

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND
Form N-CSR
April 29, 2010

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 811-21284

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

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

NY 10105
(Zip code)

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

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

Date of fiscal year: February 28, 2010

Date of reporting period: February 28, 2010

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, 100 F Street, NE, Washington, DC 20549-2001. 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

Annual Report
February 28, 2010

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Nicholas-Applegate Convertible & Income Funds Letter to Shareholders

April 15, 2010

Dear Shareholder:

Please find enclosed the annual reports for the Nicholas-Applegate Convertible & Income Fund and Nicholas-Applegate Convertible & Income Fund II (collectively, the Funds) for the fiscal year ended February 28, 2010.

Global stocks and convertible bonds advanced during the period, which began only weeks ahead of the market's rebound from a 16-month bear market. During the fiscal period, investors displayed confidence in improving liquidity and economic conditions, increasing their portfolios exposures to riskier assets and reducing exposure to lower-yielding government bonds. In this environment, the Merrill Lynch All Convertibles All Qualities Index, an unmanaged index generally representative of the convertible securities market, returned 54.42% its best 12-month return in more than a decade. The S&P 500 Index, an unmanaged index that is generally representative of the U.S. stock market, advanced 53.62%, its best 12-month return since July 1982. In contrast, the Barclays Capital U.S. Treasury Bond Index returned 1.83% for the twelve months ended February 28, 2010.

For specific information on the Funds and their performance, please review the following pages. 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) 254-5197. In addition, a wide range of information and resources is available on our website, www.allianzinvestors.com/closedendfunds.

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

We remain dedicated to serving your financial needs.

Sincerely,

Hans W. Kertess
Chairman

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

February 28, 2010 (unaudited)

For the fiscal year ended February 28, 2010, Nicholas-Applegate Convertible & Income Fund returned 111.98% on net asset value (NAV) and 166.37% on market price.

For the fiscal year ended February 28, 2010, Nicholas-Applegate Convertible & Income Fund II returned 115.57% NAV and 174.62% on market price.

In 2008, convertible and high yield investors endured the worst-performing year in history. For the 12-month period ended February 28, 2010 both the Convertible and High Yield markets experienced one of their best performing periods in history. The Merrill Lynch All Convertibles All Qualities Index returned 54.42% while the Merrill Lynch High Yield Master II Index returned 57.56% during this period.

Risks associated with the financial industry and corporate viability in late 2008 and early 2009 failed to materialize. The economy, as measured by many government statistics, turned positive during the fiscal year.

In addition to broad economic statistics and technical factors such as access to capital, corporate profits took center stage during the period and quarterly-earnings reports were generally better than expected for the last two quarters of 2009.

Leading performing industries during the fiscal year included airlines, materials and automotives, technology and industrials. In general, bonds of all quality ratings within these industries experienced a rally. CCC-rated issuers were the highest-performing rating subgroup in high yield.

New issuance of convertibles picked up during the last quarter of 2009, but was still below expectations. In 2009, \$37.2 billion was raised in the convertible new issuance market. For high yield, the trend was more, more and more. For 2009, 408 issues priced, raising more than \$180 billion.

Both Funds performance benefited from overweight positions in industrials, materials, and financials during the reporting period. Copper-related companies and regional banks also performed particularly well.

Despite positive performance in technology and energy, the Funds underweighted positions in these industries adversely impacted performance.

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Nicholas-Applegate Convertible & Income Fund Performance & Statistics

February 28, 2010 (unaudited)

Total Return⁽¹⁾:	Market Price	Net Asset Value (NAV)
1 Year	166.37%	111.98%
5 Year	3.00%	1.33%
Commencement of Operations (3/31/03) to 2/28/10	6.42%	6.09%

Market Price/NAV Performance:

Commencement of Operations (3/31/03) to 2/28/10

Market Price
NAV

Market Price/NAV:

Market Price	\$ 9.39
NAV	\$ 8.80
Premium to NAV	6.70%
Market Price Yield ⁽²⁾	11.50%

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

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, 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.

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/demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes 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 traded in the open market on a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at February 28, 2010.

Nicholas-Applegate Convertible & Income Fund II Performance & Statistics

February 28, 2010 (unaudited)

Total Return⁽¹⁾:	Market Price	Net Asset Value (NAV)
1 Year	174.62%	115.57%
5 Year	2.98%	(0.08)%
Commencement of Operations (7/31/03) to 2/28/10	4.57%	3.76%

Market Price/NAV Performance:

Commencement of Operations (7/31/03) to 2/28/10

Market Price
NAV

Market Price/NAV:

Market Price	\$ 8.76
NAV	\$ 8.02
Premium to NAV	9.23%
Market Price Yield ⁽²⁾	11.64%

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

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, 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.

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/demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes 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 traded in the open market on a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at February 28, 2010.

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
CORPORATE BONDS & NOTES 48.6%			
Advertising 1.0%			
\$ 9,410	Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	\$ 9,645,250
Aerospace & Defense 0.9%			
1,730	BE Aerospace, Inc., 8.50%, 7/1/18	Ba3/BB	1,816,500
6,305	DigitalGlobe, Inc., 10.50%, 5/1/14 (a) (b)	Ba3/BB	6,809,400
			8,625,900
Airlines 0.6%			
6,250	United Airlines, Inc., 12.00%, 11/1/13 (a) (b)	Caa2/CCC	6,093,750
Apparel 1.1%			
10,695	Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	11,203,012
Auto Components 2.8%			
9,910	Exide Technologies, 10.50%, 3/15/13, Ser. B	B3/B-	9,687,025
11,305	Stoneridge, Inc., 11.50%, 5/1/12	B3/B+	11,474,575
6,063	Tenneco, Inc., 8.625%, 11/15/14	Caa2/CCC+	5,987,212
			27,148,812
Banks 0.6%			
6,456	GMAC LLC, 6.75%, 12/1/14	B3/B	6,230,040
Commercial Services & Supplies 2.4%			
5,610	Cenveo Corp., 7.875%, 12/1/13	Caa1/B-	5,357,550
11,810	Hertz Corp., 10.50%, 1/1/16	B3/CCC+	12,282,400
5,200	National Money Mart Co., 10.375%, 12/15/16 (a) (b)	B2/B+	5,447,000
			23,086,950
Construction & Engineering 1.1%			
10,835	MasTec, Inc., 7.625%, 2/1/17	B1/B+	10,469,319
Distribution/Wholesale 0.9%			

