

AllianzGI Convertible & Income Fund

Form N-CSR

April 29, 2015

Table of Contents

**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**

**AllianzGI Convertible & Income Fund**

**(Exact name of registrant as specified in charter)**

**1633 Broadway, New York, NY**  
**(Address of principal executive offices)**

**10019**  
**(Zip code)**

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

**Lawrence G. Altadonna 1633 Broadway, New York, New York 10019**

**(Name and address of agent for service)**

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

**Date of fiscal year end: February 28, 2015**

**Date of reporting period: February 28, 2015**

**Table of Contents**

Item 1. Report to Shareholders

AllianzGI Convertible & Income Fund

AllianzGI Convertible & Income Fund II

**Annual Report**

**February 28, 2015**

**Table of Contents**

Table of Contents

2	3	<u>Letter from Chairman of the Board &amp; President</u>
4	5	<u>Fund Insights</u>
6	8	<u>Performance &amp; Statistics</u>
9	24	<u>Schedules of Investments</u>
	25	<u>Statements of Assets and Liabilities</u>
	26	<u>Statements of Operations</u>
27	28	<u>Statements of Changes in Net Assets</u>
	29	<u>Statements of Cash Flows</u>
30	39	<u>Notes to Financial Statements</u>
40	41	<u>Financial Highlights</u>
	42	<u>Report of Independent Registered Public Accounting Firm</u>
	43	<u>Tax Information</u>
	44	<u>Annual Shareholder Meeting Results/Changes to the Board of Trustees/Proxy Voting Policies &amp; Procedures</u>
45	46	<u>Privacy Policy</u>
47	48	<u>Dividend Reinvestment Plan</u>
49	50	<u>Board of Trustees</u>
	51	<u>Fund Officers</u>

**Table of Contents**

Letter from Chairman of the Board &

President

Hans W. Kertess

*Chairman*

Julian Sluyters

*President & CEO*

Dear Shareholder:

The US economy expanded during most of the twelve-month reporting period ended February 28, 2015. Both stocks and bonds posted positive returns during the reporting period.

**12 Months in Review through February 28, 2015**

n AllianzGI Convertible & Income Fund returned 0.33% on net asset value ( NAV ) and 0.37% on market price.

n AllianzGI Convertible & Income Fund II returned 0.60% on NAV and -0.81% on market price.

In comparison, the Standard & Poor's ( S&P ) 500 Index, an unmanaged index generally representative of the US stock market, rose 15.51% and the BofA Merrill Lynch High Yield Master II Index, an unmanaged index generally representative of the high yield bond market, returned 2.84% during the 12-month reporting period. Convertible securities, which share characteristics of both stocks and bonds, also generated positive results. The BofA Merrill Lynch All Convertibles Index, an unmanaged index generally representative of the convertible securities market, advanced 6.71% for the period.

Turning to the US economy, gross domestic product ( GDP ), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, contracted at an annual pace of 2.1% during the first quarter of 2014. However, the economy quickly regained its footing, as GDP grew at an annual pace of 4.6% and 5.0% during the second and third quarters, respectively. Economic growth then moderated, as the US Commerce Department reported that fourth quarter GDP expanded at a 2.2% annualized rate.

While the Federal Reserve (the Fed ) maintained an accommodative monetary policy during the reporting period, it started to take actions to transition to a more normalized stance. In October 2014 the central bank announced that its asset purchase program had concluded. At its meeting in January 2015, the Fed said, Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy. At its meeting that ended in March 2015, after the reporting period had ended, the Fed removed the word patient from its official statement and said it anticipates that it will be appropriate to raise the target range for

2 Annual Report | February 28, 2015

## **Table of Contents**

the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2% objective over the medium term.

## **Outlook**

In our view, growth momentum is stronger in the developed world relative to emerging markets. The US remains the key growth engine for the world economy, even though growth is losing momentum. Euro area

Receive this report electronically and eliminate paper mailings.

To enroll, visit;

[us.allianzgi.com/edelivery](http://us.allianzgi.com/edelivery).

data have recently shown signs of improvement, thereby reflecting a tailwind from a weaker euro, as well as the stimulus stemming from the decline in oil prices. Elsewhere, Japanese economic data continue to edge up, but only moderately given the sharp decline in mid-2014. Finally, data in emerging markets has recently stabilized. Overall, we believe lower oil prices will be supportive for global growth.

From an investment standpoint, we currently favor global equities over cash, with a preference for developed market equities versus their emerging market counterparts. From a fixed income perspective, we anticipate a cyclical rise of US and UK sovereign yields due to change in monetary policy and stretched valuations. In contrast, we expect government bond yields in core euro-zone countries and Japan to remain low for the time being.

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, [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman of the Board of Trustees*

Julian Sluyters  
*President & Chief Executive Officer*



## **Table of Contents**

### **Fund Insights**

#### AllianzGI Convertible & Income Funds

February 28, 2015 (unaudited)

For the period of March 1, 2014, through February 28, 2015, as provided by Doug Forsyth, CFA, Portfolio Manager.

For the fiscal twelve-month period ended February 28, 2015, AllianzGI Convertible & Income Fund and AllianzGI Convertible & Income Fund II (the Funds ) returned 0.33% and 0.60% on net asset value ( NAV ) and 0.37% and -0.81% on market price, respectively.

### **Market Environment**

Several factors influenced convertibles and high-yield bonds in the reporting period, including falling oil prices, treasury rate volatility, economic data, increased market volatility and the Fed outlook.

One of the most influential factors in the second half of 2014 was the drop in oil prices. The energy industry constituted approximately 7% of the convertible market and 14% of the high-yield market (in market value terms) as of year-end. Concerned with declining oil prices, investors sold energy-related issuers throughout the year with little regard to quality. As a result, diversified/integrated, natural gas, refiners and distribution-focused issuers were sold, along with some of the more troubled exploration and production (E&P) and energy services issuers that have high-cost shale exposure. High-cost and unhedged shale E&P issuers were appropriately under pressure, but there were many diversified, low-cost and well-hedged E&P issuers that were also down significantly. Despite the move lower in energy related issuers, the overall convertible market held up well, while the high-yield market felt more selling pressure across the asset class.

Treasury-rate volatility remained a factor throughout the period; however, the move had a more substantial impact in the first half of 2014. This had a greater influence on high yield

and to a lesser degree the convertible assets class. Still, the move lower in yields and the flight-to-quality bid did separate performance among the rating categories.

Another factor that positively influenced the markets was the ongoing trend in key economic indicators. Throughout the period, both current and forward-looking indicators generally pointed to a US economy that is gradually improving. While some of the economic indicators were mixed, many were positive, including employment and the ISM Manufacturing Index. In our view, these trends help confirm the prospects for the continued low default rate for high yield and convertible bonds.

Mutual fund flow data, news releases, external forces and equity market swings have all created more day-to-day volatility in both the convertible and high yield markets than typically seen historically. However, absent a material change in the credit environment, we believe that this volatility also creates tremendous opportunity for investors.

Finally, global central banks have continued with generally accommodative monetary policies, and the US Fed governors' comments have signaled a dovish stance. We believe that the Fed will tighten only in response to a more robust economy that includes a more constructive outlook for corporate profits and low defaults.

## Portfolio Specifics

The Funds' overall NAV returns were positive for the period. The attribution for the period included several positive single-name performers from a variety of sectors and industries. The majority of the Funds' issuers exceeded earnings expectations, which helped contribute to performance.

4 Annual Report | February 28, 2015

**Table of Contents**

In the convertibles sleeve, sector allocations which benefitted performance in the period relative to the convertibles universe were Industrials, Consumer Staples and Financials. Positive security selection in Industrials and Consumer Staples aided relative performance and more than offset the negative impact of higher-than-benchmark weights in both industries. In addition, the Funds benefited from stronger issue-specific returns in the Financials sector. Conversely, sector allocations that hindered relative performance in the reporting period were Technology, Materials and Healthcare. An underweight and negative security selection in Technology and Healthcare hampered returns. The Funds' holdings in the Materials sector lagged their peers and adversely impacted performance.

