

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II
Form N-CSRS
November 08, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSRS

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, 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 29, 2008

Date of reporting period: August 31, 2007

Form N-CSRS 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-CSRS 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-CSRS 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 Nicholas-Applegate Convertible & Income Fund II

Semi-Annual Report
August 31, 2007

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Nicholas-Applegate Convertible & Income Funds Letter to Shareholders

October 16, 2007

Dear Shareholder:

We are pleased to provide you with the semiannual reports of the Nicholas-Applegate Convertible & Income Fund and Nicholas-Applegate Convertible & Income Fund II (collectively, the "Funds") for the six-month period ended August 31, 2007.

The convertible market finished the reporting period on a positive note, as measured by the Merrill Lynch All-Convertible Index, increasing 2.04%. However, the convertible market underperformed broad equity measures, including the Dow Jones Industrial Average and the S&P 500 Index, which returned 10.06% and 5.70%, respectively, for the six-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 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

Nicholas-Applegate Convertible & Income Fund Fund Insights

August 31, 2007 (unaudited)

- For the six-months ended August 31, 2007, Nicholas-Applegate Convertible & Income Fund returned 0.77% on net asset value (NAV) and (10.01)% on market price.
- The market experienced volatility during the period. Oil prices rose throughout the second quarter and the housing market continued to be weak as subprime fears resurfaced. In July, several events converged to create a significant sell-off in the markets. Mortgage delinquencies 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 obligations (CDOs) which, in turn, dried up demand for loans. The lack of demand for loans ultimately put pressure on bond and stock prices.
- The July sell-off resulted in a far higher average spread for bonds. While uncertainty of the financial crisis affected stocks during August, the high yield market actually rebounded and produced a positive return for the month.
- Industry performance was mixed during the period. The materials, energy and industrials sectors gained the most. Issuers in the technology and healthcare industries also performed well as strong emerging market demand and better-than-expected corporate profits drove returns. The consumer discretionary, financial and media industries sectors underperformed as the credit crisis hindered financial results.
- Convertible new issuance was robust during the second quarter of 2007, with 62 deals raising \$28.1 billion. However, new issuance slowed during subsequent months.
- Security selection was the key driver in the Fund's absolute and relative performance during the six months. Top performers were those companies that improved operating statistics and exceeded earnings expectations. The Fund did not stray from its total return discipline, focusing on convertible securities which capture 70-80% of the upside and 40-50% of the downside.
- Avoiding weaker credits certainly paid off in the high yield market, but it was the rebound of good credit as well as strategic purchases and trading during the sharpest downticks that produced the greatest outperformance.

Nicholas-Applegate Convertible & Income Fund Performance & Statistics

August 31, 2007 (unaudited)

Total Return⁽¹⁾ :	Market Price	Net Asset Value (NAV)
6 months	(10.01)%	0.77%
1 year	(3.97)%	10.25%
3 year	8.45%	10.69%
Commencement of Operations (3/31/03) to 8/31/07	10.65%	12.74%

Common Share Market Price/NAV Performance:

Commencement of Operations (3/31/03) to 8/31/07

g Market Price

g NAV

Market Price/NAV:

Market Price

NAV

Discount to NAV

Market Price Yield⁽²⁾

\$13.77

\$14.22

(3.16)%

10.89%

(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. 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 August 31, 2007.

Nicholas-Applegate Convertible & Income Fund II Fund Insights

August 31, 2007 (unaudited)

- For the six-months ended August 31, 2007, Nicholas-Applegate Convertible & Income Fund II returned 0.53% on net asset value (NAV) and (6.28)% on market price.
- The market experienced volatility during the period. Oil prices rose throughout the second quarter and the housing market continued to be weak as subprime fears resurfaced. In July, several events converged to create a significant sell-off in the markets. Mortgage delinquencies 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 obligations (CDOs) which, in turn, dried up demand for loans. The lack of demand for loans ultimately put pressure on bond and stock prices.
- The July sell-off resulted in a far higher average spread for bonds. While uncertainty of the financial crisis affected stocks during August, the high yield market actually rebounded and produced a positive return for the month.
- Industry performance was mixed during the period. The materials, energy and industrials sectors gained the most. Issuers in the technology and healthcare industries also performed well as strong emerging market demand and better-than-expected corporate profits drove returns. The consumer discretionary, financial and media industries sectors underperformed as the credit crisis hindered financial results.
- Convertible new issuance was robust during the second quarter of 2007, with 62 deals raising \$28.1 billion. However, new issuance slowed during subsequent months.
- Security selection was the key driver in the Fund's absolute and relative performance. Top performers were those companies that improved operating statistics and exceeded earnings expectations. The Fund did not stray from its total return discipline, focusing on convertible securities which capture 70-80% of the upside and 40-50% of the downside.
- Avoiding weaker credits certainly paid off in the high yield market, but it was the rebound of good credit as well as strategic purchases and trading during the sharpest downticks that produced the greatest outperformance.

