

NFJ DIVIDEND, INTEREST & PREMIUM STRATEGY FUND  
Form N-CSRS  
October 06, 2005

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

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES**

Investment Company Act file number 811-21417

NFJ Dividend, Interest & Premium Strategy Fund  
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105  
(Address of principal executive offices) (Zip code)

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

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

Date of fiscal year end: January 31, 2006

Date of reporting period: July 31, 2005

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

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

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**Item 1. Report to Shareholders**

# NFJ Dividend, Interest & Premium Strategy Fund

Semi-Annual Report  
July 31, 2005

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**NFJ Dividend, Interest & Premium Strategy Fund Letter to Shareholders**

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September 19, 2005

Dear Shareholder:

We are pleased to provide you with the initial financial report of the NFJ Dividend, Interest & Premium Strategy Fund (the "Fund") for the period February 28, 2005 (commencement of operation) through July 31, 2005.

Please refer to the following page for specific Fund information. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Fund's transfer agent at 1-800-331-1710. Furthermore, note that a wide range of information and resources can be accessed through our Web site, [www.allianzinvestors.com](http://www.allianzinvestors.com).

Together with Allianz Global Investors Fund Management LLC (formerly, PA Fund Management LLC), the Fund's investment manager and NFJ Investment Group ("NFJ"), Nicholas Applegate Capital Management ("NACM") and PEA Capital ("PEA"), the Fund's sub-advisers, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Robert E. Connor  
*Chairman*

Brian S. Shlissel  
*President & Chief Executive Officer*

**NFJ Dividend, Interest & Premium Strategy Fund Performance Summary & Statistics**

July 31, 2005 (unaudited)

**Symbol:**

NFJ

**Primary Investments:**

Dividend-paying common stocks, income producing convertible securities, writing (selling) call options on equity indexes in an attempt to generate gains from option premiums.

**Inception Date:**

February 28, 2005

**Objective:**

To seek current income and gains, with a secondary objective of long-term capital appreciation.

**Net Assets:**

\$2,250.4 million

**Portfolio Managers:**

Ben Fischer  
Douglas Forsyth  
Greg Tournant

**Total Return<sup>(1)</sup> :**

Market Price

Net Asset Value  
(NAV)

Commencement of Operations (2/28/05) to 7/31/05

(2.41)%

1.96%

**Market Price/NAV Performance:**

Commencement of Operations (2/28/05) to 7/31/05

**Market Price/NAV:**

Market Price

\$23.86

Net Asset Value

\$23.81

Market Price Yield<sup>(2)</sup>

8.80%

Premium to NAV

0.21%

**Investment Allocation**  
**(as a percentage of total investments**  
**before call options written)**

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of the specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends and capital gain distributions have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets 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 quarterly per share dividend to shareholders by the market price per common share at July 31, 2005.

**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Shares (000)		Value
<b>COMMON STOCK 74.7%</b>		
<b>Aerospace/Defense 0.7%</b>		
300	Northrop Grumman Corp.	\$ 16,635,000
<b>Agriculture 6.3%</b>		
1,050	Altria Group, Inc. (a)	70,308,000
850	Reynolds American, Inc. (a)	70,813,500
		141,121,500
<b>Apparel 1.6%</b>		
600	VF Corp.	35,424,000
<b>Banking 7.0%</b>		
1,700	Bank of America Corp.	74,120,000
1,500	Keycorp (a)	51,360,000
950	Regions Financial Corp. (a)	31,958,000
		157,438,000
<b>Chemicals 3.7%</b>		
800	Lyondell Petrochemical Co.	22,352,000
1,250	The Dow Chemical Co. (a)	59,937,500
		82,289,500
<b>Commercial Services 3.0%</b>		
1,706	Deluxe Corp. (a)	68,220,000
<b>Computers 2.0%</b>		
11	Hewlett-Packard Co.	270,820
2,300	Seagate Technology, Inc.	44,551,000
		44,821,820
<b>Diversified Financial Services 3.3%</b>		
1,200	JP Morgan Chase & Co.	42,168,000
600	MBNA Corp. (a)	15,096,000
305	Morgan Stanley Dean Witter & Co.	16,180,250
		73,444,250
<b>Electric 0.8%</b>		
26	DTE Energy Co.	1,222,000