In the high yield bond sleeve, industry allocations which benefitted performance in the period relative to the high yield universe were Publishing/Printing, Technology and Support-Services. The Funds benefited from an overweight and stronger issue-specific performance in the Publishing/Printing and Technology industries. In Support-Services, positive security selection was a source of strength. In contrast, industry allocations that hindered relative performance during the period were Diversified Media, Diversified Financial Services and Gaming. All of the aforementioned industries exhibited weaker issue-specific returns, negatively impacting relative performance.

February 28, 2015 | Annual Report **5**

**Table of Contents**

**Performance & Statistics**

AllianzGI Convertible & Income Fund

February 28, 2015 (unaudited)

<b>Total Return <sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	0.37%	0.33%
5 Year	12.32%	12.64%
10 Year	7.56%	6.83%
Commencement of Operations (3/31/03) to 2/28/15	8.86%	8.79%

**Market Price/NAV Performance:**

Commencement of Operations (3/31/03) to 2/28/15

**Market Price/NAV:**

Market Price	\$9.12
NAV	\$8.44
Premium to NAV	8.06%
Market Price Yield <sup>(2)</sup>	11.84%
Leverage <sup>(3)</sup>	32.53%

**Moody's Ratings\***

(as a % of total investments)

**Table of Contents**

**Performance & Statistics**

AllianzGI Convertible & Income Fund II

February 28, 2015 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	-0.81%	0.60%
5 Year	12.59%	12.66%
10 Year	7.68%	6.10%
Commencement of Operations (7/31/03) to 2/28/15	7.96%	7.51%

**Market Price/NAV Performance:**

Commencement of Operations (7/31/03) to 2/28/15

**Market Price/NAV:**

Market Price	\$8.58
NAV	\$7.56
Premium to NAV	13.49%
Market Price Yield <sup>(2)</sup>	11.89%
Leverage <sup>(3)</sup>	32.87%

**Moody's Ratings\***

(as a % of total investments)

**Table of Contents**

**Performance & Statistics**

AllianzGI Convertible & Income Funds

February 28, 2015 (unaudited)

\* Bond ratings apply to the underlying holdings of the Funds and not the Funds themselves and are divided into categories ranging from highest to lowest credit quality, determined for purposes of presentations in this report by using ratings provided by Moody's Investors Service, Inc. (Moody's). Credit ratings information in this report uses ratings provided by Moody's for this purpose, among other reasons, because of the access to background information and other materials provided by Moody's, as well as the Funds' consideration of industry practice. Bonds not rated by Moody's or bonds that do not have a rating available from Moody's are designated as NR and NA, respectively. Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change periodically, even as frequently as daily. Ratings assigned by Moody's or another rating agency are not absolute standards of credit quality and do not evaluate market risk. Rating agencies may fail to make timely changes in credit ratings, and an issuer's current financial condition may be better or worse than a rating indicates. In formulating investment decisions for the Funds, Allianz Global Investors U.S. LLC, the sub-adviser to the Funds, develops its own analysis of the credit quality and risks associated with individual debt instruments, rather than relying exclusively on rating agencies or third-party research.

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns tend to reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Funds, market conditions, supply and demand for the Fund's shares, or changes in each Fund's dividends.

An investment in each Fund involves risk, including the loss of principal. Total return, market price, market price 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 one time public offering and once issued, shares of closed-end funds are traded in the open market through 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 dividend per common share (comprised of net investment income) by the market price per common share at February 28, 2015.

(3) Represents Preferred Shares (Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).



**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015

Principal

Amount

(000s)		Value
<b>Corporate Bonds &amp; Notes 41.3%</b>		
<b>Advertising 0.3%</b>		
\$5,650	Affinion Group, Inc., 7.875%, 12/15/18	\$3,827,875
<b>Aerospace &amp; Defense 0.5%</b>		
250	Bombardier, Inc., 6.00%, 10/15/22 (a)(b)	240,625
6,570	Erickson, Inc., 8.25%, 5/1/20	5,403,825
		5,644,450
<b>Air Freight &amp; Logistics 0.7%</b>		
6,820	XPO Logistics, Inc., 7.875%, 9/1/19 (a)(b)	7,314,450
<b>Auto Components 0.8%</b>		
4,180	Chassix, Inc., 9.25%, 8/1/18 (a)(b)(c)	3,051,400
5,280	Goodyear Tire & Rubber Co., 8.25%, 8/15/20	5,643,000
		8,694,400
<b>Auto Manufacturers 0.8%</b>		
7,410	Chrysler Group LLC, 8.25%, 6/15/21	8,308,462
<b>Commercial Services 2.6%</b>		
4,000	Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 9.75%, 3/15/20	4,380,000
11,500	Cenveo Corp., 11.50%, 5/15/17	11,730,000
5,705	DynCorp International, Inc., 10.375%, 7/1/17	5,205,812
7,375	Monitronics International, Inc., 9.125%, 4/1/20	7,301,250
		28,617,062
<b>Commercial Services &amp; Supplies 0.6%</b>		
5,645	United Rentals North America, Inc., 8.375%, 9/15/20	6,068,375
<b>Construction Materials 0.7%</b>		
7,310	US Concrete, Inc., 8.50%, 12/1/18	7,785,150
<b>Consumer Finance 0.8%</b>		
3,210	Navient Corp., 8.45%, 6/15/18	3,675,450
4,935	Springleaf Finance Corp., 8.25%, 10/1/23	5,650,575
		9,326,025
<b>Distribution/Wholesale 0.9%</b>		
8,170	HD Supply, Inc., 11.00%, 4/15/20	9,395,500
<b>Diversified Consumer Services 0.6%</b>		
6,815	Cambium Learning Group, Inc., 9.75%, 2/15/17	6,883,150
<b>Diversified Financial Services 1.8%</b>		
	Community Choice Financial, Inc.,	

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

10,085	10.75%, 5/1/19	6,555,250
7,130	12.75%, 5/1/20 (a)(b)	4,491,900
	Nationstar Mortgage LLC / Nationstar Capital Corp.,	
2,500	7.875%, 10/1/20	2,525,000
5,300	9.625%, 5/1/19	5,671,000
		19,243,150
	<b>Diversified Telecommunications 0.5%</b>	
4,923	Cincinnati Bell, Inc., 8.75%, 3/15/18	5,041,152
	<b>Electrical Components &amp; Equipment 1.2%</b>	
13,585	WireCo WorldGroup, Inc., 9.50%, 5/15/17	13,449,150
	<b>Electronic Equipment, Instruments &amp; Components 1.5%</b>	
7,725	Kemet Corp., 10.50%, 5/1/18	7,956,750
7,500	Viasystems, Inc., 7.875%, 5/1/19 (a)(b)	7,950,000
		15,906,750

February 28, 2015 | Annual Report 9

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

Principal

Amount

(000s)		Value
	<b>Energy Equipment &amp; Services 0.1%</b>	
\$2,830	Hercules Offshore, Inc., 8.75%, 7/15/21 (a)(b)	\$891,450
	<b>Food &amp; Staples Retailing 0.5%</b>	
5,000	US Foods, Inc., 8.50%, 6/30/19	5,256,250
	<b>Health Care Providers &amp; Services 1.7%</b>	
8,875	ExamWorks Group, Inc., 9.00%, 7/15/19	9,451,875
	Tenet Healthcare Corp.,	
3,500	5.00%, 3/1/19 (a)(b)	3,526,250
4,530	8.125%, 4/1/22	5,141,550
		18,119,675
	<b>Healthcare-Products 0.9%</b>	
8,885	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18	9,740,181
	<b>Hotels, Restaurants &amp; Leisure 0.9%</b>	
8,405	MGM Resorts International, 11.375%, 3/1/18	10,233,088
	<b>Household Durables 1.1%</b>	
	Beazer Homes USA, Inc.,	
2,945	7.25%, 2/1/23	2,823,519
5,045	9.125%, 5/15/19	5,215,268
3,950	Jarden Corp., 7.50%, 5/1/17	4,374,625
		12,413,412
	<b>Household Products/Wares 0.7%</b>	
7,610	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	8,190,263
	<b>Internet 0.5%</b>	
8,395	Affinion Investments LLC, 13.50%, 8/15/18	5,540,436
	<b>Internet Software &amp; Services 1.2%</b>	
	EarthLink, Inc.,	
2,800	7.375%, 6/1/20	2,877,000
10,060	8.875%, 5/15/19	10,386,950
		13,263,950
	<b>Iron/Steel 0.6%</b>	
7,305	AK Steel Corp., 8.375%, 4/1/22	6,537,975
	<b>Lodging 0.2%</b>	
12,385	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18 (c)	2,291,225
	<b>Machinery 1.1%</b>	
5,250	BlueLine Rental Finance Corp., 7.00%, 2/1/19 (a)(b)	5,460,000