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2,210	Intcomex, Inc., 13.25%, 12/15/14 (a) (b)	B3/B-	2,204,475
7,055	KAR Holdings, Inc., 8.75%, 5/1/14	B3/CCC+	7,160,825
			9,365,300
Diversified Financial Services 2.0%			
	Ford Motor Credit Co. LLC,		
10,795	7.00%, 10/1/13	B3/B-	10,639,919
5,280	9.875%, 8/10/11	B3/B-	5,540,652
3,995	International Lease Finance Corp., 6.375%, 3/25/13	B1/BB+	3,520,965
			19,701,536
Diversified Telecommunication 0.9%			
9,150	Cincinnati Bell, Inc., 8.375%, 1/15/14	B2/B-	9,264,375
Electric 0.6%			
7,415	Energy Future Holdings Corp., 10.875%, 11/1/17 (c)	Caa3/B-	5,653,937
Electrical Components & Equipment 0.8%			
6,645	Anixter, Inc., 10.00%, 3/15/14	Ba2/BB+	7,375,950
Electrical Equipment 0.4%			
3,430	Baldor Electric Co., 8.625%, 2/15/17	B3/B	3,532,900
Entertainment 1.2%			
11,300	AMC Entertainment, Inc., 11.00%, 2/1/16	Caa1/CCC+	12,175,750

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	Food & Staples Retailing 0.8%		
\$ 9,655	Rite Aid Corp., 8.625%, 3/1/15	Caa3/CCC	\$ 8,158,475
	Health Care Providers & Services 4.0%		
6,700	Alliance HealthCare Services, Inc., 8.00%, 12/1/16 (a) (b)	B3/B	6,247,750
12,725	AMR Holdings Co., Inc., 10.00%, 2/15/15	Ba3/B+	13,393,062
3,500	Apria Healthcare Group, Inc., 11.25%, 11/1/14 (a) (b)	Ba2/BB+	3,788,750
7,515	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	B3/B-	8,003,475
7,715	HCA, Inc., 9.25%, 11/15/16	B2/BB-	8,206,831
			39,639,868
	Home Builders 0.9%		
8,000	K Hovnanian Enterprises, Inc., 10.625%, 10/15/16	B1/CCC+	8,400,000
	Hotels, Restaurants & Leisure 1.2%		
2,385	Mandalay Resort Group, 1.003%, 3/21/33, FRN (e) (f)	Caa2/CCC+	2,575,929
9,405	MGM Mirage, 11.375%, 3/1/18 (a) (b)	Caa2/CCC+	8,746,650
700	Royal Caribbean Cruises Ltd., 11.875%, 7/15/15	Ba3/BB-	796,250
			12,118,829
	Household Durables 0.4%		
3,950	Jarden Corp., 7.50%, 5/1/17	B3/B	3,989,500
	Independent Power Producers & Energy Traders 0.2%		
1,860	NRG Energy, Inc., 8.50%, 6/15/19	B1/BB-	1,866,975
	Internet Software & Services 0.8%		
7,200	Terremark Worldwide, Inc., 12.00%, 6/15/17 (a) (b)	B2/B-	7,938,000
	IT Services 1.3%		
3,295	Stream Global Services, Inc., 11.25%, 10/1/14 (a) (b)	B1/B+	3,381,494
4,704	Unisys Corp. (a) (b), 12.75%, 10/15/14	Ba3/BB-	5,456,640
3,349	14.25%, 9/15/15	Ba3/BB-	3,968,565

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			12,806,699
	Leisure Time 1.9%		
9,025	NCL Corp., Ltd., 11.75%, 11/15/16 (a) (b)	B3/B+	9,408,563
8,855	Travelport LLC, 11.875%, 9/1/16	Caa1/CCC	9,275,613
			18,684,176
	Media 1.4%		
5,975	McClatchy Co., 11.50%, 2/15/17 (a) (b)	B1/B-	5,855,500
8,240	Media General, Inc., 11.75%, 2/15/17 (a) (b)	B2/B	8,034,000
			13,889,500
	Miscellaneous Manufacturing 2.0%		
11,000	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	10,092,500
9,210	Polypore, Inc., 8.75%, 5/15/12	B3/B-	9,233,025
			19,325,525
	Oil, Gas & Consumable Fuels 2.0%		
1,155	Chesapeake Energy Corp., 6.875%, 1/15/16	Ba3/BB	1,142,006
10,180	OPTI Canada, Inc., 8.25%, 12/15/14	Caa3/B	9,111,100
8,750	SandRidge Energy, Inc., 9.875%, 5/15/16 (a) (b)	B3/B+	9,078,125
			19,331,231

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Paper & Forest Products 1.7%			
\$ 2,041	Louisiana-Pacific Corp., 13.00%, 3/15/17	Ba3/BBB-	\$ 2,229,792
11,705	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	10,841,756
	NewPage Corp.,		
825	11.375%, 12/31/14	B2/CCC+	792,000
8,530	12.00%, 5/1/13	Caa3/CCC-	3,284,050
			17,147,598
Pipelines 0.7%			
9,100	Dynegy Holdings, Inc., 7.75%, 6/1/19	B3/B	7,189,000
Real Estate 0.3%			
2,250	CB Richard Ellis Services, Inc., 11.625%, 6/15/17	Ba3/B+	2,491,875
Retail 2.2%			
8,405	El Pollo Loco, Inc., 11.75%, 11/15/13	Caa2/CCC	7,564,500
1,870	GameStop Corp., 8.00%, 10/1/12	Ba1/BB+	1,935,450
6,630	Neiman Marcus Group, Inc., 10.375%, 10/15/15	Caa3/CCC+	6,630,000
5,115	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/B-	5,536,988
			21,666,938
Semiconductors & Semiconductor Equipment 2.1%			
11,565	Amkor Technology, Inc., 9.25%, 6/1/16	B2/B+	11,998,687
8,540	Freescale Semiconductor, Inc., 10.125%, 3/15/18 (a) (b)	B2/B-	8,668,100
			20,666,787
Software 0.9%			
9,890	First Data Corp., 9.875%, 9/24/15	Caa1/B-	8,604,300
Telecommunications 3.8%			
13,540	Hawaiian Telcom Communications, Inc.,		
	12.50%, 5/1/15, Ser. B (f)	WR/NR	1,354
8,300	Hughes Network Systems LLC, 9.50%, 4/15/14	B1/B	8,528,250
6,895	Intelsat Jackson Holdings Ltd., 9.50%, 6/15/16	B3/B+	7,274,225

