

AGIC Convertible & Income Fund

Form N-CSR

May 01, 2013

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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)

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, 2013

Date of reporting period: February 28, 2013

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Item 1. Report to Shareholders

Annual Report

February 28, 2013

AllianzGI Convertible & Income Fund

(formerly AGIC Convertible & Income Fund)

AllianzGI Convertible & Income Fund II

(formerly AGIC Convertible & Income Fund II)

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Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder:

The US economy continued to advance during the fiscal twelve-month period ended February 28, 2013. The housing market nationwide showed strength, hiring continued at a steady pace, and export orders were on the rise. As consumer confidence increased, investors shifted from US Treasuries to equities. Stocks rose to their highest levels in five years, capping a dramatic comeback from the market downturn of September 2007.

Twelve Months in Review through February 28, 2013

AllianzGI Convertible & Income Fund returned 15.44% on net asset value (NAV) and 7.02% on market price.

AllianzGI Convertible & Income Fund II returned 15.78% on NAV and 9.35% on market price.

In comparison, the Standard & Poor's (S&P) 500 Index, an unmanaged index generally representative of the US stock market, rose 13.46% and the Barclays US Credit Index, an unmanaged index considered representative of publicly issued, Securities & Exchange Commission (SEC) registered US corporate and specific foreign debentures and secured notes, returned 6.15% during the reporting period.

Meanwhile, convertible securities, which share characteristics of both stocks and bonds, rose. The BofA Merrill Lynch All Convertibles Index, an unmanaged index generally representative of the convertible securities market, increased 10.06% for the fiscal year.

As the fiscal reporting period began, US gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of US economic activity and the principal indicator of economic performance, was growing at an annual rate of 2.0%. This slowed to a 1.3% pace during the second quarter of 2012, before accelerating to an annual rate of 3.1% during the third quarter of 2012. Growth was negative 0.1% during the fourth quarter of 2012, which the government indicated was due to the drop in defense spending.

There were many encouraging signs in the private sector. US unemployment fell to 7.7% from 8.2% during the twelve-month reporting period. The S&P/Case-Shiller Home Price Index, a leading measure of US residential housing,

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indicated home prices rose 7.3% on a national basis during the twelve months ended December 31, 2012. Autodata, which tracks the motor vehicle industry, reported that approximately 14.5 million cars and trucks were sold in 2012. The report indicated that the US market grew 13% on a year-on-year basis in 2012, the strongest year since 2007.

As the economy strengthened during the fiscal reporting period, investors shifted assets out of US Treasuries and into stocks. The yield on the benchmark

10-year bond began the period at 1.98%, falling to a record low 1.43%, before ending the period at 1.89%.

Positioned to Face Today's Challenges

If reductions in defense spending were the principal cause of slower economic growth between October and December 2012, then the additional reductions, which began subsequent to the end of the fiscal year, may hamper growth over the near term.

Despite this concern, we see positive signs for the US economy in 2013. The economy is expected to grow 2.50% to 2.75%, driven in large part by the strengthening housing market. Home prices are anticipated to appreciate 10% on a national basis and the improving labor market is expected to drive wage gains beyond the drag created by the December 31, 2012 expiration of the 2% payroll tax holiday.

For specific information on the Funds and their performance, please refer to 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.

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

Brian S. Shlissel

President & Chief Executive Officer

Receive this report electronically and eliminate paper mailings. To enroll, go to us.allianzgi.com/edelivery.

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AllianzGI Convertible & Income Funds Fund Insights

February 28, 2013 (unaudited)

For the period of March 1, 2012 through February 28, 2013, as provided by Doug Forsyth, Portfolio Manager.

During the fiscal twelve-month reporting period ended February 28, 2013, AllianzGI Convertible & Income Fund and AllianzGI Convertible & Income Fund II (the Funds) returned 15.44% and 15.78% on net asset value (NAV) and 7.02% and 9.35% on market price, respectively.

Market Environment

The convertible and high yield markets moved higher during the period due to improving credit fundamentals, stable corporate profits and global stimulus efforts.

Investor sentiment shifted from positive to negative as early as April and lasted through May. Despite some softening in the broad economic statistics in the US, investor focus was on the day-to-day reports regarding developments throughout Europe. With little direction and no discernible timetable toward resolution for all of the financial woes across several countries, investors sold risk assets. Convertible securities, like equities, were sold, and investors once again flocked to Treasuries and cash.

Macro factors led investor demand higher and enhanced returns in the months that ensued. The actions and language of global monetary policy leadership, specifically in the US and Europe, were decidedly accommodative. For the better part of the last two years, investors have been presented with strengthening corporate profits against a backdrop of macro volatility. During this period, the macro factors reversed, and the markets responded with enthusiasm.

In the second half of the reporting period, mixed third-quarter earnings, US budget debate concerns and instability in Europe led to spikes in equity volatility, but the upward trajectory of the markets resumed and remained intact through February 2013. A fiscal cliff compromise aided the advance, but a host of other catalysts supported the market's move higher. Healthy fourth-quarter earnings, improving US economic data points and ongoing accommodative central bank policies were among the most impactful.

Over the twelve-month period, both high yield bonds and convertibles benefited from credit-spread tightening. The improving balance-sheet strength seen throughout the period was the primary driver of credit improvement. In addition, the convertible market benefited from stock market strength.

Sector level performance was positive. In general, Transportation, Telecommunications, Healthcare and Financials were among the strongest-performing sectors. In contrast, Materials, Technology and Energy issuers underperformed the overall market.

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Portfolio Specifics

The Funds rallied with the markets during the reporting period. Strength was evident in a variety of holdings and industries.