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

6,755	Navistar International Corp., 8.25%, 11/1/21	6,814,106
		12,274,106
	<b>Media 2.9%</b>	
5,500	AMC Entertainment, Inc., 9.75%, 12/1/20	6,077,500
8,355	McClatchy Co., 9.00%, 12/15/22	8,522,100
	McGraw-Hill Global Education Holdings LLC / McGraw-Hill Global Education	
8,220	Finance, 9.75%, 4/1/21	9,288,600
3,745	Mood Media Corp., 9.25%, 10/15/20 (a)(b)	3,230,062
4,671	SFX Entertainment, Inc., 9.625%, 2/1/19 (a)(b)	4,624,290
		31,742,552
	<b>Metals &amp; Mining 2.0%</b>	
6,590	ArcelorMittal, 10.60%, 6/1/19	8,163,362
3,680	HudBay Minerals, Inc., 9.50%, 10/1/20	3,790,400

10 Annual Report | February 28, 2015

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

Principal

Amount

(000s)		Value
	<b>Thompson Creek Metals Co., Inc.,</b>	
\$8,295	7.375%, 6/1/18	\$6,884,850
2,830	12.50%, 5/1/19	2,518,700
		21,357,312
	<b>Miscellaneous Manufacturing 0.7%</b>	
7,350	Harland Clarke Holdings Corp., 9.25%, 3/1/21 (a)(b)	7,157,063
	<b>Oil &amp; Gas 1.3%</b>	
9,050	Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17	6,606,500
6,038	United Refining Co., 10.50%, 2/28/18	6,397,261
1,000	Vanguard Natural Resources LLC / VNR Finance Corp., 7.875%, 4/1/20	918,750
		13,922,511
	<b>Oil, Gas &amp; Consumable Fuels 1.5%</b>	
2,840	Arch Coal, Inc., 9.875%, 6/15/19	1,036,600
5,050	EP Energy LLC / Everest Acquisition Finance, Inc., 9.375%, 5/1/20	5,416,125
4,500	Laredo Petroleum, Inc., 9.50%, 2/15/19	4,702,500
5,615	Linn Energy LLC / Linn Energy Finance Corp., 6.50%, 5/15/19	4,941,200
730	Ultra Petroleum Corp., 6.125%, 10/1/24 (a)(b)	697,150
		16,793,575
	<b>Packaging &amp; Containers 0.7%</b>	
6,692	Tekni-Plex, Inc., 9.75%, 6/1/19 (a)(b)	7,294,280
	<b>Paper &amp; Forest Products 0.3%</b>	
3,000	Louisiana-Pacific Corp., 7.50%, 6/1/20	3,217,500
	<b>Pharmaceuticals 0.2%</b>	
2,290	Endo Finance LLC & Endo Finco, Inc., 5.375%, 1/15/23 (a)(b)	2,335,800
	<b>Real Estate Investment Trust 0.3%</b>	
3,085	Kennedy-Wilson, Inc., 5.875%, 4/1/24	3,123,563
	<b>Retail 0.9%</b>	
9,465	Neiman Marcus Group Ltd. LLC, 8.00%, 10/15/21 (a)(b)	9,997,406
	<b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>	
3,745	Amkor Technology, Inc., 6.375%, 10/1/22	3,904,162
6,094	Freescale Semiconductor, Inc., 10.75%, 8/1/20	6,646,269
		10,550,431
	<b>Software 1.7%</b>	
	First Data Corp.,	
5,645	8.25%, 1/15/21 (a)(b)	6,082,488

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

1,834	10.625%, 6/15/21	2,118,270
9,045	12.625%, 1/15/21	10,835,910
		19,036,668
	<b>Specialty Retail 1.2%</b>	
4,160	Brown Shoe Co., Inc., 7.125%, 5/15/19	4,336,800
3,500	Claire's Stores, Inc., 9.00%, 3/15/19 (a)(b)	3,303,125
5,500	Conn's, Inc., 7.25%, 7/15/22 (a)(b)	4,984,375
		12,624,300
	<b>Telecommunications 1.3%</b>	
7,415	Consolidated Communications, Inc., 10.875%, 6/1/20	8,388,219
5,660	Windstream Corp., 7.50%, 4/1/23	5,617,550
		14,005,769

February 28, 2015 | Annual Report 11

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

Principal		Value
Amount		
(000s)		
	<b>Transportation 0.7%</b>	
\$6,837	Quality Distribution LLC, 9.875%, 11/1/18	\$7,195,943
	<b>Wireless Telecommunication Services 0.8%</b>	
7,205	Sprint Communications, Inc., 11.50%, 11/15/21	8,934,200
	<b>Total Corporate Bonds &amp; Notes (cost-\$468,787,818)</b>	<b>449,545,985</b>
	<b>Shares</b>	
	<b>Convertible Preferred Stock 40.8%</b>	
	<b>Aerospace &amp; Defense 1.4%</b>	
239,625	United Technologies Corp., 7.50%, 8/1/15	15,264,113
	<b>Automobiles 1.7%</b>	
532,000	The Goldman Sachs Group, Inc., 8.00%, 12/17/15 (General Motors) (d)	18,538,604
	<b>Banks 4.3%</b>	
9,695	Huntington Bancshares, Inc., 8.50% (e)	13,282,150
1,064,500	JPMorgan Chase & Co., 8.00%, 9/18/15 (Bank of America) (d)	16,265,560
13,990	Wells Fargo & Co., 7.50%, Ser. L (e)	16,962,315
		46,510,025
	<b>Diversified Financial Services 1.4%</b>	
13,220	Bank of America Corp., 7.25%, Ser. L (e)	15,467,400
	<b>Electric Utilities 0.4%</b>	
85,390	Exelon Corp., 6.50%, 6/1/17	4,235,344
	<b>Electronic Equipment, Instruments &amp; Components 1.7%</b>	
738,000	Bank of America Corp., 8.00%, 2/17/16 (Corning, Inc.) (d)	18,073,620
	<b>Energy Equipment &amp; Services 1.6%</b>	
313,380	Credit Suisse, 8.00%, 3/5/15 (Baker Hughes) (d)	17,643,294
	<b>Food Products 1.4%</b>	
326,360	Wells Fargo & Co., 8.00%, 8/28/15 (Archer-Daniels-Midland Co.) (d)	15,175,740
	<b>Health Care Equipment &amp; Supplies 1.8%</b>	
273,890	Credit Suisse, 8.00%, 6/23/15 (Medtronic, Inc.) (d)	19,120,261
	<b>Health Care Providers &amp; Services 1.9%</b>	
339,700	JPMorgan Chase & Co., 8.00%, 5/5/15 (HCA Holdings, Inc.) (d)	20,297,075
	<b>Independent Power &amp; Renewable Electricity Producers 0.8%</b>	
91,960	Dynegy, Inc., 5.375%, 11/1/17	9,237,382
	<b>Internet Software &amp; Services 1.5%</b>	
349,200	Barclays Bank PLC, 8.00%, 10/28/15 (Twitter, Inc.) (d)	16,482,240

