.1%		
12,870	CCH I LLC, 11.00%, 10/1/15	Caa2/CCC-	13,449,150
8,190	Lodgenet Entertainment Corp., 9.50%, 6/15/13	B3/B-	8,783,775
10,835	Sirius Satellite Radio, Inc., 9.625%, 8/1/13	Caa1/CCC	10,997,525
			33,230,450
	Office Furnishings [0.8%		
	Interface, Inc.,		
5,375	9.50%, 2/1/14	B3/CCC+	5,791,562
6,490	10.375%, 2/1/10	B1/B	7,187,675
			12,979,237
	Packaging & Containers [0.7%		
10,785	Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/1/11	B3/CCC+	11,148,994
	Paper Products [1.3%		
5,096	Buckeye Technologies, Inc., 9.25%, 9/15/08	Caa1/B	5,096,000
1,785	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	1,731,450
12,945	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	14,110,050
			20,937,500
	Pharmaceuticals [0.5%		
7,180	Leiner Health Products, Inc., 11.00%, 6/1/12	Caa1/CCC	7,610,800
	Pipelines [0.9%		
13,330	Sonat, Inc., 7.625%, 7/15/11	Ba3/B	14,263,100

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2007

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
Retail 4.7%			
\$ 14,420	Bon-Ton Stores, Inc., 10.25%, 3/15/14	B3/B-	\$ 15,285,200
5,420	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa1/CCC+	6,016,200
9,705	Michaels Stores, Inc., 10.00%, 11/1/14 (a)	B2/CCC	10,384,350
6,290	Mothers Work, Inc., 11.25%, 8/1/10	B3/B	6,604,500
9,710	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B-	10,875,200
10,000	R.H. Donnelley, Inc., 10.875%, 12/15/12	B2/B	10,850,000
2,700	Rite Aid Corp., 8.625%, 3/1/15	Caa2/B-	2,625,750
10,900	Star Gas Partners L.P., 10.25%, 2/15/13, Ser. B	Caa3/CCC	11,608,500
			74,249,700
Semi-Conductors 0.8%			
12,405	Freescale Semiconductor, Inc., 10.125%, 12/15/16 (a)	B2/B	12,699,619
Telecommunications 5.0%			
8,475	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15, Ser. B	B3/CCC+	9,513,187
12,400	Intelsat Bermuda Ltd, 11.25%, 6/15/16 (a)	Caa1/B	14,043,000
12,805	Level 3 Financing, Inc., 12.25%, 3/15/13	B3/CCC+	14,949,837
13,800	Millicom International Cellular S.A., 10.00%, 12/1/13	B2/B-	15,145,500
12,680	Nortel Networks Ltd, 10.75%, 7/15/16 (a)	B3/B-	14,138,200
11,100	West Corp., 11.00%, 10/15/16 (a)	Caa1/B-	12,015,750
			79,805,474
Travel Services 1.0%			
14,560	TDS Investor Corp., 11.875%, 9/1/16 (a)	Caa1/B-	16,125,200
	Total Corporate Bonds & Notes (cost-\$617,779,232)		647,552,498
CONVERTIBLE PREFERRED STOCK 35.9%			
Shares			
(000)			
Agriculture 1.2%			
165	Bunge Ltd, 4.875%, 12/31/49	Ba1	18,571,863
Automotive 2.9%			
511	Ford Motor Co., Capital Trust II, 6.50%, 1/15/32	Caa2/CCC-	18,849,368
785	General Motors Corp., 5.25%, 3/6/32, Ser. B	Caa1/B-	16,665,550
450	6.25%, 7/15/33	Caa1/B-	10,458,000
			45,972,918
Banking 1.0%			
289	Washington Mutual Capital Trust, 5.375%, 5/1/41, Ser. UNIT	A3	16,106,639
Commercial Services 0.9%			
305	United Rentals, Inc., 6.50%, 8/1/28	B3	15,011,991
Electric 4.7%			
445	AES Trust III, 6.75%, 10/15/29	B3	21,629,430
342	Entergy Corp., 7.625%, 2/17/09	NR/BBB	21,124,544

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110 NRG Energy, Inc., 5.75%, 3/16/09

B2

33,377,719

76,131,693

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Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2007