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400	Progress Energy, Inc.	17,844,000
		<hr/>
		19,066,000
		<hr/>
	<b>Food</b> 4.6%	
1,800	Albertson's, Inc. (a)	38,358,000
2,850	ConAgra Foods, Inc. (a)	64,723,500
		<hr/>
		103,081,500
		<hr/>
	<b>Gas</b> 4.2%	
1,661	KeySpan Corp. (a)	67,586,090
650	Sempra Energy	27,625,000
		<hr/>
		95,211,090
		<hr/>
	<b>Hand/Machine Tools</b> 0.9%	
400	The Stanley Works	19,572,000
		<hr/>
	<b>Home Furnishings</b> 0.0%	
6	Whirlpool Corp.	479,880
		<hr/>

**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Shares (000)		Value
	<b>Household Products</b> 1.7%	
600	Kimberly-Clark Corp.	\$ 38,256,000
	<b>Insurance</b> 3.0%	
700	Jefferson-Pilot Corp.	35,119,000
307	Lincoln National Corp. (a)	14,828,100
382	St. Paul Travelers Cos., Inc.	16,815,640
		66,762,740
	<b>Metals &amp; Mining</b> 2.2%	
1,259	Freeport-McMoRan Copper & Gold, Inc. (a)	50,692,380
	<b>Oil &amp; Gas</b> 9.1%	
1,500	Chevron Corp. (a)	87,015,000
600	ConocoPhillips (a)	37,554,000
285	Marathon Oil Corp.	16,632,600
25	Occidental Petroleum Corp.	2,057,000
10	PetroChina Co. Ltd. ADR	892,300
1,150	Petroleo Brasileiro SA ADR	60,455,500
		204,606,400
	<b>Pharmaceuticals</b> 9.1%	
1,600	GlaxoSmithKline PLC ADR (a)	75,904,000
2,900	Merck & Co., Inc. (a)	90,074,000
1,500	Pfizer Inc.	39,750,000
		205,728,000
	<b>Real Estate</b> 2.8%	
1,835	Duke Realty Corp.-REIT (a)	62,316,600
	<b>Retail</b> 1.7%	
1,550	Limited Brands, Inc. (a)	37,789,000
5	The May Department Stores Co.	205,250
		37,994,250
	<b>Savings &amp; Loans</b> 1.5%	
800	Washington Mutual, Inc. (a)	33,984,000
	<b>Telecommunications</b> 5.5%	
10	Alltel Corp.	665,000



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1,518	AT&T Corp. (a)	30,056,400
2,750	Verizon Communications Inc. (a)	94,132,500
		<hr/>
		124,853,900
		<hr/>
	Total Common Stock (cost-\$1,684,026,586)	1,681,998,810
		<hr/>

**CONVERTIBLE BONDS & NOTES** 13.8%

Principal Amount (000)		Credit Rating (Moody's/S&P)	
<hr/>		<hr/>	
	<b>Aerospace</b> 0.4%		
\$ 6,500	GenCorp, Inc., 4.00%. 1/16/24	Caa2/B	9,124,375
			<hr/>
	<b>Airlines</b> 0.4%		
10,500	Continental Airlines, Inc., 4.50%, 2/1/07	Caa2/CCC+	9,305,625
			<hr/>