Nicholas-Applegate Convertible & Income Fund II Performance & Statistics

August 31, 2007 (unaudited)

Total Return⁽¹⁾ :	Market Price	Net Asset Value (NAV)
6 months	(6.28)%	0.53%
1 year	(0.57)%	10.07%
3 year	8.98%	11.20%
Commencement of Operations (7/31/03) to 8/31/07	8.97%	11.23%

Common Share Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (7/31/03) to 8/31/07	Market Price	\$13.80
g Market Price	NAV	\$14.31
g NAV	Discount to NAV	(3.56)%
	Market Price Yield ⁽²⁾	10.33%

(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 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 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 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 August 31, 2007.

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

August 31, 2007 (unaudited)

Shares (000)		Credit Rating (Moody's/S&P)	Value
CONVERTIBLE PREFERRED STOCK 41.9%			
Agriculture 1.3%			
165	Bunge Ltd, 4.875%, 12/31/49	Ba1/BB	\$ 19,705,550
Automotive 1.6%			
785	General Motors Corp., 5.25%, 3/6/32, Ser. B	Caa1/B-	14,977,800
450	6.25%, 7/15/33, Ser. C	Caa1/B-	9,580,500
			24,558,300
Banking 2.4%			
280	Washington Mutual Capital Trust, 5.375%, 5/1/41, Ser. UNIT	A3/BBB	13,689,073
185	Wells Fargo Co., 8.00%, 6/1/08, Ser. AAPL (Apple, Inc.) (d)	Aa1/AA+	22,535,064
			36,224,137
Commercial Services 1.0%			
305	United Rentals, Inc., 6.50%, 8/1/28	B3/B-	14,669,077
Electric 4.3%			
435	AES Trust III, 6.75%, 10/15/29	B3/B	20,817,143
342	Entergy Corp., 7.625%, 2/17/09	NR/BBB	21,872,648
68	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	23,051,250
			65,741,041
Financial Services 14.4%			
560	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (c)	Aa1/AA	15,674,400
585	E*Trade Financial Corp., 6.125%, 11/18/08	Ba3/NR	12,358,125
684	Goldman Sachs Group, Inc., 12.00%, 12/12/07, Ser. CSCO (Cisco Systems, Inc.) (d)	Aa3/NR	19,201,458
1060	20.00%, 12/31/07, Ser. TWX (Time Warner, Inc.) (d)	Aa3/NR	17,919,408
450	20.00%, 3/6/08, Ser. DISH (EchoStar Communications Corp.) (d)	Aa3/NR	16,856,250
281	Lazard Ltd, 6.625%, 5/15/08	Ba1/NR	9,799,472
810	Lehman Brothers Holdings, Inc., 6.25%, 10/15/07, Ser. GIS (General Mills, Inc.) (d)	A1/A+	21,100,500
255	20.00%, 8/15/07, Ser. UTX (United Technologies Corp.) (d)	A1/A+	18,474,077
483	20.00%, 2/24/08, Ser. HPQ (Hewlett-Packard Co.) (d)	A1/A+	20,562,560
243	Morgan Stanley, 20.00%, 12/15/07, Ser. XOM (Exxon Mobil Corp.) (d)	Aa3/AA-	17,487,711
517	20.00%, 1/31/08, Ser. T (AT&T, Inc.) (d)	Aa3/AA-	17,792,202
36	20.00%, 3/8/08, Ser. GOOG (Google, Inc.) (d)	Aa3/NR	16,227,672
560	20.00%, 3/24/08, Ser. DIS (The Walt Disney Co.) (d)	Aa3/NR	17,298,688
			220,752,523
Hand/Machine Tools 1.2%			
18	Stanley Works, 7.145%, 5/17/12 (c)	A2/A	18,877,950
Insurance 5.2%			
15	Fortis Insurance NV, 7.75%, 1/26/08 (a)	Aa3/A+	19,476,733
614	Metlife, Inc., 6.375%, 8/15/08	NR/BBB+	19,617,048
687	Platinum Underwriters Holdings Ltd, 6.00%, 2/15/09, Ser. A	NR/BB+	22,327,500
707	XL Capital Ltd, 7.00%, 2/15/09	A3/A-	18,989,662