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

<b>Machinery 1.8%</b>		
171,185	Stanley Black & Decker, Inc., 6.25%, 11/17/16	19,744,478
<b>Metals &amp; Mining 1.4%</b>		
18,215	Alcoa, Inc., 5.375%, 10/1/17	881,606
792,720	ArcelorMittal, 6.00%, 1/15/16	14,021,235
<b>Multiline Retail 1.5%</b>		
258,000	The Goldman Sachs Group, Inc., 8.00%, 1/14/16 (Macy's, Inc.) (d)	16,338,624
<b>Multi-Utilities 1.7%</b>		
239,645	AES Trust III, 6.75%, 10/15/29	12,205,120
128,500	Dominion Resources, Inc., 6.375%, 7/1/17	6,499,530
		18,704,650

12 Annual Report | February 28, 2015

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

Shares		Value
<b>Oil, Gas &amp; Consumable Fuels 1.8%</b>		
191,170	Credit Suisse, 8.00%, 3/5/15 (Occidental Petroleum Corp.) (d)	\$14,301,428
14,100	Energy XXI Bermuda Ltd., 5.625% (e)	738,048
124,235	PetroQuest Energy, Inc., 6.875% (e)	3,354,345
34,155	Sanchez Energy Corp., 6.50%, 4/6/18 (e)	1,434,510
		19,828,331
<b>Pharmaceuticals 1.5%</b>		
333,295	JPMorgan Chase & Co., 8.00%, 4/30/15 (Mylan, Inc.) (d)	16,504,768
<b>Real Estate Investment Trust 4.4%</b>		
439,700	Alexandria Real Estate Equities, Inc., 7.00% (e)	12,751,300
798,310	FelCor Lodging Trust, Inc., 1.95%, Ser. A (e)	20,556,483
208,680	Health Care REIT, Inc., 6.50%, 4/20/18, Ser. I (e)	14,261,191
		47,568,974
<b>Semiconductors &amp; Semiconductor Equipment 3.0%</b>		
246,000	Barclays Bank PLC, 8.00%, 11/9/15 (Lam Research Corp.) (d)	19,101,900
530,000	Wells Fargo & Co., 8.00%, 6/18/15 (Micron Technology, Inc.) (d)	15,189,800
		34,291,700
<b>Specialty Retail 1.8%</b>		
13,250	Barnes & Noble, Inc., 7.75%, 8/18/21 (a)(b)	19,635,837
<b>Technology Hardware, Storage &amp; Peripherals 2.0%</b>		
27,900	Bank of America Corp., 8.00%, 5/12/15 (Apple, Inc.) (d)	21,315,600
	Total Convertible Preferred Stock (cost-\$421,942,788)	444,880,901
Principal Amount (000s)		
<b>Convertible Bonds &amp; Notes 16.4%</b>		
<b>Capital Markets 3.3%</b>		
\$7,740	Ares Capital Corp., 5.75%, 2/1/16	8,044,762
13,195	BGC Partners, Inc., 4.50%, 7/15/16	14,341,316
16,490	Walter Investment Management Corp., 4.50%, 11/1/19	13,222,919
		35,608,997
<b>Commercial Services 1.7%</b>		
20,305	Cenveo Corp., 7.00%, 5/15/17	18,769,434
<b>Construction Materials 0.7%</b>		
7,645	Cemex S.A.B. de C.V., 4.875%, 3/15/15	7,668,891
<b>Diversified Consumer Services 1.0%</b>		
13,510	Ascent Capital Group, Inc., 4.00%, 7/15/20	10,630,681
<b>Hotels, Restaurants &amp; Leisure 0.4%</b>		

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

4,270	MGM Resorts International, 4.25%, 4/15/15	5,035,931
	<b>Insurance 0.4%</b>	
3,965	HCI Group, Inc., 3.875%, 3/15/19	4,041,822
	<b>Life Sciences Tools &amp; Services 0.4%</b>	
4,420	Sequenom, Inc., 5.00%, 10/1/17	4,433,812
	<b>Machinery 2.3%</b>	
	Meritor, Inc.,	
12,480	4.625%, 3/1/26	12,636,000
6,225	7.875%, 3/1/26	10,057,266
2,290	Navistar International Corp., 4.75%, 4/15/19 (a)(b)	2,026,650
		24,719,916

February 28, 2015 | Annual Report 13

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

Principal Amount (000s)		Value
	<b>Oil, Gas &amp; Consumable Fuels 0.8%</b>	
\$2,280	Cobalt International Energy, Inc., 2.625%, 12/1/19	\$1,657,275
9,960	Goodrich Petroleum Corp., 5.00%, 10/1/32	5,029,800
1,825	Stone Energy Corp., 1.75%, 3/1/17	1,689,266
		8,376,341
	<b>Personal Products 1.0%</b>	
15,310	Herbalife Ltd., 2.00%, 8/15/19 (a)	11,568,695
	<b>Real Estate Investment Trust 0.6%</b>	
7,070	IAS Operating Partnership LP, 5.00%, 3/15/18 (a)(b)	6,796,037
	<b>Software 0.9%</b>	
10,320	TeleCommunication Systems, Inc., 7.75%, 6/30/18	9,752,400
	<b>Thriffs &amp; Mortgage Finance 0.7%</b>	
6,535	MGIC Investment Corp., 5.00%, 5/1/17	7,306,947
	<b>Tobacco 2.1%</b>	
	Vector Group Ltd., (f)	
5,665	1.75%, 4/15/20	6,114,659
11,865	2.50%, 1/15/19	17,310,122
		23,424,781
	<b>Trading Companies &amp; Distribution 0.1%</b>	
1,190	Titan Machinery, Inc., 3.75%, 5/1/19	869,444
	<b>Total Convertible Bonds &amp; Notes (cost-\$171,002,933)</b>	<b>179,004,129</b>
	<b>Shares</b>	
	<b>Common Stock 0.3%</b>	
	<b>Banks 0.3%</b>	
60,947	Citigroup, Inc. (cost-\$3,568,159)	3,194,842
	<b>Short-Term Investment 1.2%</b>	
	<b>Time Deposit 1.2%</b>	
\$12,599	JPMorgan Chase & Co.-Nassau, 0.03%, 3/2/15 (cost-\$12,599,082)	12,599,082
	<b>Total Investments (cost-\$1,077,900,780) 100.0%</b>	<b>\$1,089,224,939</b>

**Notes to Schedule of Investments:**

## Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$122,659,333, representing 11.3% of total investments.
- (b) 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.
- (c) In default.
- (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 (synthetic convertible securities). Such entity is identified in the parenthetical.
- (e) Perpetual maturity. The date shown, if any, is the next call date.
- (f) In addition to the coupon rate shown, the issuer is expected to pay additional interest based on the actual dividends paid on its common stock.

14 Annual Report | February 28, 2015

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

(g) Fair Value Measurements-See Note 1(b) in Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/15
<b>Investments in Securities Assets</b>				
Corporate Bonds & Notes	\$	\$449,545,985	\$	\$449,545,985
Convertible Preferred Stock:				
Automobiles			18,538,604	18,538,604
Banks	30,244,465		16,265,560	46,510,025
Electronic Equipment, Instruments & Components			18,073,620	18,073,620
Energy Equipment & Services			17,643,294	17,643,294
Food Products			15,175,740	15,175,740
Health Care Equipment & Supplies			19,120,261	19,120,261
Health Care Providers & Services			20,297,075	20,297,075
Internet Software & Services			16,482,240	16,482,240
Metals & Mining	881,606	14,021,235		14,902,841
Multiline Retail			16,338,624	16,338,624
Oil, Gas & Consumable Fuels	3,354,345	2,172,558	14,301,428	19,828,331
Pharmaceuticals			16,504,768	16,504,768
Semiconductors & Semiconductor Equipment			34,291,700	34,291,700
Specialty Retail		19,635,837		19,635,837
Technology Hardware, Storage & Peripherals			21,315,600	21,315,600
All Other	130,222,341			130,222,341
Convertible Bonds & Notes		179,004,129		179,004,129
Common Stock	3,194,842			3,194,842
Short-Term Investment		12,599,082		12,599,082
<b>Totals</b>	<b>\$ 167,897,599</b>	<b>\$676,978,826</b>	<b>\$ 244,348,514</b>	<b>\$ 1,089,224,939</b>

At February 28, 2015, a security valued at \$3,354,345 was transferred from Level 2 to Level 1 due to the availability of an exchange-traded closing price.