**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
<b>Auto Parts &amp; Equipment 0.5%</b>			
7,575	The Goodyear Tire & Rubber Co., 4.00%, 6/15/34 (b)(c)	B3/B-	\$ 11,987,438
<b>Business Services 0.3%</b>			
5,000	Bowne & Co., Inc., 5.00%, 10/1/33	B2/B-	5,343,750
<b>Chemicals 0.3%</b>			
3,000	Millennium Chemicals, Inc., 4.00%, 11/15/23	B1/BB-	6,468,750
<b>Commercial Services 0.8%</b>			
7,500	Memberworks, Inc., 5.50%, 10/1/10	NR/B-	8,643,750
9,300	Quebecor World USA, Inc., 6.00%, 10/1/07	Ba1/BB+	9,451,125
			18,094,875
<b>Computers 0.4%</b>			
10,100	Maxtor Corp., 6.80%, 4/30/10	B2/NR	9,645,500
<b>Diversified Financial Services 0.4%</b>			
9,500	E*Trade Financial Corp., 6.00%, 2/1/07	NR/B-	9,583,125
<b>Electrical Components &amp; Equipment 0.3%</b>			
5,750	Artesyn Technologies, Inc., 5.50%, 8/15/10	NR/NR	7,561,250
<b>Household Products 0.4%</b>			
4,900	American Greetings Corp., 7.00%, 07/15/06	Ba2/BB+	9,126,250
<b>Lodging 0.5%</b>			
9,250	Hilton Hotels Corp., 3.375%, 4/15/23	Baa3/BBB-	11,412,187
<b>Media 0.4%</b>			
9,000	EchoStar Communications Corp., 5.75%, 5/15/08 GDR	B2/B	8,955,000
<b>Metals &amp; Mining 0.5%</b>			
8,475	Freeport-McMoRan Copper & Gold, Inc., 7.00%, 2/11/11	NR/B+	12,161,625
<b>Miscellaneous Manufacturing 0.5%</b>			
7,000	Tyco International Group SA, 3.125%, 1/15/23	Baa3/BBB+	10,062,500
<b>Oil &amp; Gas 1.0%</b>			
8,475	Devon Energy Corp., 4.95%, 8/15/08	Baa2/BBB	9,746,250
4,850	St. Mary Land & Exploration Co., 6.25%, 3/15/22 (d)	NR/NR	12,112,875

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21,859,125

**Pharmaceuticals 0.8%**

6,000	Ligand Pharmaceuticals, Inc., 6.00%, 11/16/07	NR/NR	7,777,500
9,000	Sepracor, Inc., 5.00%, 2/15/07	NR/CCC+	9,011,250

16,788,750

**Retail 0.8%**

5,650	Guitar Center, Inc., 4.00%, 7/15/13	B1/BB-	10,749,125
7,000	Sonic Automotive, Inc., 5.25%, 5/7/09	B3/B	6,842,500

17,591,625

**Semi-Conductors 0.9%**

10,500	Advanced Micro Devices, Inc., 4.75%, 2/1/22 GDR (d)	B3/B-	11,103,750
9,850	Amkor Technology, Inc., 5.75%, 6/1/06 GDR	Caa1/CCC	9,456,000

20,559,750

**Telecommunications 2.7%**

9,000	American Tower Corp., 5.00%, 2/15/10	B3/BB-	8,966,250
9,500	CenturyTel, Inc., 4.75%, 8/1/32	Baa2/BBB+	9,915,625

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**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody/S&P)	Value
<b>Telecommunications (continued)</b>			
6,750	Harris Corp., 3.50%, 8/15/22 GDR	Baa2/BBB	\$ 11,373,750
10,000	Nextel Communications, Inc., 5.25%, 1/15/10	Baa2/A-	10,050,000
4,325	NII Holdings, Inc., 3.50%, 9/15/33	NR/NR	12,423,563
9,500	Nortel Networks Corp., 4.25%, 9/1/08 GDR	B3 /B-	8,918,125
			61,647,313
<b>Transportation 0.5%</b>			
6,450	Yellow Roadway Corp., 5.00%, 8/8/23	Ba1/BBB-	10,650,563
<b>Trucking &amp; Leasing 0.5%</b>			
9,450	GATX Corp., 7.50%, 2/1/07 GDR	Baa3/BBB-	11,623,500
<b>Utilities 0.5%</b>			
3,500	PG&E Corp., 9.50%, 6/30/10	NR/NR	10,110,625
	Total Convertible Bonds & Notes (cost-\$308,169,813)		309,663,501

**CONVERTIBLE PREFERRED STOCK 9.9%**

Shares (000)			
<b>Automotive 0.8%</b>			
191	Ford Motor Co. Capital Trust II, 6.50%, 1/15/32	Ba1/B+	7,966,610
460	General Motors Corp., 6.25%, 7/15/33, Ser. C	Baa3/BB	10,345,400
			18,312,010
<b>Banking 0.5%</b>			
190	Washington Mutual Capital Trust I, 5.375%, 5/3/41	Baa1/BBB	10,317,570
<b>Chemicals 0.3%</b>			
150	Huntsman Corp., 5.00%, 2/16/08	NR/NR	7,579,025
<b>Coal 0.5%</b>			
88	Arch Coal, Inc., 5.00%, 12/31/49	B3/B-	12,144,000
<b>Commercial Services 0.3%</b>			
180	United Rentals Trust I, 6.50%, 8/1/28	Caa1/B	7,357,500