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8,220	Nextel Communications, Inc., 7.375%, 8/1/15	Ba2/BB	7,624,050
5,090	NII Capital Corp., 8.875%, 12/15/19 (a) (b)	B1/BB-	5,229,975
5,385	Sprint Capital Corp., 8.75%, 3/15/32	Ba3/BB	4,779,188
3,980	West Corp., 11.00%, 10/15/16	Caa1/B-	4,009,850
			37,446,892
	Textiles Apparel & Luxury Goods 0.7%		
6,020	Oxford Industries, Inc., 11.375%, 7/15/15	B1/BB-	6,712,300
	Wireless Telecommunication Services 2.0%		
4,550	Crown Castle International Corp., 9.00%, 1/15/15	B1/B-	4,936,750
14,200	Millicom International Cellular S.A., 10.00%, 12/1/13	B1/NR	14,803,500
			19,740,250
	Total Corporate Bonds & Notes (cost-\$478,773,059)		477,387,499

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Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2010

Shares (000)		Credit Rating (Moody s/S&P)*	Value
CONVERTIBLE PREFERRED STOCK 26.8%			
Airlines 0.2%			
74	Continental Airlines Finance Trust II, 6.00%, 11/15/30	Caa1/CCC	\$ 2,033,416
Capital Markets 0.5%			
892	Lehman Brothers Holdings, Inc. (d) (e) (f), 6.00%, 10/12/10, Ser. GIS (General Mills, Inc.)	WR/NR	2,869,882
139	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.)	WR/NR	1,889,980
			4,759,862
Commercial Banks 1.9%			
44	Fifth Third Bancorp, 8.50%, 6/30/13, Ser. G (h)	Ba1/BB	5,886,800
13	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (h)	Ba1/A-	12,436,650
			18,323,450
Commercial Services & Supplies 1.3%			
212	Avery Dennison Corp., 7.875%, 11/15/20	NR/BB+	7,956,348
162	United Rentals, Inc., 6.50%, 8/1/28	Caa2/CCC	4,536,336
			12,492,684
Consumer Finance 0.9%			
15	SLM Corp., 7.25%, 12/15/10	Ba3/BB-	8,797,509
Diversified Financial Services 8.8%			
14	Bank of America Corp., 7.25%, 1/30/13, Ser. L (h)	Ba3/BB	12,632,400
204	10.00%, 2/3/11 (Gilead Sciences Inc.) (d)	A2/A	9,585,935
145	10.00%, 2/24/11 (Schlumberger Ltd.) (d)	A2/A	9,116,746
95	Citigroup, Inc., 7.50%, 12/15/12	NR/NR	10,213,833
370	Credit Suisse Securities USA LLC (d), 10.00%, 9/1/10 (Bristol-Myers Squibb Co.)	Aa2/A	8,311,383
272	10.00%, 9/9/10 (Merck & Co., Inc.)	Aa2/A	8,871,009
857	10.00%, 1/22/11 (Ford Motor Co.)	Aa2/A	9,809,400
566	JP Morgan Chase & Co. (d), 10.00%, 1/14/11 (EMC Corp.)	Aa3/A+	9,784,541

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496	10.00%, 1/20/11 (Symantec Corp.)	Aa3/A+	8,474,231
			86,799,478
	Electric Utilities 0.4%		
77	FPL Group, Inc., 8.375%, 6/1/12	NR/NR	3,806,800
	Food Products 1.7%		
192	Archer-Daniels-Midland Co., 6.25%, 6/1/11	NR/BBB+	7,971,808
	Bunge Ltd.,		
88	4.875%, 12/1/11 (h)	Ba1/BB	7,651,081
2	5.125%, 12/1/10	NR/BB	1,380,000
			17,002,889
	Household Durables 2.1%		
259	Newell Financial Trust I, 5.25%, 4/19/10	WR/BB	9,674,874
12	Stanley Works, 5.125%, 5/17/12, FRN	A3/BBB+	11,327,610
			21,002,484

Nicholas-Applegate Convertible & Income Fund Schedule of Investments

February 28, 2010

Shares (000)		Credit Rating (Moody's/S&P)*	Value
	Insurance 1.4%		
48	Assured Guaranty Ltd., 8.50%, 6/1/12	NR/NR	\$ 4,188,946
339	XL Capital Ltd., 10.75%, 8/15/11	Baa2/BBB-	9,369,680
			13,558,626
	Media 0.3%		
4	Interpublic Group of Cos Inc., 5.25%, 10/15/10 (h)	NR/CCC+	3,183,250
	Metals & Mining 0.8%		
71	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/BB	7,603,488
	Multi-Utilities 1.1%		
240	AES Trust III, 6.75%, 10/15/29	B3/B	11,057,220
	Oil, Gas & Consumable Fuels 1.7%		
55	ATP Oil & Gas Corp., 8.00%, 10/1/14 (a) (b) (h)	NR/NR	5,849,062
119	Chesapeake Energy Corp., 5.00%, 11/15/10 (h)	NR/B	10,672,875
			16,521,937
	Pharmaceuticals 1.1%		
26	Merck & Co., Inc., 6.00%, 8/13/10	A2/A-	6,627,600
3	Mylan, Inc., 6.50%, 11/15/10	NR/B	3,993,327
			10,620,927
	Real Estate Investment Trust 2.6%		
511	Alexandria Real Estate Equities, Inc., 7.00%, 4/20/13 (h)	NR/NR	11,018,863
377	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A (g)	Caa3/C	4,900,350
149	Simon Property Group, Inc., 6.00%, 4/14/10, Ser. I (h)	Baa1/BBB	9,904,230
			25,823,443
	Total Convertible Preferred Stock (cost-\$287,662,065)		263,387,463

CONVERTIBLE BONDS & NOTES 24.1%

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Principal
Amount
(000)

		Aerospace & Defense 0.8%		
\$	7,535	Orbital Sciences Corp., 2.438%, 1/15/27	NR/BB-	7,638,606
		Banks 0.8%		
	7,805	National City Corp., 4.00%, 2/1/11	A3/A	7,970,856
		Commercial Services & Supplies 0.9%		
	510	Bowne & Co., Inc., 6.00%, 10/1/33 (c)	B3/CCC+	505,538
	8,630	Covanta Holding Corp., 1.00%, 2/1/27	Ba3/B	7,885,663
				8,391,201
		Computers 1.1%		
	8,405	Maxtor Corp., 2.375%, 8/15/12	NR/B	10,590,300
		Diversified Telecommunication Services 0.6%		
	5,640	tw telecom, Inc., 2.375%, 4/1/26	B3/B-	5,943,150
		Electrical Equipment 2.1%		
	9,690	EnerSys, 3.375%, 6/1/38 (c)	B2/BB	8,793,675
	3,210	General Cable Corp., 0.875%, 11/15/13	Ba3/B+	2,696,400
	11,380	JA Solar Holdings Co., Ltd., 4.50%, 5/15/13	NR/NR	9,345,825
				20,835,900

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Nicholas-Applegate Convertible & Income Fund Schedule of Investments