**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund

February 28, 2015 (continued)

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended February 28, 2015, was as follows:

	Beginning Balance 2/28/14	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 2/28/15
<b>Investments in Securities Assets</b>									
Convertible Preferred Stock:									
Automobiles	\$13,802,523	\$21,749,086	\$(15,012,339)	\$	\$(4,957,306)	\$2,956,640	\$	\$	\$18,538,600
Banks	15,935,338	20,061,560	(19,850,164)			118,826			16,265,560
Computers & Peripherals	12,985,586		(13,019,681)			34,095			
Electronic Equipment, Instruments & Components		18,184,320				(110,700)			18,073,620
Energy Equipment & Services	39,698,096		(22,376,924)		3,560,974	(3,238,852)			17,643,294
Food Products		16,381,771				(1,206,031)			15,175,740
Health Care Equipment & Supplies		17,767,244				1,353,017			19,120,261
Health Care Providers & Services		18,043,098				2,253,977			20,297,075
Household Furnishables	14,324,200		(13,840,543)			(483,657)			
Insurance	14,641,250		(14,915,891)		1,319,888	(1,045,247)			
Internet & Catalog Retail	14,992,436		(13,224,046)		2,121,459	(3,889,849)			
Internet Software & Services		18,022,212				(1,539,972)			16,482,240
Multiline Retail	17,715,255	17,304,576	(18,528,363)		687,965	(840,809)			16,338,629
	18,189,826					(3,888,398)			14,301,428

, Gas & consumable Fuels								
Pharmaceuticals	17,363,636	16,702,079	(24,398,651)		7,902,767	(1,065,063)		16,504,767
Semiconductors & Semiconductor								
Equipment		36,882,342				(2,590,642)		34,291,700
Technology								
Hardware, Software & Peripherals		16,735,165				4,580,435		21,315,600
<b>Totals</b>	<b>\$179,648,146</b>	<b>\$217,833,453</b>	<b>\$(155,166,602)</b>	<b>\$</b>	<b>\$10,635,747</b>	<b>\$(8,602,230)</b>	<b>\$</b>	<b>\$244,348,514</b>

**Conversion**

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at February 28, 2015:

	Ending Balance at 2/28/15	Valuation Technique Used	Unobservable Inputs	Input Values
<b>Investments in Securities Assets</b>				
Convertible Preferred Stock	\$244,348,514	Third-Party Pricing Vendor	Single Broker Quote	\$15.28-\$764.00

The net change in unrealized appreciation/depreciation of Level 3 investments held at February 28, 2015 was \$(4,261,022). Net realized gain (loss) and change in unrealized appreciation/depreciation is reflected on the Statement of Operations.

**Glossary:**

REIT - Real Estate Investment Trust

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015

Principal

Amount

(000s)		Value
<b>Corporate Bonds &amp; Notes 42.0%</b>		
<b>Advertising 0.4%</b>		
\$4,350	Affinion Group, Inc., 7.875%, 12/15/18	\$2,947,125
<b>Aerospace &amp; Defense 0.5%</b>		
250	Bombardier, Inc., 6.00%, 10/15/22 (a)(b)	240,625
5,030	Erickson, Inc., 8.25%, 5/1/20	4,137,175
		4,377,800
<b>Air Freight &amp; Logistics 0.7%</b>		
5,230	XPO Logistics, Inc., 7.875%, 9/1/19 (a)(b)	5,609,175
<b>Auto Components 0.8%</b>		
3,320	Chassix, Inc., 9.25%, 8/1/18 (a)(b)(c)	2,423,600
3,970	Goodyear Tire & Rubber Co., 8.25%, 8/15/20	4,242,937
		6,666,537
<b>Auto Manufacturers 0.8%</b>		
5,590	Chrysler Group LLC, 8.25%, 6/15/21	6,267,788
<b>Commercial Services 2.6%</b>		
3,000	Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 9.75%, 3/15/20	3,285,000
8,535	Cenveo Corp., 11.50%, 5/15/17	8,705,700
4,295	DynCorp International, Inc., 10.375%, 7/1/17	3,919,187
5,925	Monitronics International, Inc., 9.125%, 4/1/20	5,865,750
		21,775,637
<b>Commercial Services &amp; Supplies 0.6%</b>		
4,355	United Rentals North America, Inc., 8.375%, 9/15/20	4,681,625
<b>Construction Materials 0.7%</b>		
5,690	US Concrete, Inc., 8.50%, 12/1/18	6,059,850
<b>Consumer Finance 0.9%</b>		
2,605	Navient Corp., 8.45%, 6/15/18	2,982,725
3,865	Springleaf Finance Corp., 8.25%, 10/1/23	4,425,425
		7,408,150
<b>Distribution/Wholesale 0.9%</b>		
6,430	HD Supply, Inc., 11.00%, 4/15/20	7,394,500
<b>Diversified Consumer Services 0.6%</b>		
5,270	Cambium Learning Group, Inc., 9.75%, 2/15/17	5,322,700
<b>Diversified Financial Services 1.8%</b>		
	Community Choice Financial, Inc.,	

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

7,465	10.75%, 5/1/19	4,852,250
5,370	12.75%, 5/1/20 (a)(b)	3,383,100
	Nationstar Mortgage LLC / Nationstar Capital Corp.,	
2,000	7.875%, 10/1/20	2,020,000
4,250	9.625%, 5/1/19	4,547,500
		14,802,850
	<b>Diversified Telecommunications 0.5%</b>	
3,692	Cincinnati Bell, Inc., 8.75%, 3/15/18	3,780,608
	<b>Electrical Components &amp; Equipment 1.2%</b>	
10,275	WireCo WorldGroup, Inc., 9.50%, 5/15/17	10,172,250
	<b>Electronic Equipment, Instruments &amp; Components 1.4%</b>	
5,815	Kemet Corp., 10.50%, 5/1/18	5,989,450
5,500	Viasystems, Inc., 7.875%, 5/1/19 (a)(b)	5,830,000
		11,819,450

February 28, 2015 | Annual Report 17

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

Principal

Amount

(000s)		Value
	<b>Energy Equipment &amp; Services 0.1%</b>	
\$2,170	Hercules Offshore, Inc., 8.75%, 7/15/21 (a)(b)	\$683,550
	<b>Food &amp; Staples Retailing 0.6%</b>	
5,000	US Foods, Inc., 8.50%, 6/30/19	5,256,250
	<b>Health Care Providers &amp; Services 1.7%</b>	
6,585	ExamWorks Group, Inc., 9.00%, 7/15/19	7,013,025
	Tenet Healthcare Corp.,	
2,750	5.00%, 3/1/19 (a)(b)	2,770,625
3,470	8.125%, 4/1/22	3,938,450
		13,722,100
	<b>Healthcare-Products 0.9%</b>	
6,785	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18	7,438,056
	<b>Hotels, Restaurants &amp; Leisure 0.9%</b>	
6,395	MGM Resorts International, 11.375%, 3/1/18	7,785,913
	<b>Household Durables 0.9%</b>	
	Beazer Homes USA, Inc.,	
2,245	7.25%, 2/1/23	2,152,394
3,920	9.125%, 5/15/19	4,052,300
1,390	Jarden Corp., 7.50%, 5/1/17	1,539,425
		7,744,119
	<b>Household Products/Wares 0.8%</b>	
5,725	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	6,161,531
	<b>Internet 0.5%</b>	
6,462	Affinion Investments LLC, 13.50%, 8/15/18	4,264,722
	<b>Internet Software &amp; Services 1.2%</b>	
	EarthLink, Inc.,	
2,200	7.375%, 6/1/20	2,260,500
7,590	8.875%, 5/15/19	7,836,675
		10,097,175
	<b>Iron/Steel 0.6%</b>	
5,600	AK Steel Corp., 8.375%, 4/1/22	5,012,000
	<b>Lodging 0.2%</b>	
9,455	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18 (c)	1,749,175
	<b>Machinery 1.2%</b>	
4,225	BlueLine Rental Finance Corp., 7.00%, 2/1/19 (a)(b)	4,394,000