Shares (000)		Credit Rating (Moody's/S&P)*	Value
Financial Services [13.7%			
560	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (c)	Aa1 /AA	\$ 18,586,400
585	E*Trade Financial Corp., 6.125%, 11/18/08	Ba3 /NR	17,623,125
	Goldman Sachs Group, Inc.,		
684	12.00%, 12/12/07, Ser. CSCO (Cisco Systems, Inc.) (d)	NR/NR	17,442,807
794	20.00%, 12/31/07 (Time Warner, Inc.) (d)	NR/NR	15,832,791
450	20.00%, 3/6/08 (EchoStar Communications Corp.) (d)	Aa3 /NR	18,447,480
325	Lazard Ltd, 6.625%, 5/15/08	Ba1 /NR	14,528,272
	Lehman Brothers Holdings, Inc.,		
610	6.25%, 10/15/07, Ser. GIS (General Mills, Inc.) (d)	A1 /A+	16,628,600
261	20.00%, 8/15/07, Ser. UTX (United Technologies Corp.) (d)	A1 /A+	15,394,857
434	20.00%, 2/24/08 (Hewlett-Packard Co.) (d)	A1 /A+	17,566,470
	Morgan Stanley,		
540	20.00%, 6/2/07 (The Walt Disney Co.) (d)	Aa3 /A+	15,792,300
243	20.00%, 12/15/07 (Exxon Mobil Corp.) (d)	Aa3 /A+	16,915,779
517	20.00%, 1/31/08 (AT&T, Inc.) (d)	Aa3 /A+	18,511,026
36	20.00%, 3/8/08 (Google, Inc.) (d)	NR/NR	16,316,478
			219,586,385
Insurance [5.0%			
425	Genworth Financial, Inc., 6.00%, 5/16/07	A2 /A	16,018,250
614	Metlife, Inc., 6.375%, 8/15/08	NR/BBB+	19,623,186
687	Platinum Underwriters Holdings Ltd, 6.00%, 2/15/09, Ser. A	NR/BB+	21,297,000
967	XL Capital Ltd, 6.50%, 5/15/07	A3 /A-	22,674,090
			79,612,526
Oil & Gas [1.3%			
203	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	21,758,450
Pharmaceuticals [1.1%			
306	Schering-Plough Corp., 6.00%, 9/14/07	Baa3/BBB	17,016,426
Real Estate [1.1%			
677	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A, REIT	B2 /B-	17,173,800
Retail [0.7%			
7	Blockbuster, Inc., 7.50%, 12/31/49	NR/NR	10,937,500
Telecommunications [1.2%			
330	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	18,892,500
Waste Disposal [1.1%			
51	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3 /B	17,250,675
	Total Convertible Preferred Stock (cost-\$557,112,738)		574,023,366

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2007

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CONVERTIBLE BONDS & NOTES 16.3%			
Banking 1.0%			
\$ 16,000	UBS AG Jersey Branch, 22.00%, 8/15/07 (a)	NR/NR	\$ 15,720,000
Commercial Services 3.0%			
9,100	Bowne & Co., Inc., 5.00%, 10/1/33	B2 /B-	9,586,850
13,440	Memberworks, Inc., 5.50%, 10/1/10	NR/B-	17,337,600
20,614	Quebecor World USA, Inc., 6.00%, 10/1/07	Caa1/B-	20,510,930
			47,435,380
Computers 1.1%			
16,400	Maxtor Corp., 6.80%, 4/30/10	Ba1 /NR	18,532,000
Electric 1.3%			
6,075	PG&E Corp., 9.50%, 6/30/10	NR/NR	20,366,438
Oil & Gas 1.2%			
14,100	Devon Energy Corp., 4.95%, 8/15/08	Baa2/BBB	18,594,375
Retail 1.3%			
21,008	Sonic Automotive, Inc., 5.25%, 5/7/09	B2 /B	20,692,880
Semi-Conductors 1.0%			
4,363	Amkor Technology, Inc., 5.00%, 3/15/07, Ser. AMKR	NR/CCC	4,379,361
12,250	Fairchild Semiconductor Corp., 5.00%, 11/1/08	NR/B	12,173,438
			16,552,799
Telecommunications 6.4%			
15,900	CenturyTel, Inc., 4.75%, 8/1/32	Baa2/BBB	18,287,385
3,200	Ciena Corp., 3.75%, 2/1/08	B2 /B	3,144,000
20,550	Level 3 Communications, Inc., 6.00%, 3/15/10	Caa3/CCC	19,650,937
24,600	Lucent Technologies, Inc., 8.00%, 8/1/31	B2 /B	24,846,000
20,500	Nextel Communications, Inc., 5.25%, 1/15/10	Baa3/BBB	20,448,750
16,845	Nortel Networks Corp., 4.25%, 9/1/08	B3 /B-	16,529,156
			102,906,228
	Total Convertible Bonds & Notes (cost-\$250,772,731)		260,800,100
U.S. GOVERNMENT SECURITIES 3.3%			
	United States Treasury Notes,		
33,890	10.375%, 11/15/12		35,127,798
16,275	12.00%, 8/15/13		17,939,379
	Total U.S. Government Securities (cost-\$56,233,703)		53,067,177
SHORT-TERM INVESTMENTS 4.0%			
Corporate Bonds & Notes 0.7%			
Hotels/Gaming 0.7%			
10,500	Mandalay Resort Group, Inc., 10.25%, 8/1/07, Ser. B (cost-\$10,640,779)	B1 /B+	10,683,750
Time Deposit 3.3%			