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Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	Electronic Equipment, Instruments & Components 0.7%		
\$ 7,055	Anixter International, Inc., 1.00%, 2/15/13	NR/BB-	\$ 6,428,869
	Energy Equipment & Services 1.8%		
10,155	Nabors Industries, Inc., 0.94%, 5/15/11	NR/BBB+	10,078,837
7,690	Transocean, Inc., 1.625%, 12/15/37	Baa2/BBB+	7,670,775
			17,749,612
	Health Care Equipment & Supplies 0.5%		
4,625	Inverness Medical Innovations, Inc., 3.00%, 5/15/16	NR/B-	5,139,531
	Health Care Providers & Services 0.2%		
2,840	Omnicare, Inc., 3.25%, 12/15/35, Ser. OCR	B3/B+	2,286,200
	Internet Software & Services 0.8%		
7,670	Equinix, Inc., 2.50%, 4/15/12	NR/B-	8,082,263
	IT Services 0.9%		
9,135	Alliance Data Systems Corp., 1.75%, 8/1/13	NR/NR	8,495,550
	Machinery 0.9%		
8,565	AGCO Corp., 1.25%, 12/15/36	NR/BB	9,164,550
	Media 2.6%		
7,480	Interpublic Group of Cos. Inc., 4.25%, 3/15/23	Ba3/B+	7,638,950
8,080	Liberty Media LLC, 3.125%, 3/30/23	B1/BB-	8,302,200
9,220	Regal Entertainment Group, 6.25%, 3/15/11 (a) (b)	NR/NR	9,450,500
			25,391,650
	Oil, Gas & Consumable Fuels 0.8%		
7,600	Peabody Energy Corp., 4.75%, 12/15/41	Ba3/B+	7,828,000
	Pharmaceuticals 0.8%		
6,920	Mylan, Inc., 1.25%, 3/15/12	NR/BB-	7,369,800

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Real Estate Investment Trust 4.0%			
8,150	Boston Properties LP, 3.75%, 5/15/36	NR/A-	8,353,750
8,090	Developers Diversified Realty Corp., 3.00%, 3/15/12	NR/BB	7,695,613
6,500	Digital Realty Trust LP, 5.50%, 4/15/29 (a) (b)	NR/NR	8,527,188
6,900	Health Care REIT, Inc., 4.75%, 12/1/26	Baa2/BBB-	7,486,500
7,685	ProLogis, 2.25%, 4/1/37	NR/BBB-	7,271,931
			39,334,982
Semiconductors & Semiconductor Equipment 2.3%			
16,715	Advanced Micro Devices, Inc., 5.75%, 8/15/12	NR/B-	16,610,531
6,010	ON Semiconductor Corp., zero coupon, 4/15/24	NR/B+	6,032,538
			22,643,069
Software 1.5%			
6,450	Macrovision Corp., 2.625%, 8/15/11	NR/B	8,159,250
6,715	Nuance Communications, Inc., 2.75%, 8/15/27	NR/B-	6,899,663
			15,058,913
	Total Convertible Bonds & Notes (cost-\$195,543,818)		236,343,002
SHORT-TERM INVESTMENT 0.5%			
Time Deposit 0.5%			
5,234	Wells Fargo- Grand Cayman, 0.03%, 3/1/10 (cost-\$5,234,437)		5,234,437
	Total Investments (cost-\$967,213,379) 100.0%		\$ 982,352,401

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
CORPORATE BONDS & NOTES 48.5%			
Advertising 0.9%			
\$ 6,940	Affinion Group, Inc., 11.50%, 10/15/15	Caa1/B-	\$ 7,113,500
Aerospace & Defense 0.7%			
620	BE Aerospace, Inc., 8.50%, 7/1/18	Ba3/BB	651,000
4,060	DigitalGlobe, Inc., 10.50%, 5/1/14 (a) (b)	Ba3/BB	4,384,800
			5,035,800
Airlines 0.6%			
4,750	United Airlines, Inc., 12.00%, 11/1/13 (a) (b)	Caa2/CCC	4,631,250
Apparel 1.1%			
7,865	Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	8,238,587
Auto Components 2.9%			
7,405	Exide Technologies, 10.50%, 3/15/13, Ser. B	B3/B-	7,238,387
9,700	Stoneridge, Inc., 11.50%, 5/1/12	B3/B+	9,845,500
4,240	Tenneco, Inc., 8.625%, 11/15/14	Caa2/CCC+	4,187,000
			21,270,887
Banks 0.7%			
5,044	GMAC LLC, 6.75%, 12/1/14	B3/B	4,867,460
Commercial Services & Supplies 2.5%			
4,360	Cenveo Corp., 7.875%, 12/1/13	Caa1/B-	4,163,800
10,040	Hertz Corp., 10.50%, 1/1/16	B3/CCC+	10,441,600
3,925	National Money Mart Co., 10.375%, 12/15/16 (a) (b)	B2/B+	4,111,438
			18,716,838
Construction & Engineering 1.2%			
9,240	MasTec, Inc., 7.625%, 2/1/17	B1/B+	8,928,150

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Distribution/Wholesale 1.0%			
1,650	Intcomex, Inc., 13.25%, 12/15/14 (a) (b)	B3/B-	1,645,875
5,580	KAR Holdings, Inc., 8.75%, 5/1/14	B3/CCC+	5,663,700
			7,309,575
Diversified Financial Services 2.0%			
	Ford Motor Credit Co. LLC,		
9,205	7.00%, 10/1/13	B3/B-	9,072,761
2,720	9.875%, 8/10/11	B3/B-	2,854,276
3,005	International Lease Finance Corp., 6.375%, 3/25/13	B1/BB+	2,648,436
			14,575,473
Diversified Telecommunication 1.1%			
7,850	Cincinnati Bell, Inc., 8.375%, 1/15/14	B2/B-	7,948,125
Electric 0.7%			
6,385	Energy Future Holdings Corp., 10.875%, 11/1/17 (c)	Caa3/B-	4,868,562
Electrical Components & Equipment 0.7%			
4,855	Anixter, Inc., 10.00%, 3/15/14	Ba2/BB+	5,389,050
Electrical Equipment 0.4%			
2,570	Baldor Electric Co., 8.625%, 2/15/17	B3/B	2,647,100
Entertainment 1.3%			
8,700	AMC Entertainment, Inc., 11.00%, 2/1/16	Caa1/CCC+	9,374,250
Food & Staples Retailing 0.8%			
7,090	Rite Aid Corp., 8.625%, 3/1/15	Caa3/CCC	5,991,050