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

5,495	Navistar International Corp., 8.25%, 11/1/21	5,543,081
		9,937,081
	<b>Media 3.1%</b>	
5,500	AMC Entertainment, Inc., 9.75%, 12/1/20	6,077,500
6,645	McClatchy Co., 9.00%, 12/15/22	6,777,900
	McGraw-Hill Global Education Holdings LLC / McGraw-Hill Global Education	
6,280	Finance, 9.75%, 4/1/21	7,096,400
2,850	Mood Media Corp., 9.25%, 10/15/20 (a)(b)	2,458,125
3,589	SFX Entertainment, Inc., 9.625%, 2/1/19 (a)(b)	3,553,110
		25,963,035
	<b>Metals &amp; Mining 2.0%</b>	
5,050	ArcelorMittal, 10.60%, 6/1/19	6,255,687
2,820	HudBay Minerals, Inc., 9.50%, 10/1/20	2,904,600

18 Annual Report | February 28, 2015

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

Principal

Amount

(000s)		Value
	<b>Thompson Creek Metals Co., Inc.,</b>	
\$6,145	7.375%, 6/1/18	\$5,100,350
2,170	12.50%, 5/1/19	1,931,300
		16,191,937
	<b>Miscellaneous Manufacturing 0.7%</b>	
5,650	Harland Clarke Holdings Corp., 9.25%, 3/1/21 (a)(b)	5,501,688
	<b>Oil &amp; Gas 1.3%</b>	
7,000	Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17	5,110,000
4,306	United Refining Co., 10.50%, 2/28/18	4,562,207
1,000	Vanguard Natural Resources LLC / VNR Finance Corp., 7.875%, 4/1/20	918,750
		10,590,957
	<b>Oil, Gas &amp; Consumable Fuels 1.7%</b>	
2,160	Arch Coal, Inc., 9.875%, 6/15/19	788,400
4,550	EP Energy LLC / Everest Acquisition Finance, Inc., 9.375%, 5/1/20	4,879,875
4,200	Laredo Petroleum, Inc., 9.50%, 2/15/19	4,389,000
4,305	Linn Energy LLC / Linn Energy Finance Corp., 6.50%, 5/15/19	3,788,400
560	Ultra Petroleum Corp., 6.125%, 10/1/24 (a)(b)	534,800
		14,380,475
	<b>Packaging &amp; Containers 0.8%</b>	
5,903	Tekni-Plex, Inc., 9.75%, 6/1/19 (a)(b)	6,434,270
	<b>Paper &amp; Forest Products 0.3%</b>	
2,000	Louisiana-Pacific Corp., 7.50%, 6/1/20	2,145,000
	<b>Pharmaceuticals 0.2%</b>	
1,755	Endo Finance LLC & Endo Finco, Inc., 5.375%, 1/15/23 (a)(b)	1,790,100
	<b>Real Estate Investment Trust 0.3%</b>	
2,345	Kennedy-Wilson, Inc., 5.875%, 4/1/24	2,374,313
	<b>Retail 0.7%</b>	
5,785	Neiman Marcus Group Ltd. LLC, 8.00%, 10/15/21 (a)(b)	6,110,406
	<b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>	
2,875	Amkor Technology, Inc., 6.375%, 10/1/22	2,997,188
4,717	Freescale Semiconductor, Inc., 10.75%, 8/1/20	5,144,478
		8,141,666
	<b>Software 1.8%</b>	
	First Data Corp.,	
4,355	8.25%, 1/15/21 (a)(b)	4,692,513

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

1,465	10.625%, 6/15/21	1,692,075
6,955	12.625%, 1/15/21	8,332,090
		14,716,678
	<b>Specialty Retail 1.3%</b>	
3,140	Brown Shoe Co., Inc., 7.125%, 5/15/19	3,273,450
4,500	Claire's Stores, Inc., 9.00%, 3/15/19 (a)(b)	4,246,875
3,500	Conn's, Inc., 7.25%, 7/15/22 (a)(b)	3,171,875
		10,692,200
	<b>Telecommunications 1.4%</b>	
6,085	Consolidated Communications, Inc., 10.875%, 6/1/20	6,883,656
4,340	Windstream Corp., 7.50%, 4/1/23	4,307,450
		11,191,106
	<b>Transportation 0.6%</b>	
5,044	Quality Distribution LLC, 9.875%, 11/1/18	5,308,810

February 28, 2015 | Annual Report 19

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

Principal

Amount

(000s)

Value

	<b>Wireless Telecommunication Services 0.8%</b>	
\$5,545	Sprint Communications, Inc., 11.50%, 11/15/21	\$6,875,800
	<b>Total Corporate Bonds &amp; Notes (cost-\$362,325,982)</b>	<b>347,346,158</b>
Shares		
	<b>Convertible Preferred Stock 40.7%</b>	
	<b>Aerospace &amp; Defense 1.4%</b>	
181,200	United Technologies Corp., 7.50%, 8/1/15	11,542,440
	<b>Automobiles 1.7%</b>	
402,000	The Goldman Sachs Group, Inc., 8.00%, 12/17/15 (General Motors) (d)	14,008,494
	<b>Banks 4.2%</b>	
7,455	Huntington Bancshares, Inc., 8.50% (e)	10,213,350
805,310	JPMorgan Chase & Co., 8.00%, 9/18/15 (Bank of America) (d)	12,305,137
9,900	Wells Fargo & Co., 7.50%, Ser. L (e)	12,003,354
		<b>34,521,841</b>
	<b>Diversified Financial Services 1.4%</b>	
10,100	Bank of America Corp., 7.25%, Ser. L (e)	11,817,000
	<b>Electric Utilities 0.8%</b>	
134,610	Exelon Corp., 6.50%, 6/1/17	6,676,656
	<b>Electronic Equipment, Instruments &amp; Components 1.6%</b>	
557,000	Bank of America Corp., 8.00%, 2/17/16 (Corning, Inc.) (d)	13,640,930
	<b>Energy Equipment &amp; Services 1.6%</b>	
240,590	Credit Suisse, 8.00%, 3/5/15 (Baker Hughes) (d)	13,545,217
	<b>Food Products 1.4%</b>	
246,900	Wells Fargo & Co., 8.00%, 8/28/15 (Archer-Daniels-Midland Co.) (d)	11,480,850
	<b>Health Care Equipment &amp; Supplies 1.8%</b>	
210,000	Credit Suisse, 8.00%, 6/23/15 (Medtronic, Inc.) (d)	14,660,100
	<b>Health Care Providers &amp; Services 1.9%</b>	
257,800	JPMorgan Chase & Co., 8.00%, 5/5/15 (HCA Holdings, Inc.) (d)	15,403,550
	<b>Independent Power &amp; Renewable Electricity Producers 0.9%</b>	
72,035	Dynegy, Inc., 5.375%, 11/1/17	7,235,916
	<b>Internet Software &amp; Services 1.5%</b>	
264,285	Barclays Bank PLC, 8.00%, 10/28/15 (Twitter, Inc.) (d)	12,474,252
	<b>Machinery 1.8%</b>	
128,815	Stanley Black & Decker, Inc., 6.25%, 11/17/16	14,857,522

<b>Metals &amp; Mining 1.4%</b>		
13,785	Alcoa, Inc., 5.375%, 10/1/17	667,194
604,670	ArcelorMittal, 6.00%, 1/15/16	10,695,100
		11,362,294
<b>Multiline Retail 1.5%</b>		
195,000	The Goldman Sachs Group, Inc., 8.00%, 1/14/16 (Macy's, Inc.) (d)	12,348,960
<b>Multi-Utilities 1.1%</b>		
186,560	AES Trust III, 6.75%, 10/15/29	9,501,501
<b>Oil, Gas &amp; Consumable Fuels 1.8%</b>		
146,765	Credit Suisse, 8.00%, 3/5/15 (Occidental Petroleum Corp.) (d)	10,979,490
10,900	Energy XXI Bermuda Ltd., 5.625% (e)	570,547
94,905	PetroQuest Energy, Inc., 6.875% (e)	2,562,435