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53,419	Bank of America □ London, 4.64%, 3/1/07 (cost-\$53,418,533)	53,418,533
	Total Short-Term Investments (cost-\$64,059,312)	64,102,283
	Total Investments (cost-\$1,545,957,716) □ 100.0%	\$ 1,599,545,424

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

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Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CORPORATE BONDS & NOTES 39.2%			
Advertising 0.7%			
\$ 9,150	Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	\$ 9,927,750
Apparel 1.0%			
2,000	Levi Strauss & Co., 9.75%, 1/15/15	B2/B	2,210,000
11,010	12.25%, 12/15/12	B2/B	12,152,288
			14,362,288
Automotive 1.6%			
4,605	Exide Technologies, 10.50%, 3/15/13	Caa1/CC	4,662,563
8,735	General Motors Corp., 8.375%, 7/15/33	Caa1/B-	8,101,713
9,260	Goodyear Tire & Rubber Co., 11.25%, 3/1/11	B2/B-	10,209,150
			22,973,426
Chemicals 1.8%			
6,910	Georgia Gulf Corp., 10.75%, 10/15/16 (a)	B2/B	6,771,800
3,998	Huntsman LLC, 11.625%, 10/15/10	Ba3/BB-	4,337,830
4,315	Lyondell Chemical Co., 10.875%, 5/1/09	B2/B	4,368,937
4,565	11.125%, 7/15/12	Ba2/BB	4,884,550
4,765	PolyOne Corp., 10.625%, 5/15/10	B2/B+	5,044,944
			25,408,061
Coal 0.4%			
6,270	James River Coal Co., 9.375%, 6/1/12	Caa3/CCC-	5,392,200
Commercial Services 2.0%			
10,090	Cenveo Corp., 7.875%, 12/1/13	B3/B-	9,913,425
8,285	Hertz Corp., 10.50%, 1/1/16 (a)	B2/B	9,444,900
8,280	Vertrue, Inc., 9.25%, 4/1/14	Ba3/B	8,901,000
			28,259,325
Computers 0.5%			
7,235	Unisys Corp., 8.00%, 10/15/12	B2/B+	7,307,350
Electric 2.4%			
10,645	AES Corp., 9.50%, 6/1/09	B1/B	11,310,312
10,250	Mission Energy Holdings Co., 13.50%, 7/15/08	B2/B	11,185,313
10,570	PSEG Energy Holdings LLC, 10.00%, 10/1/09	Ba3/BB-	11,534,512
			34,030,137
Electronics 1.3%			
7,505	IMAX Corp., 9.625%, 12/1/10	Caa1/B-	7,176,656
10,335	Stoneridge, Inc., 11.50%, 5/1/12	B2/B	10,968,019
			18,144,675
Financial Services 2.8%			
9,400	Alamosa Delaware, Inc., 11.00%, 7/31/10	Baa3/BBB	10,081,904
6,295	AMR Holdings Co., 10.00%, 2/15/15	B3/B-	6,955,975
9,205	Ford Motor Credit Co., 7.00%, 10/1/13	B1/B	8,830,292