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Health Care Providers & Services 4.1%			
\$ 5,080	Alliance HealthCare Services, Inc., 8.00%, 12/1/16 (a) (b)	B3/B	\$ 4,737,100
10,755	AMR Holdings Co., Inc., 10.00%, 2/15/15	Ba3/B+	11,319,637
2,200	Apria Healthcare Group, Inc., 11.25%, 11/1/14 (a) (b)	Ba2/BB+	2,381,500
5,985	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	B3/B-	6,374,025
5,685	HCA, Inc., 9.25%, 11/15/16	B2/BB-	6,047,419
			30,859,681
Home Builders 0.9%			
6,100	K Hovnanian Enterprises, Inc., 10.625%, 10/15/16	B1/CCC+	6,405,000
Hotels, Restaurants & Leisure 1.3%			
2,143	Mandalay Resort Group, 1.003%, 3/21/33, FRN (e) (f)	Caa2/CCC+	2,314,523
7,195	MGM Mirage, 11.375%, 3/1/18 (a) (b)	Caa2/CCC+	6,691,350
1,000	Royal Caribbean Cruises Ltd., 11.875%, 7/15/15	Ba3/BB-	1,137,500
			10,143,373
Household Durables 0.2%			
1,390	Jarden Corp., 7.50%, 5/1/17	B3/B	1,403,900
Independent Power Producers & Energy Traders 0.2%			
1,140	NRG Energy, Inc., 8.50%, 6/15/19	B1/BB-	1,144,275
Internet Software & Services 0.8%			
5,500	Terremark Worldwide, Inc., 12.00%, 6/15/17 (a) (b)	B2/B-	6,063,750
IT Services 1.4%			
2,505	Stream Global Services, Inc., 11.25%, 10/1/14 (a) (b)	B1/B+	2,570,756
	Unisys Corp. (a) (b),		
4,057	12.75%, 10/15/14	Ba3/BB-	4,706,120
2,975	14.25%, 9/15/15	Ba3/BB-	3,525,375
			10,802,251
Leisure Time 2.0%			
6,720	NCL Corp., Ltd., 11.75%, 11/15/16 (a) (b)	B3/B+	7,005,600
8,145	Travelport LLC, 11.875%, 9/1/16	Caa1/CCC	8,531,888
			15,537,488
Media 1.4%			
4,525	McClatchy Co., 11.50%, 2/15/17 (a) (b)	B1/B-	4,434,500
6,200	Media General, Inc., 11.75%, 2/15/17 (a) (b)	B2/B	6,045,000
			10,479,500
Miscellaneous Manufacturing 2.1%			
8,635	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	7,922,613

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7,790	Polypore, Inc., 8.75%, 5/15/12	B3/B-	7,809,475
			15,732,088
	Oil, Gas & Consumable Fuels 1.8%		
395	Chesapeake Energy Corp., 6.875%, 1/15/16	Ba3/BB	390,556
7,470	OPTI Canada, Inc., 8.25%, 12/15/14	Caa3/B	6,685,650
6,250	SandRidge Energy, Inc., 9.875%, 5/15/16 (a) (b)	B3/B+	6,484,375
			13,560,581

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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
	Paper & Forest Products 1.9%		
\$ 1,509	Louisiana-Pacific Corp., 13.00%, 3/15/17	Ba3/BBB-	\$ 1,648,582
10,030	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	9,290,288
	NewPage Corp.,		
825	11.375%, 12/31/14	B2/CCC+	792,000
6,470	12.00%, 5/1/13	Caa3/CCC-	2,490,950
			14,221,820
	Pipelines 0.9%		
8,900	Dynegy Holdings, Inc., 7.75%, 6/1/19	B3/B	7,031,000
	Real Estate 0.3%		
1,750	CB Richard Ellis Services, Inc., 11.625%, 6/15/17	Ba3/B+	1,938,125
	Retail 1.5%		
2,125	El Pollo Loco, Inc., 11.75%, 11/15/13	Caa2/CCC	1,912,500
1,430	GameStop Corp., 8.00%, 10/1/12	Ba1/BB+	1,480,050
6,665	Neiman Marcus Group, Inc., 10.375%, 10/15/15	Caa3/CCC+	6,665,000
885	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/B-	958,012
			11,015,562
	Semiconductors & Semiconductor Equipment 1.8%		
6,570	Amkor Technology, Inc., 9.25%, 6/1/16	B2/B+	6,816,375
6,460	Freescale Semiconductor, Inc., 10.125%, 3/15/18 (a) (b)	B2/B-	6,556,900
			13,373,275
	Software 0.9%		
8,105	First Data Corp., 9.875%, 9/24/15	Caa1/B-	7,051,350
	Telecommunications 3.8%		
11,640	Hawaiian Telcom Communications, Inc.,		
	12.50%, 5/1/15, Ser. B (f)	WR/NR	1,164
6,300	Hughes Network Systems LLC, 9.50%, 4/15/14	B1/B	6,473,250
5,155	Intelsat Jackson Holdings Ltd., 9.50%, 6/15/16	B3/B+	5,438,525
6,130	Nextel Communications, Inc., 7.375%, 8/1/15	Ba2/BB	5,685,575
3,860	NII Capital Corp., 8.875%, 12/15/19 (a) (b)	B1/BB-	3,966,150
4,615	Sprint Capital Corp., 8.75%, 3/15/32	Ba3/BB	4,095,813
2,770	West Corp., 11.00%, 10/15/16	Caa1/B-	2,790,775
			28,451,252
	Textiles Apparel & Luxury Goods 0.7%		
4,535	Oxford Industries, Inc., 11.375%, 7/15/15	B1/BB-	5,056,525
	Wireless Telecommunication Services 1.9%		

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3,320	Crown Castle International Corp., 9.00%, 1/15/15	B1/B-	3,602,200
10,160	Millicom International Cellular S.A., 10.00%, 12/1/13	B1/NR	10,591,800
			14,194,000
	Total Corporate Bonds & Notes (cost-\$364,200,033)		361,370,453

CONVERTIBLE PREFERRED STOCK 27.0%

Shares
(000)

Airlines 0.2%

58	Continental Airlines Finance Trust II, 6.00%, 11/15/30	Caa1/CCC	1,571,834
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Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