80,410,943

Investment Company 1.4%

413 Vale Capital Ltd., 5.50%, 6/15/10, Ser. RIO (Companhia
Vale do Rio Doce) (d)

NR/NR

21,470,800

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

August 31, 2007 (unaudited)

Shares (000)		Credit Rating (Moody's/S&P)	Value
	Metals & Mining 1.4%		
169	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/B+	\$ 22,346,470
	Oil & Gas 1.4%		
203	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	21,199,237
	Packaging & Containers 0.5%		
166	Owens-Illinois, Inc. 4.75%, 12/31/49	Caa1/B-	7,360,445
	Pharmaceuticals 1.9%		
	Schering-Plough Corp.,		
306	6.00%, 9/14/07	Baa3/BBB	20,608,002
33	6.00%, 8/13/10	Baa3/BBB	8,632,000
			29,240,002
	Real Estate (REIT) 1.1%		
677	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B2/B-	17,004,600
	Retail 0.4%		
6	Blockbuster, Inc., 7.50%, 12/31/49	NR/NR	6,527,137
	Telecommunications 1.2%		
330	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	18,562,500
	Waste Disposal 1.2%		
57	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3/B	18,812,425
	Total Convertible Preferred Stock (cost-\$640,751,814)		643,463,137

CORPORATE BONDS & NOTES 39.5%

Principal Amount (000)			
	Advertising 0.7%		
\$10,700	Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	10,753,500
	Apparel 1.1%		
	Levi Strauss & Co.,		
3,000	9.75%, 1/15/15	B2/B+	3,120,000
12,990	12.25%, 12/15/12	B2/B+	13,931,775
			17,051,775
	Automotive 2.5%		
3,615	American Axle & Manufacturing, Inc., 7.875%, 3/1/17	Ba3/BB	3,398,100
13,215	Exide Technologies, 10.50%, 3/15/13, Ser. B	Caa1/CCC	12,818,550
12,875	General Motors Corp., 8.375%, 7/15/33	Caa1/B-	10,396,562
10,890	Goodyear Tire & Rubber Co., 11.00%, 3/1/11	Ba3/B+	11,720,363
			38,333,575
	Chemicals 1.3%		
13,210	Georgia Gulf Corp., 10.75%, 10/15/16	B3/B-	11,889,000
7,403	Huntsman LLC, 11.625%, 10/15/10	Ba1/BB+	7,865,687
			19,754,687
	Coal 0.4%		
8,165	James River Coal Co., 9.375%, 6/1/12	Ca/CC	5,858,388