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3,223	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	3,456,667
10,135	Sally Holdings LLC, 10.50%, 11/15/16 (a)	Caa1/CCC+	10,489,725
			39,814,563

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Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

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Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Food Products 0.8%		
\$ 10,815	Pilgrim's Pride Corp., 9.625%, 9/15/11	B1/B	\$ 11,328,713
	Healthcare 1.0%		
6,325	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	6,151,062
7,525	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa2/CCC+	8,051,750
			14,202,812
	Home Builders 0.7%		
10,260	William Lyon Homes, Inc., 10.75%, 4/1/13	B3/B	10,234,350
	Home Furnishings 0.7%		
9,670	Central Garden & Pet Co., 9.125%, 2/1/13	B2/B	10,056,800
	Machinery 0.8%		
10,730	Case New Holland, Inc., 9.25%, 8/1/11	Ba3/BB	11,320,150
	Manufacturing 0.5%		
5,825	Clarke American Corp., 11.75%, 12/15/13	B3/B-	6,698,750
	Metals & Mining 2.3%		
6,490	AK Steel Corp., 7.875%, 2/15/09	B2/B+	6,473,775
9,835	Freeport-McMoRan Copper & Gold, Inc., 10.125%, 2/1/10	Ba2/BB+	10,252,988
7,090	PNA Group, Inc., 10.75%, 9/1/16 (a)	B3/B-	7,621,750
6,910	RathGibson, Inc., 11.25%, 2/15/14	B3/B-	7,393,700
			31,742,213
	Miscellaneous 0.5%		
6,723	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b)	NR/NR	7,260,839
	Multi-Media 2.1%		
12,291	CCH I LLC, 11.00%, 10/1/15	Caa2/CCC-	12,844,095
6,985	Lodgenet Entertainment Corp., 9.50%, 6/15/13	B3/B-	7,491,412
9,165	Sirius Satellite Radio, Inc., 9.625%, 8/1/13	Caa1/CCC	9,302,475
			29,637,982
	Office Furnishings 0.8%		
	Interface, Inc.,		
4,625	9.50%, 2/1/14	B3/CCC+	4,983,438
5,625	10.375%, 2/1/10	B1/B	6,229,688
			11,213,126
	Packaging & Containers 0.7%		
9,215	Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/1/11	B3/CCC+	9,526,006
	Paper Products 1.1%		
4,013	Buckeye Technologies, Inc., 9.25%, 9/15/08	Caa1/B	4,013,000
11,055	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	12,049,950
			16,062,950
	Pharmaceuticals 0.5%		
6,085	Leiner Health Products, Inc., 11.00%, 6/1/12	Caa1/CCC	6,450,100
	Pipelines 0.9%		
12,240	Sonat, Inc., 7.625%, 7/15/11	Ba3/B	13,096,800