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

Shares		Value
25,840	Sanchez Energy Corp., 6.50%, 4/6/18 (e)	\$1,085,280
		15,197,752
	<b>Pharmaceuticals 1.5%</b>	
253,015	JPMorgan Chase & Co., 8.00%, 4/30/15 (Mylan, Inc.) (d)	12,529,303
	<b>Real Estate Investment Trust 4.4%</b>	
335,200	Alexandria Real Estate Equities, Inc., 7.00% (e)	9,720,800
610,095	FelCor Lodging Trust, Inc., 1.95%, Ser. A (e)	15,709,946
159,235	Health Care REIT, Inc., 6.50%, 4/20/18, Ser. I (e)	10,882,120
		36,312,866
	<b>Semiconductors &amp; Semiconductor Equipment 3.2%</b>	
186,000	Barclays Bank PLC, 8.00%, 11/9/15 (Lam Research Corp.) (d)	14,442,900
420,000	Wells Fargo & Co., 8.00%, 6/18/15 (Micron Technology, Inc.) (d)	12,037,200
		26,480,100
	<b>Specialty Retail 1.8%</b>	
10,000	Barnes & Noble, Inc., 7.75%, 8/18/21 (a)(b)	14,819,500
	<b>Technology Hardware, Storage &amp; Peripherals 2.0%</b>	
21,135	Bank of America Corp., 8.00%, 5/12/15 (Apple, Inc.) (d)	16,147,140
	Total Convertible Preferred Stock (cost-\$317,079,922)	336,564,184

Principal  
Amount  
(000s)

	<b>Convertible Bonds &amp; Notes 16.1%</b>	
	<b>Capital Markets 3.3%</b>	
\$5,880	Ares Capital Corp., 5.75%, 2/1/16	6,111,525
10,075	BGC Partners, Inc., 4.50%, 7/15/16	10,950,266
12,440	Walter Investment Management Corp., 4.50%, 11/1/19	9,975,325
		27,037,116
	<b>Commercial Services 1.7%</b>	
15,600	Cenveo Corp., 7.00%, 5/15/17	14,420,250
	<b>Construction Materials 0.7%</b>	
5,850	Cemex S.A.B. de C.V., 4.875%, 3/15/15	5,868,281
	<b>Diversified Consumer Services 1.0%</b>	
10,220	Ascent Capital Group, Inc., 4.00%, 7/15/20	8,041,862
	<b>Hotels, Restaurants &amp; Leisure 0.4%</b>	
3,240	MGM Resorts International, 4.25%, 4/15/15	3,821,175
	<b>Insurance 0.4%</b>	
3,035	HCI Group, Inc., 3.875%, 3/15/19	3,093,803
	<b>Life Sciences Tools &amp; Services 0.4%</b>	

Edgar Filing: AllianzGI Convertible & Income Fund - Form N-CSR

3,470	Sequenom, Inc., 5.00%, 10/1/17	3,480,844
	<b>Machinery 2.3%</b>	
	Meritor, Inc.,	
9,545	4.625%, 3/1/26	9,664,312
4,755	7.875%, 3/1/26	7,682,297
1,710	Navistar International Corp., 4.75%, 4/15/19 (a)(b)	1,513,350
		18,859,959
	<b>Oil, Gas &amp; Consumable Fuels 0.8%</b>	
1,720	Cobalt International Energy, Inc., 2.625%, 12/1/19	1,250,225
7,540	Goodrich Petroleum Corp., 5.00%, 10/1/32	3,807,700

February 28, 2015 | Annual Report 21

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

Principal Amount (000s)		Value
\$1,380	Stone Energy Corp., 1.75%, 3/1/17	\$1,277,362
		6,335,287
	<b>Personal Products 1.0%</b>	
11,615	Herbalife Ltd., 2.00%, 8/15/19 (a)	8,776,642
	<b>Real Estate Investment Trust 0.3%</b>	
2,430	IAS Operating Partnership LP, 5.00%, 3/15/18 (a)(b)	2,335,838
	<b>Software 0.9%</b>	
7,890	TeleCommunication Systems, Inc., 7.75%, 6/30/18	7,456,050
	<b>Thriffs &amp; Mortgage Finance 0.7%</b>	
4,965	MGIC Investment Corp., 5.00%, 5/1/17	5,551,491
	<b>Tobacco 2.1%</b>	
	Vector Group Ltd., (f)	
4,335	1.75%, 4/15/20	4,679,091
9,035	2.50%, 1/15/19	13,181,369
		17,860,460
	<b>Trading Companies &amp; Distribution 0.1%</b>	
910	Titan Machinery, Inc., 3.75%, 5/1/19	664,869
	Total Convertible Bonds & Notes (cost-\$127,508,378)	133,603,927

Shares

	<b>Common Stock 0.3%</b>	
	<b>Banks 0.3%</b>	
46,017	Citigroup, Inc. (cost-\$2,692,376)	2,412,211

Principal Amount  
(000s)

	<b>Short-Term Investment 0.9%</b>	
	<b>Time Deposit 0.9%</b>	
\$7,246	JPMorgan Chase & Co.-Nassau, 0.03%, 3/2/15 (cost-\$7,245,721)	7,245,721
	<b>Total Investments (cost-\$816,852,379) 100.0%</b>	<b>\$827,172,201</b>

**Notes to Schedule of Investments:**

(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$91,273,767, representing 11.0% of total investments.

- (b) 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.
- (c) In default.
- (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 (synthetic convertible securities). Such entity is identified in the parenthetical.
- (e) Perpetual maturity. The date shown, if any, is the next call date.
- (f) In addition to the coupon rate shown, the issuer is expected to pay additional interest based on the actual dividends paid on its common stock.

**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

(g) Fair Value Measurements See Note 1(b) in Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/15
<b>Investments in Securities Assets</b>				
Corporate Bonds & Notes	\$	\$347,346,158	\$	\$347,346,158
Convertible Preferred Stock:				
Automobiles			14,008,494	14,008,494
Banks	22,216,704		12,305,137	34,521,841
Electronic Equipment, Instruments & Components			13,640,930	13,640,930
Energy Equipment & Services			13,545,217	13,545,217
Food Products			11,480,850	11,480,850
Health Care Equipment & Supplies			14,660,100	14,660,100
Health Care Providers & Services			15,403,550	15,403,550
Internet Software & Services			12,474,252	12,474,252
Metals & Mining	667,194	10,695,100		11,362,294
Multiline Retail			12,348,960	12,348,960
Oil, Gas & Consumable Fuels	2,562,435	1,655,827	10,979,490	15,197,752
Pharmaceuticals			12,529,303	12,529,303
Semiconductors & Semiconductor Equipment			26,480,100	26,480,100
Specialty Retail		14,819,500		14,819,500
Technology Hardware, Storage & Peripherals			16,147,140	16,147,140
All Other	97,943,901			97,943,901
Convertible Bonds & Notes		133,603,927		133,603,927
Common Stock	2,412,211			2,412,211
Short-Term Investment		7,245,721		7,245,721
<b>Totals</b>	<b>\$ 125,802,445</b>	<b>\$515,366,233</b>	<b>\$ 186,003,523</b>	<b>\$827,172,201</b>

At February 28, 2015, a security valued at \$2,562,435 was transferred from Level 2 to Level 1 due to the availability of an exchange-traded closing price.