February 28, 2010

Shares (000)		Credit Rating (Moody's/S&P)*	Value
Capital Markets 0.6%			
	Lehman Brothers Holdings, Inc. (d) (e) (f),		
802	6.00%, 10/12/10, Ser. GIS (General Mills, Inc.)	WR/NR	\$ 2,580,029
123	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.)	WR/NR	1,672,561
			4,252,590
Commercial Banks 1.9%			
33	Fifth Third Bancorp, 8.50%, 6/30/13, Ser. G (h)	Ba1/BB	4,389,660
10	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (h)	Ba1/A-	9,863,550
			14,253,210
Commercial Services & Supplies 1.1%			
152	Avery Dennison Corp., 7.875%, 11/15/20	NR/BB+	5,718,960
79	United Rentals, Inc., 6.50%, 8/1/28	Caa2/CCC	2,223,844
			7,942,804
Consumer Finance 0.9%			
11	SLM Corp., 7.25%, 12/15/10	Ba3/BB-	6,792,634
Diversified Financial Services 9.0%			
	Bank of America Corp.,		
11	7.25%, 1/30/13, Ser. L (h)	Ba3/BB	10,100,475
157	10.00%, 2/3/11 (Gilead Sciences Inc.) (d)	A2/A	7,362,110
111	10.00%, 2/24/11 (Schlumberger Ltd.) (d)	A2/A	6,962,451
74	Citigroup, Inc., 7.50%, 12/15/12	NR/NR	7,902,381
	Credit Suisse Securities USA LLC (d),		
287	10.00%, 9/1/10 (Bristol-Myers Squibb Co.)	Aa2/A	6,434,982
210	10.00%, 9/9/10 (Merck & Co., Inc.)	Aa2/A	6,866,730
664	10.00%, 1/22/11 (Ford Motor Co.)	Aa2/A	7,590,840
	JP Morgan Chase & Co. (d),		
438	10.00%, 1/14/11 (EMC Corp.)	Aa3/A+	7,571,145
384	10.00%, 1/20/11 (Symantec Corp.)	Aa3/A+	6,557,526
			67,348,640
Electric Utilities 0.4%			

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59	FPL Group, Inc., 8.375%, 6/1/12	NR/NR	2,921,440
Food Products 1.8%			
148	Archer-Daniels-Midland Co., 6.25%, 6/1/11 Bunge Ltd.,	NR/BBB+	6,169,280
70	4.875%, 12/1/11 (h)	Ba1/BB	6,057,794
2	5.125%, 12/1/10	NR/BB	1,020,000
			13,247,074
Household Durables 2.1%			
201	Newell Financial Trust I, 5.25%, 4/19/10	WR/BB	7,491,705
9	Stanley Works, 5.125%, 5/17/12, FRN	A3/BBB+	8,333,400
			15,825,105
Insurance 1.4%			
38	Assured Guaranty Ltd., 8.50%, 6/1/12	NR/NR	3,335,187
261	XL Capital Ltd., 10.75%, 8/15/11	Baa2/BBB-	7,216,176
			10,551,363
Media 0.3%			
3	Interpublic Group of Cos Inc., 5.25%, 10/15/10 (h)	NR/CCC+	2,497,915

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

February 28, 2010

Shares (000)		Credit Rating (Moody's/S&P)*	Value
Metals & Mining 0.8%			
55	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/BB	\$ 5,891,694
Multi-Utilities 1.2%			
187	AES Trust III, 6.75%, 10/15/29	B3/B	8,607,878
Oil, Gas & Consumable Fuels-1.6%			
35	ATP Oil & Gas Corp., 8.00%, 10/1/14 (a) (b) (h)	NR/NR	3,702,813
93	Chesapeake Energy Corp., 5.00%, 11/15/10 (h)	NR/B	8,354,825
			12,057,638
Pharmaceuticals 1.1%			
21	Merck & Co., Inc., 6.00%, 8/13/10	A2/A-	5,279,400
2	Mylan, Inc., 6.50%, 11/15/10	NR/B	3,091,608
			8,371,008
Real Estate Investment Trust 2.6%			
395	Alexandria Real Estate Equities, Inc., 7.00%, 4/20/13 (h)	NR/NR	8,526,835
246	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A (g)	Caa3/C	3,196,050
115	Simon Property Group, Inc., 6.00%, 4/14/10, Ser. I (h)	Baa1/BBB	7,614,810
			19,337,695
	Total Convertible Preferred Stock (cost-\$221,868,080)		201,470,522

CONVERTIBLE BONDS & NOTES 24.2%

Principal Amount (000)			
Aerospace & Defense 0.8%			
\$ 5,975	Orbital Sciences Corp., 2.438%, 1/15/27	NR/BB-	6,057,156
Banks 0.8%			
6,195	National City Corp., 4.00%, 2/1/11	A3/A	6,326,644

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Commercial Services & Supplies 1.1%			
1,715	Bowne & Co., Inc., 6.00%, 10/1/33 (c)	B3/CCC+	1,699,994
6,855	Covanta Holding Corp., 1.00%, 2/1/27	Ba3/B	6,263,756
			7,963,750
Computers 1.1%			
6,570	Maxtor Corp., 2.375%, 8/15/12	NR/B	8,278,200
Diversified Telecommunication Services 0.5%			
3,305	tw telecom, Inc., 2.375%, 4/1/26	B3/B-	3,482,644
Electrical Equipment 2.0%			
7,555	EnerSys, 3.375%, 6/1/38 (c)	B2/BB	6,856,162
2,780	General Cable Corp., 0.875%, 11/15/13	Ba3/B+	2,335,200
7,055	JA Solar Holdings Co., Ltd., 4.50%, 5/15/13	NR/NR	5,793,919
			14,985,281
Electronic Equipment, Instruments & Components 0.7%			
5,620	Anixter International, Inc., 1.00%, 2/15/13	NR/BB-	5,121,225
Energy Equipment & Services 1.7%			
6,900	Nabors Industries, Inc., 0.94%, 5/15/11	NR/BBB+	6,848,250
6,070	Transocean, Inc., 1.625%, 12/15/37	Baa2/BBB+	6,054,825
			12,903,075

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

February 28, 2010

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	Health Care Equipment & Supplies 0.6%		
\$ 3,795	Inverness Medical Innovations, Inc., 3.00%, 5/15/16	NR/B-	\$ 4,217,194
	Health Care Providers & Services 0.0%		
370	Omnicare, Inc., 3.25%, 12/15/35, Ser. OCR	B3/B+	297,850
	Internet Software & Services 0.9%		
6,130	Equinix, Inc., 2.50%, 4/15/12	NR/B-	6,459,488
	IT Services 0.9%		
7,075	Alliance Data Systems Corp., 1.75%, 8/1/13	NR/NR	6,579,750
	Machinery 1.0%		
6,830	AGCO Corp., 1.25%, 12/15/36	NR/BB	7,308,100
	Media 2.6%		
5,920	Interpublic Group of Cos, Inc., 4.25%, 3/15/23	Ba3/B+	6,045,800
6,420	Liberty Media LLC, 3.125%, 3/30/23	B1/BB-	6,596,550
6,920	Regal Entertainment Group, 6.25%, 3/15/11 (a) (b)	NR/NR	7,093,000
			19,735,350
	Oil, Gas & Consumable Fuels 0.9%		
6,325	Peabody Energy Corp., 4.75%, 12/15/41	Ba3/B+	6,514,750
	Pharmaceuticals 0.8%		
5,595	Mylan, Inc., 1.25%, 3/15/12	NR/BB-	5,958,675
	Real Estate Investment Trust 3.9%		
4,550	Boston Properties LP, 3.75%, 5/15/36	NR/A-	4,663,750
6,275	Developers Diversified Realty Corp., 3.00%, 3/15/12	NR/BB	5,969,094
5,000	Digital Realty Trust LP, 5.50%, 4/15/29 (a) (b)	NR/NR	6,559,375
5,480	Health Care REIT, Inc., 4.75%, 12/1/26	Baa2/BBB-	5,945,800
6,065	ProLogis, 2.25%, 4/1/37	NR/BBB-	5,739,006
			28,877,025