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

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Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
Retail 4.6%			
\$ 12,160	Bon-Ton Stores, Inc., 10.25%, 3/15/14	B3/B-	\$ 12,889,600
4,580	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa1/CCC+	5,083,800
8,295	Michaels Stores, Inc., 10.00%, 11/1/14 (a)	B2/CCC	8,875,650
5,221	Mothers Work, Inc., 11.25%, 8/1/10	B3/B	5,482,050
8,290	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B-	9,284,800
10,000	R.H. Donnelley, Inc., 10.875%, 12/15/12	B2/B	10,850,000
2,300	Rite Aid Corp., 8.625%, 3/1/15	Caa2/B-	2,236,750
9,190	Star Gas Partners L.P., 10.25%, 2/15/13, Ser. B	Caa3/CCC	9,787,350
			64,490,000
Semi-Conductors 0.8%			
10,595	Freescale Semiconductor, Inc., 10.125%, 12/15/16 (a)	B2/B	10,846,631
Telecommunications 4.9%			
7,225	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15, Ser. B	B3/CCC+	8,110,063
10,600	Intelsat Bermuda Ltd, 11.25%, 6/15/16 (a)	Caa1/B	12,004,500
10,948	Level 3 Financing, Inc., 12.25%, 3/15/13	B3/CCC+	12,781,790
12,350	Millicom International Cellular S.A., 10.00%, 12/1/13	B2/B-	13,554,125
10,820	Nortel Networks Ltd, 10.75%, 7/15/16 (a)	B3/B-	12,064,300
9,475	West Corp., 11.00%, 10/15/16 (a)	Caa1/B-	10,256,687
			68,771,465
Travel Services 1.0%			
12,440	TDS Investor Corp., 11.875%, 9/1/16 (a)	Caa1/B-	13,777,300
	Total Corporate Bonds & Notes (cost-\$529,533,786)		552,336,762
CONVERTIBLE PREFERRED STOCK 35.3%			
Shares			
(000)			
Agriculture 1.2%			
148	Bunge Ltd, 4.875%, 12/31/49	Ba1/BB	16,679,763
Automotive 2.3%			
483	Ford Motor Co., Capital Trust II, 6.50%, 1/15/32	Caa2/CCC-	17,809,352
680	General Motors Corp., 5.25%, 3/6/32, Ser. B	Caa1/B-	14,436,400
			32,245,752
Banking 1.0%			
263	Washington Mutual Capital Trust, 5.375%, 5/3/41, Ser. UNIT	A3/BBB	14,629,125
Commercial Services 1.0%			
287	United Rentals, Inc., 6.50%, 8/1/28	B3/B-	14,126,033
Electric 3.7%			
350	AES Trust III, 6.75%, 10/15/29	B3/B	16,992,990
278	Entergy Corp., 7.625%, 2/17/09	NR/BBB	17,191,520
58	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	17,639,250
			51,823,760

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

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Shares (000)		Credit Rating (Moody's/S&P)*	Value
Financial Services [14.2%			
490	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (c)	Aa1/AA	\$ 16,263,100
522	E*Trade Financial Corp., 6.125%, 11/18/08	Ba3/NR	15,738,806
	Goldman Sachs Group, Inc.,		
616	12.00%, 12/12/07, Ser. CSCO (Cisco Systems, Inc.) (d)	NR/NR	15,690,624
716	20.00%, 12/31/07 (Time Warner, Inc.) (d)	NR/NR	14,275,859
404	20.00%, 3/6/08 (EchoStar Communications Corp.) (d)	Aa3/NR	16,578,313
292	Lazard Ltd, 6.625%, 5/15/08	Ba1/NR	13,058,418
	Lehman Brothers Holdings, Inc.,		
650	6.25%, 10/15/07, Ser. GIS (General Mills, Inc.) (d)	A1/A+	17,719,000
235	20.00%, 8/15/07, Ser. UTX (United Technologies Corp.) (d)	A1/A+	13,865,603
390	20.00%, 2/24/08 (Hewlett-Packard Co.) (d)	A1/A+	15,789,938
	Morgan Stanley,		
492	20.00%, 6/2/07 (The Walt Disney) (d)	Aa3/A+	14,391,464
219	20.00%, 12/15/07 (Exxon Mobil Corp.) (d)	Aa3/A+	15,230,283
465	20.00%, 1/31/08 (AT&T, Inc.) (d)	Aa3/A+	16,651,118
32	20.00%, 3/8/08 (Google, Inc.) (d)	NR/NR	14,644,152
			199,896,678
Insurance [5.4%			
508	Genworth Financial, Inc., 6.00%, 5/16/07	A2/A	19,127,675
526	Metlife, Inc., 6.375%, 8/15/08	NR/BBB+	16,800,235
598	Platinum Underwriters Holdings Ltd, 6.00%, 2/15/09, Ser. A	NR/BB+	18,538,000
897	XL Capital Ltd, 6.50%, 5/15/07	A3/A-	21,031,890
			75,497,800
Oil & Gas [1.0%			
138	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	14,744,600
Pharmaceuticals [1.2%			
304	Schering-Plough Corp., 6.00%, 9/14/07	Baa3/BBB	16,945,948
Real Estate [1.1%			
606	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A, REIT	B2/B-	15,364,563
Retail [0.7%			
7	Blockbuster, Inc., 7.50%, 12/31/49	NR/NR	10,546,875
Telecommunications [1.3%			
310	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	17,747,500
Waste Disposal [1.2%			
51	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3/B	17,182,625
	Total Convertible Preferred Stock (cost-\$482,455,707)		497,431,022

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Principal