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

August 31, 2007 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
	Commercial Services 1.6%		
\$12,965	Cenveo Corp., 7.875%, 12/1/13	B3/B-	\$ 11,927,800
11,060	Hertz Corp., 10.50%, 1/1/16	B2/B	12,000,100
			23,927,900
	Computers 0.6%		
9,325	Unisys Corp., 8.00%, 10/15/12	B2/B+	8,765,500
	Electric 1.8%		
13,025	AES Corp., 9.50%, 6/1/09	B1/B	13,513,437
12,630	PSEG Energy Holdings LLC, 10.00%, 10/1/09	Ba3/BB-	13,461,736
			26,975,173
	Electronics 0.8%		
12,170	Stoneridge, Inc., 11.50%, 5/1/12	B2/B	12,535,100
	Financial Services 1.9%		
8,185	AMR Holdings Co., 10.00%, 2/15/15	B3/B-	8,717,025
2,695	E*Trade Financial Corp., 8.00%, 6/15/11	Ba2/BB-	2,587,200
10,795	Ford Motor Credit Co., 7.00%, 10/1/13	B1/B	9,625,103
5,010	KAR Holdings, Inc., 8.75%, 5/1/14 (a)	B3/CCC	4,534,050
3,655	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	3,856,025
			29,319,403
	Food Products 0.9%		
12,805	Pilgrim's Pride Corp., 9.625%, 9/15/11	B1/B	13,231,791
	Healthcare 1.1%		
6,735	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	6,465,600
9,015	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa1/CCC+	9,262,912
1,350	Psychiatric Solutions, Inc., 7.75%, 7/15/15	B3/B-	1,329,750
			17,058,262
	Home Builders 0.6%		
12,160	William Lyon Homes, Inc., 10.75%, 4/1/13	Caa1/B	9,788,800
	Home Furnishings 0.7%		
11,370	Central Garden & Pet Co., 9.125%, 2/1/13	B3/B	11,057,325
	Manufacturing 1.5%		
13,310	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	11,979,000
11,865	Sally Holdings LLC, 10.50%, 11/15/16 (a)	Caa1/CCC+	11,390,400
			23,369,400
	Metals & Mining 1.1%		
8,310	PNA Group, Inc., 10.75%, 9/1/16 (a)	B3/B-	8,611,238
8,090	RathGibson, Inc., 11.25%, 2/15/14	B3/B-	8,140,562
			16,751,800
	Miscellaneous 0.6%		
9,477	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b)	NR/NR	9,856,081
	Multi-Media 1.7%		
14,370	CCH I LLC, 11.00%, 10/1/15	Caa2/CCC	14,154,450
1,900	Idearc, Inc., 8.00%, 11/15/16	B2/B+	1,885,750
10,835	Sirius Satellite Radio, Inc., 9.625%, 8/1/13	Caa2/CCC	10,293,250

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

August 31, 2007 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
	Office Furnishings 0.8%		
	Interface, Inc.,		
\$5,375	9.50%, 2/1/14	B3/CCC+	\$ 5,590,000
6,600	10.375%, 2/1/10	B1/B	6,864,000
			12,454,000
	Paper Products 1.2%		
4,704	Buckeye Technologies, Inc., 9.25%, 9/15/08	B3/B	4,727,520
12,945	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	13,592,250
			18,319,770
	Pharmaceuticals 0.5%		
8,530	Leiner Health Products, Inc., 11.00%, 6/1/12	Caa3/CCC	7,463,750
	Pipelines 0.5%		
8,485	Dynegy Holdings, Inc., 7.75%, 6/1/19 (a)	B2/B-	7,891,050
	Retail 7.0%		
13,640	Bon-Ton Stores, Inc., 10.25%, 3/15/14	B3/B-	12,480,600
12,400	Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/14	B3/CCC+	11,346,000
13,475	Claire's Stores, Inc., 10.50%, 6/1/17 (a)	Caa2/CCC+	10,038,875
8,405	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa1/CCC+	8,615,125
12,825	Michaels Stores, Inc., 10.00%, 11/1/14 (a)	B2/CCC	12,921,187
13,355	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B-	14,423,400
13,350	R.H. Donnelley, Inc., 10.875%, 12/15/12	B2/B	14,184,375
12,840	Rite Aid Corp., 8.625%, 3/1/15	Caa1/CCC+	11,331,300
10,900	Star Gas Partners L.P., 10.25%, 2/15/13, Ser. B	Caa3/CCC	11,445,000
			106,785,862
	Semi-Conductors 0.7%		
12,405	Freescale Semiconductor, Inc., 10.125%, 12/15/16	B2/B	10,854,375
	Telecommunications 6.2%		
4,315	Centennial Cellular Operating Co., 10.125%, 6/15/13	B2/CCC+	4,541,538
5,195	Centennial Communications Corp., 10.00%, 1/1/13	Caa1/CCC+	5,454,750
13,560	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15, Ser. B	Caa1/CCC	14,441,400
12,400	Intelsat Bermuda Ltd, 11.25%, 6/15/16	Caa1/B-	13,035,500
12,805	Level 3 Financing, Inc., 12.25%, 3/15/13	B3/CCC+	14,021,475
15,700	Millicom International Cellular S.A., 10.00%, 12/1/13	B2/B+	16,642,000
12,680	Nortel Networks Ltd, 10.75%, 7/15/16 (a)	B3/B-	13,218,900
14,220	West Corp., 11.00%, 10/15/16	Caa1/B-	14,504,400
			95,859,963
	Theaters 0.7%		
10,785	AMC Entertainment, Inc., 11.00%, 2/1/16	B2/CCC+	11,270,325