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Semiconductors & Semiconductor Equipment 2.3%

12,500	Advanced Micro Devices, Inc., 5.75%, 8/15/12	NR/B-	12,421,875
4,790	ON Semiconductor Corp., zero coupon, 4/15/24	NR/B+	4,807,962
			17,229,837

Software 1.6%

5,175	Macrovision Corp., 2.625%, 8/15/11	NR/B	6,546,375
5,285	Nuance Communications, Inc., 2.75%, 8/15/27	NR/B-	5,430,338
			11,976,713

Total Convertible Bonds & Notes (cost-\$148,829,763) 180,272,707

SHORT-TERM INVESTMENT 0.3%

Time Deposit 0.3%

2,583	Wells Fargo- Grand Cayman, 0.03%, 3/1/10 (cost-\$2,582,687)		2,582,687
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Total Investments (cost-\$737,480,563) **100.0%** \$ 745,696,369

Nicholas-Applegate Convertible & Income Fund Notes to Schedules

Nicholas-Applegate Convertible & Income Fund II of Investments

February 28, 2010

Notes to Schedules of Investments:

* Unaudited.

- (a) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (b) Private Placement. Restricted as to resale and may not have a readily available market. Securities in Convertible & Income and Convertible & Income II, with an aggregate market value of \$130,183,487 and \$97,297,027, representing 13.3% and 13.0% of total investments, respectively.
- (c) Step Bond: Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (d) Securities exchangeable or convertible into securities of an entity different than the issuer or structured by the issuer to provide exposure to securities of an entity different than the issuer. Such entity is identified in the parenthetical.
- (e) Fair-Valued. Securities in Convertible & Income and Convertible & Income II, with an aggregate value of \$7,335,791 and \$6,567,113, representing 0.7% and 0.9% of total investments, respectively. See Note 1 (a) in Notes to Financial Statements.
- (f) In default.
- (g) Non-income producing.
- (h) Perpetual maturity. Maturity date shown is the first call date.

Glossary:

FRN Floating Rate Note. The interest rate disclosed reflects the rate in effect on February 28, 2010.

NR Not Rated

WR Withdrawn Rating

See accompanying Notes to Financial Statements 2.28.10 | Nicholas-Applegate Convertible & Income Funds Annual Report 17

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

February 28, 2010

	Convertible & Income	Convertible & Income II
Assets:		
Investments, at value (cost \$967,213,379 and \$737,480,563, respectively)	\$982,352,401	\$745,696,369
Interest and dividends receivable	15,750,991	11,991,825
Receivable for investments sold	11,439,356	9,166,560
Prepaid expenses	20,738	39,666
Total Assets	1,009,563,486	766,894,420
Liabilities:		
Dividends payable to common and preferred shareholders	6,602,036	5,167,908
Payable for investments purchased	815,670	
Investment management fees payable	533,266	405,325
Accrued expenses	204,725	191,498
Total Liabilities	8,155,697	5,764,731
Preferred Shares (\$0.00001 par value; \$25,000 liquidation preference per share applicable to 14,280 and 10,960 shares issued and outstanding, respectively)	357,000,000	274,000,000
Net Assets Applicable to Common Shareholders	\$644,407,789	\$487,129,689
Composition of Net Assets Applicable to Common Shareholders:		
Common Stock:		
Par value (\$0.00001 per share)	\$733	\$607
Paid-in-capital in excess of par	1,037,000,891	854,114,757
Undistributed net investment income	730,306	582,730
Accumulated net realized loss	(408,463,163)	(375,784,211)
Net unrealized appreciation of investments	15,139,022	8,215,806
Net Assets Applicable to Common Shareholders	\$644,407,789	\$487,129,689
Common Shares Issued and Outstanding	73,257,068	60,726,837
Net Asset Value Per Common Share	\$8.80	\$8.02

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Nicholas-Applegate Convertible & Income Funds Statements of Operations

Year ended February 28, 2010

	Convertible & Income	Convertible & Income II
Investment Income:		
Interest	\$73,163,487	\$55,565,154
Dividends	12,340,340	9,646,677
Consent fee and other income	31,727	24,572
Total Investment Income	85,535,554	65,236,403
Expenses:		
Investment management fees	6,337,903	4,840,802
Auction agent fees and commissions	574,187	461,875
Shareholder communications	163,310	125,684
Custodian and accounting agent fees	136,449	115,026
Audit and tax services	100,944	114,156
Legal fees	97,352	89,638
Trustees fees and expenses	81,074	61,715
New York Stock Exchange listing fees	59,470	48,080
Transfer agent fees	37,100	35,804
Insurance expense	31,382	24,413
Miscellaneous	20,856	22,386
Total expenses	7,640,027	5,939,579
Net Investment Income	77,895,527	59,296,824
Realized and Change in Unrealized Gain (Loss):		
Net realized loss on investments	(111,955,883)	(94,702,164)
Net change in unrealized appreciation/depreciation of investments	403,757,997	322,931,570
Net realized and change in unrealized gain on investments	291,802,114	228,229,406
Net Increase in Net Assets Resulting from Investment Operations	369,697,641	287,526,230
Dividends on Preferred Shares from Net Investment Income	(842,503)	(646,896)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$368,855,138	\$286,879,334

See accompanying Notes to Financial Statements | 2.28.10 | Nicholas-Applegate Convertible & Income Funds Annual Report 19

Nicholas-Applegate Convertible & Income Funds **Statements of Changes
in Net Assets Applicable
to Common Shareholders**