**Table of Contents****Schedule of Investments**

AllianzGI Convertible &amp; Income Fund II

February 28, 2015 (continued)

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended February 28, 2015, was as follows:

	Beginning Balance 2/28/14	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 2/28/15
<b>Investments in Securities Assets</b>									
Convertible Preferred Stock:									
Automobiles	\$10,665,088	\$16,344,563	\$(11,461,048)	\$	\$(3,803,124)	\$2,263,015	\$	\$	\$14,008,49
Banks	12,419,982	15,196,336	(15,435,092)			123,911			12,305,13
Computers & Peripherals	9,953,184		(9,979,317)			26,133			
Electronic Equipment, Instruments & Components		13,724,480				(83,550)			13,640,93
Energy Equipment & Services	30,527,518		(17,234,994)		2,742,995	(2,490,302)			13,545,21
Food Products		12,393,244				(912,394)			11,480,85
Health Care Equipment & Supplies		13,622,700				1,037,400			14,660,10
Health Care Providers & Services		13,692,995				1,710,555			15,403,55
Household Furnishings	11,014,697		(10,642,786)			(371,911)			
Insurance	11,203,425		(11,413,579)		1,009,973	(799,819)			
Internet Services & Software		13,639,749				(1,165,497)			12,474,25
Multiline Retail	13,804,312	13,079,040	(14,437,912)		536,085	(632,565)			12,348,96
Oil, Gas & Consumable Fuels	13,964,690					(2,985,200)			10,979,49
Pharmaceuticals	13,436,449	12,679,088	(18,861,262)		6,096,302	(821,274)			12,529,30

Microprocessors & Semiconductor Equipment	28,511,508				(2,031,408)			26,480,100	
Technology Hardware, Storage & Peripherals	12,677,337				3,469,803			16,147,140	
<b>Totals</b>	\$126,989,345	\$165,561,040	\$(109,465,990)	\$	\$6,582,231	\$(3,663,103)	\$	\$	\$186,003,523

### Conversion

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at February 28, 2015:

	Ending Balance at 2/28/15	Valuation Technique Used	Unobservable Inputs	Input Values
<b>Investments in Securities Assets</b>				
Convertible Preferred Stock	\$186,003,523	Third-Party Pricing Vendor	Single Broker Quote	\$15.28 \$764.00

The net change in unrealized appreciation/depreciation of Level 3 investments held at February 28, 2015 was \$(3,336,742). Net realized gain (loss) and change in unrealized appreciation/depreciation is reflected on the Statement of Operations.

### Glossary:

REIT - Real Estate Investment Trust

**Table of Contents****Statements of Assets and Liabilities**

AllianzGI Convertible &amp; Income Funds

February 28, 2015

	Convertible & Income	Convertible & Income II
<b>Assets:</b>		
Investments, at value (cost-\$1,077,900,780 and \$816,852,379, respectively)	\$1,089,224,939	\$827,172,201
Interest and dividends receivable	16,235,051	12,460,538
Receivable for investments sold	8,647,572	6,530,412
Prepaid expenses	21,701	48,876
<b>Total Assets</b>	<b>1,114,129,263</b>	<b>846,212,027</b>
<b>Liabilities:</b>		
Dividends payable to common and preferred shareholders	7,898,813	6,296,338
Payable for investments purchased	8,072,027	5,972,337
Investment management fees payable	584,789	444,266
Accrued expenses and other liabilities	590,356	157,239
<b>Total Liabilities</b>	<b>17,145,985</b>	<b>12,870,180</b>
<b>Preferred Shares (\$0.00001 par value; \$25,000 liquidation preference per share applicable to an aggregate 14,280 and 10,960 shares issued and outstanding, respectively)</b>	<b>357,000,000</b>	<b>274,000,000</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$739,983,278</b>	<b>\$559,341,847</b>
<b>Composition of Net Assets Applicable to Common Shareholders:</b>		
Common Shares:		
Par value (\$0.00001 per share)	\$877	\$740
Paid-in-capital in excess of par	1,172,680,070	967,480,780
Undistributed (dividends in excess of) net investment income	2,795,810	(4,932,198)
Accumulated net realized loss	(446,817,638)	(413,527,297)
Net unrealized appreciation	11,324,159	10,319,822
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$739,983,278</b>	<b>\$559,341,847</b>
Common Shares Issued and Outstanding	87,702,659	74,032,570
<b>Net Asset Value Per Common Share</b>	<b>\$8.44</b>	<b>\$7.56</b>

See accompanying Notes to Financial Statements | February 28, 2015 | Annual Report 25

**Table of Contents****Statements of Operations**

AllianzGI Convertible &amp; Income Funds

Year ended February 28, 2015

	Convertible & Income	Convertible & Income II
<b>Investment Income:</b>		
Interest	\$51,694,692	\$39,617,996
Dividends	33,983,454	26,027,591
Miscellaneous	152,260	120,240
<b>Total Investment Income</b>	<b>85,830,406</b>	<b>65,765,827</b>
<b>Expenses:</b>		
Investment management	7,983,131	6,082,177
Auction agent	551,659	408,697
Excise tax	429,478	
Custodian and accounting agent	167,333	142,862
Audit and tax services	89,486	95,234
Shareholder communications	84,280	72,921
New York Stock Exchange listing	79,866	67,978
Legal	74,867	57,522
Trustees	70,343	55,886
Insurance	29,922	24,118
Transfer agent	25,721	25,509
Proxy	7,600	5,808
Miscellaneous	21,860	36,363
<b>Total expenses</b>	<b>9,615,546</b>	<b>7,075,075</b>
<b>Net Investment Income</b>	<b>76,214,860</b>	<b>58,690,752</b>
<b>Realized and Change in Unrealized Gain (Loss):</b>		
Net realized gain (loss) on investments	532,297	(494,929)
Payment from affiliate (See Note 8)	166,674	120,146
Net change in unrealized appreciation/depreciation of investments	(75,180,856)	(55,112,120)
Net realized and change in unrealized loss	(74,481,885)	(55,486,903)
<b>Net Increase in Net Assets Resulting from Investment Operations</b>	<b>1,732,975</b>	<b>3,203,849</b>
<b>Dividends on Preferred Shares from Net Investment Income</b>	<b>(421,660)</b>	<b>(323,627)</b>
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investments Operations</b>	<b>\$1,311,315</b>	<b>\$2,880,222</b>

**Table of Contents****Statement of Changes in Net Assets Applicable to Common Shareholders**

AllianzGI Convertible &amp; Income Fund

	Year ended February 28, 2015	Year ended February 28, 2014
<b>Investments Operations:</b>		
Net investment income	\$76,214,860	\$82,352,257
Net realized gain	698,971	38,399,174
Net change in unrealized appreciation/depreciation	(75,180,856)	21,883,465
Net increase in net assets resulting from investment operations	1,732,975	142,634,896
<b>Dividends on Preferred Shares from Net Investment Income</b>		
Net increase in net assets applicable to common shareholders resulting from investment operations	(421,660)	(462,676)
	1,311,315	142,172,220
<b>Dividends to Common Shareholders from Net Investment Income</b>		
	(94,257,466)	(87,527,246)
<b>Common Share Transactions:</b>		
Net proceeds from shares sold	16,959,259	72,694,937
Offering costs on sale of shares (See Note 7)	(16,983)	(214,454)
Reinvestment of dividends	4,590,091	4,249,654
Net increase in net assets from common share transactions	21,532,367	76,730,137
Total increase (decrease) in net assets applicable to common shareholders	(71,413,784)	131,375,111
<b>Net Assets Applicable to Common Shareholders:</b>		
Beginning of year	811,397,062	680,021,951
End of year*	\$739,983,278	\$811,397,062
*Including undistributed net investment income of:	\$2,795,810	\$11,776,819
<b>Common Shares Issued:</b>		
Shares sold	1,678,728	7,635,105
Reinvestment of dividends	490,671	464,659
Total increase in shares outstanding	2,169,399	8,099,764

See accompanying Notes to Financial Statements | February 28, 2015 | Annual Report 27

**Table of Contents****Statement of Changes in Net Assets Applicable to Common Shareholders**

AllianzGI Convertible &amp; Income Fund II

	Year ended February 28, 2015	Year ended February 28, 2014
<b>Investments Operations:</b>		
Net investment income	\$58,690,752	\$66,319,859
Net realized gain (loss)	(374,783)	26,482,017
Net change in unrealized appreciation/depreciation	(55,112,120)	15,214,503
Net increase in net assets resulting from investment operations	3,203,849	108,016,379
<b>Dividends on Preferred Shares from Net Investment Income</b>	(323,627)	(355,107)
Net increase in net assets applicable to common shareholders resulting from investment operations	2,880,222	107,661,272
<b>Dividends to Common Shareholders from Net Investment Income</b>	(75,259,709)	