In the convertibles sleeve, sector allocations that committed to performance in the period relative to the convertibles universe, were Technology, Industrials, Transportation and Materials. The Funds benefited from an underweight in Technology and Materials. In addition, a relative overweight and positive issuer-specific performance helped in both the Industrials and Transportation sectors. Conversely, sector allocations which hindered relative performance in the reporting period were Energy, Healthcare and Telecommunications. The Energy and Telecommunications sectors exhibited lower issuer-specific performance relative to the universe. An underweight in Health Care negatively impacted relative returns.

In the high yield bond sleeve, industry allocations which benefitted performance in the period relative to the high yield universe were Services, Homebuilders/Real Estate, Telecommunications Wireline and Publishing/Printing. All of the aforementioned industries exhibited strong security selection. In contrast, industry allocations which hindered relative performance during the reporting period were Banking, Utilities, Technology and Steel. An underweight in the Banking industry was a drag on relative performance, while lower issuer-specific performance was evident across the remaining three industries.

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AllianzGI Convertible & Income Fund Performance & Statistics

February 28, 2013 (unaudited)

Total Return ⁽¹⁾ :	Market Price	NAV
1 Year	7.02%	15.44%
5 Year	7.88%	7.20%
Commencement of Operations (3/31/03) to 2/28/13	8.24%	8.45%

Market Price/NAV Performance:

Commencement of Operations (3/31/03) to 2/28/13

Market Price/NAV:

Market Price	\$9.18
NAV	\$8.78
Premium to NAV	4.56%
Market Price Yield ⁽²⁾	11.76%
Leverage ⁽³⁾	34.43%
Moody's Ratings	

(as a % of total investments)

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February 28, 2013 (unaudited)

Total Return ⁽¹⁾ :	Market Price	NAV
1 Year	9.35%	15.78%
5 Year	7.41%	5.85%
Commencement of Operations (7/31/03) to 2/28/13	6.95%	6.90%

Market Price/NAV Performance:

Commencement of Operations (7/31/03) to 2/28/13

Market Price/NAV:

Market Price	\$8.52
NAV	\$7.97
Premium to NAV	6.90%
Market Price Yield ⁽²⁾	11.97%
Leverage ⁽³⁾	34.58%
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 NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends, capital gain and return of capital 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 typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about each Fund, market conditions, supply and demand for each Fund's shares, or changes in each Fund's dividends.

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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, 2013.

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

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February 28, 2013

Principal Amount (000s)		Value
CORPORATE BONDS & NOTES 44.4%		
Advertising 0.6%		
\$8,230	Affinion Group, Inc., 11.50%, 10/15/15	\$6,501,700
Auto Manufacturers 0.8%		
7,410	Chrysler Group LLC, 8.25%, 6/15/21	8,243,625
Building Products 0.3%		
3,100	Gibraltar Industries, Inc., 8.00%, 12/1/15	3,141,323
Commercial Services 3.8%		
	Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,	
1,665	9.625%, 3/15/18	1,848,150
4,000	9.75%, 3/15/20	4,630,000
11,500	Cenveo Corp., 11.50%, 5/15/17	9,832,500
5,705	DynCorp International, Inc., 10.375%, 7/1/17	5,683,606
4,630	Monitronics International, Inc., 9.125%, 4/1/20	4,884,650
11,000	National Money Mart Co., 10.375%, 12/15/16	12,210,000
		39,088,906
Construction & Engineering 1.0%		
9,695	MasTec, Inc., 7.625%, 2/1/17	10,022,206
Consumer Finance 0.6%		
5,775	Springleaf Finance Corp., 6.90%, 12/15/17	5,688,375
Distribution/Wholesale 0.5%		
4,545	HD Supply, Inc., 10.50%, 1/15/21 (a)(b)	4,709,756
Diversified Consumer Services 0.6%		
6,815	Cambium Learning Group, Inc., 9.75%, 2/15/17	5,690,525
Diversified Financial Services 2.0%		
	Community Choice Financial, Inc.,	
10,085	10.75%, 5/1/19	9,530,325
7,130	12.75%, 5/1/20 (a)(b)	7,040,875
3,995	International Lease Finance Corp., 6.375%, 3/25/13	4,011,220

20,582,420

Diversified Telecommunications 1.0%

10,275 Cincinnati Bell, Inc., 8.75%, 3/15/18

10,557,562

Electric 0.3%

Texas Competitive Electric Holdings Co. LLC,

750 11.50%, 10/1/20 (a)(b)

566,250

10,800 15.00%, 4/1/21

2,727,000

3,293,250

Electrical Components & Equipment 1.4%

13,585 WireCo WorldGroup, Inc., 9.50%, 5/15/17

14,298,213

Electronic Equipment, Instruments & Components 0.8%

7,725 Kemet Corp., 10.50%, 5/1/18

8,072,625

Electronics 0.2%

1,700 NXP BV/NXP Funding LLC, 9.75%, 8/1/18 (a)(b)

1,950,750

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February 28, 2013 (continued)

Principal Amount (000s)		Value
Energy Equipment & Services 1.1%		
\$9,795	Pioneer Drilling Co., 9.875%, 3/15/18	\$10,750,012
Health Care Providers & Services 0.9%		
8,875	ExamWorks Group, Inc., 9.00%, 7/15/19	9,607,188
Healthcare-Products 0.6%		
6,065	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18 (a)(b)	6,565,363
Hotels, Restaurants & Leisure 2.0%		
9,120	DineEquity, Inc., 9.50%, 10/30/18	10,396,800
8,405	MGM Resorts International, 11.375%, 3/1/18	10,611,313
		21,008,113
Household Durables 1.3%		