	Convertible & Income		Convertible & Income II	
	Year ended February 28,		Year ended February 28,	
	2010	2009	2010	2009
Investments Operations:				
Net investment income	\$77,895,527	\$112,099,864	\$59,296,824	\$92,530,381
Net realized loss on investments	(111,955,883)	(245,263,472)	(94,702,164)	(235,709,086)
Net change in unrealized appreciation/ depreciation of investments	403,757,997	(312,501,685)	322,931,570	(244,500,463)
Net increase (decrease) in net assets resulting from investment operations	369,697,641	(445,665,293)	287,526,230	(387,679,168)
Dividends on Preferred Shares from Net Investment Income				
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(842,503)	(12,382,916)	(646,896)	(11,737,360)
Dividends to Common Shareholders from Net Investment Income				
	(78,664,973)	(97,781,936)	(68,553,462)	(76,827,211)
Capital Share Transactions:				
Reinvestment of dividends	5,674,109	9,330,789	5,584,255	4,103,707
Total increase (decrease) in net assets applicable to common shareholders	295,864,274	(546,499,356)	223,910,127	(472,140,032)
Net Assets Applicable to Common Shareholders:				
Beginning of year	348,543,515	895,042,871	263,219,562	735,359,594
End of year (including undistributed (dividends in excess of) net investment income of \$730,306, \$(3,835,587), \$582,730 and \$5,821,704, respectively)	\$644,407,789	\$348,543,515	\$487,129,689	\$263,219,562
Common Shares Issued in Reinvestment of Dividends	697,071	1,053,285	732,745	586,369

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Nicholas-Applegate Convertible & Income Funds Notes to Financial Statements

February 28, 2010

1. Organization and Significant Accounting Policies

Nicholas-Applegate Convertible & Income Fund (Convertible & Income) and Nicholas-Applegate Convertible & Income Fund II (Convertible & Income II), collectively referred to as the Funds , were organized as Massachusetts business trusts on January 17, 2003 and April 22, 2003, respectively. In December 2005, Convertible & Income II changed its fiscal year end from June 30 to February 28. Prior to commencing operations on March 31, 2003, and July 31, 2003, respectively, the Funds had no operations other than matters relating to their organization and registration as diversified, closed-end management investment companies under the Investment Company Act of 1940 and the rules and regulations there under, as amended. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Funds Investment Manager and is an indirect, wholly-owned subsidiary of Allianz Global Investors of America L.P. (Allianz Global). Allianz Global is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has an unlimited amount of \$0.00001 par value per share of common stock authorized.

Each Funds investment objective is to provide total return through a combination of capital appreciation and high current income. The Funds attempt to achieve this objective by investing in a portfolio of convertible securities and non-convertible income-producing securities. There can be no assurance that the Funds will achieve their stated objectives.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

In the normal course of business, the Funds enter into contracts that contain a variety of representations which provide general indemnifications. The Funds maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred.

The following is a summary of significant accounting policies consistently followed by the Funds:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees. The Funds investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Synthetic convertible securities are valued based on quotations obtained from unaffiliated brokers who are the principal market-makers in such securities. Such valuations are derived by the brokers from proprietary models which are generally based on readily available market information including valuations of the common stock underlying the synthetic security. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days less or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Funds to value securities may differ from the value that would be realized if the securities were sold and these differences could be material to each Fund s financial statements. Each Fund s net asset value is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

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Nicholas-Applegate Convertible & Income Funds Notes to Financial Statements

February 28, 2010

1. Organization and Significant Accounting Policies (continued)**(b) Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy under are described below:

Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access

Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges

Level 3 valuations based on significant unobservable inputs (including the Funds own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Funds to measure fair value during the fiscal year ended February 28, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs. When fair-valuing securities, the Funds utilized multi-dimensional relational pricing models.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A summary of the inputs used at February 28, 2010 in valuing each Fund's assets and liabilities are listed below:

Convertible & Income:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/2010
Investments in Securities Assets				
Corporate Bonds & Notes:				
Hotels, Restaurants & Leisure		\$9,542,900	\$2,575,929	\$12,118,829
All Other		465,268,670		465,268,670
Convertible Preferred Stock:				
Airlines		2,033,416		2,033,416
Capital Markets			4,759,862	4,759,862
Commercial Services & Supplies	\$7,956,348	4,536,336		12,492,684
Consumer Finance		8,797,509		8,797,509
Diversified Financial Services	22,846,233	63,953,245		86,799,478
Household Durables	11,327,610	9,674,874		21,002,484
Oil, Gas & Consumable Fuels	10,672,875	5,849,062		16,521,937
Pharmaceuticals	3,993,327	6,627,600		10,620,927
All Other	100,359,166			100,359,166
Convertible Bonds & Notes		236,343,002		236,343,002
Short-Term Investments		5,234,437		5,234,437
Total Investments in Securities Assets	\$157,155,559	\$817,861,051	\$7,335,791	\$982,352,401

Nicholas-Applegate Convertible & Income Funds Notes to Financial Statements

February 28, 2010

1. Organization and Significant Accounting Policies (continued)Convertible & Income II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/2010
Investments in Securities Assets				
Corporate Bonds & Notes:				
Hotels, Restaurants & Leisure		\$7,828,850	\$2,314,523	\$10,143,373
All Other		351,227,080		351,227,080
Convertible Preferred Stock:				
Airlines		1,571,834		1,571,834
Capital Markets			4,252,590	4,252,590
Commercial Services & Supplies	\$5,718,960	2,223,844		7,942,804
Consumer Finance		6,792,634		6,792,634
Diversified Financial Services	18,002,856	49,345,784		67,348,640
Household Durables	8,333,400	7,491,705		15,825,105
Oil, Gas & Consumable Fuels	8,354,825	3,702,813		12,057,638
Pharmaceuticals	3,091,608	5,279,400		8,371,008
All Other	77,308,269			77,308,269
Convertible Bonds & Notes		180,272,707		180,272,707
Short-Term Investments		2,582,687		2,582,687
Total Investments in Securities Assets	\$120,809,918	\$618,319,338	\$6,567,113	\$745,696,369

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the fiscal year ended February 28, 2010, were as follows:

Convertible & Income:

	Beginning Balance 2/28/2009	Net Purchases (Sales) and Settlements	Accrued Discounts	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers in and/or out of Level 3	Ending Balance 2/28/2010
Investments in Securities Assets							
Corporate Bonds & Notes:							
Hotels, Restaurants & Leisure	\$ 2,575,929						\$2,575,929
Convertible Preferred Stock:							
Capital Markets	4,759,862						4,759,862
Convertible Bonds & Notes:							
Retail	15,230,800	\$(21,008,000)	\$40,999		\$5,736,201		
Total Investments in Securities Assets	\$ 22,566,591	\$(21,008,000)	\$40,999		\$5,736,201		\$7,335,791

Nicholas-Applegate Convertible & Income Funds Notes to Financial Statements

February 28, 2010

1. Organization and Significant Accounting Policies (continued)

Convertible & Income II:

Beginning Balance 2/28/2009	Net Purchases (Sales) and Settlements	Accrued Discounts	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers in and /or out of Level 3
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