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<b>Electric</b> 1.4%			
217	AES Trust III, 6.75%, 10/15/29	B3/CCC+	10,500,420
150	FPL Group, Inc., 8.00%, 2/16/06	NR/A-	9,799,500
146	Public Service Enterprise Group, Inc., 10.25%, 11/16/05	Baa3/BBB-	11,836,220
			<hr/>
			32,136,140
<b>Food</b> 0.4%			
413	Albertson's, Inc., 7.25%, 5/16/07	Baa2/BBB-	9,402,575
<b>Gas</b> 0.5%			
259	Oneok, Inc., 8.50%, 2/16/06	Baa1/BBB+	10,968,155
<b>Insurance</b> 2.0%			
300	Genworth Financial, Inc., 6.00%, 5/16/07	A2/A	10,518,000
92	Metlife Capital Trust I, 6.375%, 8/15/08	NR/BBB+	2,567,600
332	Platinum Underwriters Holdings Ltd., 7.00%, 11/16/05	NR/BBB	10,790,000
410	PMI Group Inc., 5.875%, 11/15/06	A1/A	10,237,700
415	XL Capital Ltd., 6.50%, 5/15/07	A2/A	9,711,000
			<hr/>
			43,824,300
			<hr/>

**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Shares (000)		Credit Rating (Moody's/S&P)	Value
<b>Iron/Steel 0.3%</b>			
46	U.S. Steel Corp. 7.00%, 6/15/06, Ser. B	NR/B	\$ 6,239,187
<b>Office/Business Equipment 0.4%</b>			
76	Xerox Corp., 6.25%, 7/1/06	B1/B-	8,816,560
<b>Oil &amp; Gas 1.0%</b>			
113	Amerada Hess Corp., 7.00%, 12/1/06	Ba3/BB	11,529,408
69	Chesapeake Energy Corp., 5.00%, 12/31/49	B3/B-	11,351,275
			22,880,683
<b>Pharmaceuticals 0.5%</b>			
190	Schering-Plough Corp., 6.00%, 9/14/07	Baa3/BBB	10,393,000
<b>Public Relations 0.5%</b>			
110	Williams Cos., Inc., 5.50%, 6/1/33	NR/B-	11,000,000
<b>Telecommunications 0.5%</b>			
12	Corning, Inc., 7.00%, 8/16/05, Ser. C	B1/BB+	11,711,952
	Total Convertible Preferred Stock (cost-\$220,136,525)		223,082,657
<b>SHORT-TERM INVESTMENTS 3.2%</b>			
Principal Amount (000)			
<b>Time Deposits 2.3%</b>			
\$ 29,256	BNP Paribas, 2.74%, 8/1/2005		29,255,813
15,084	HSBC Bank USA, 2.74%, due 8/1/2005		15,083,872
8,182	Wachovia Bank, 2.74%, due 8/1/2005		8,182,317
	Total Time Deposits (cost-\$52,522,002)		52,522,002
<b>U.S. Government Securities 0.9%</b>			
20,000	United States Treasury Notes, 10.75%, 8/15/05 (cost-\$20,069,760)	Aaa/AAA	20,060,160
	Total Short-Term Investments (cost-\$72,591,762)		72,582,162
	<b>Total Investments, before call options written</b> (cost-\$2,284,924,686) 101.6%		<b>2,287,327,130</b>

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**CALL OPTIONS WRITTEN (e) (1.7)%**

Contracts

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	American Stock Exchange Morgan Stanley Cyclical Index,	
750	strike price \$740, expires 8/20/05	(1,807,500)
200	strike price \$730, expires 8/20/05	(650,000)
150	strike price \$720, expires 9/16/05	(675,000)
100	strike price \$730, expires 9/17/05	(365,000)
100	strike price \$740, expires 9/17/05	(282,000)
100	strike price \$750, expires 9/17/05	(213,000)
100	strike price \$750, expires 8/20/05	(152,000)
100	strike price \$760, expires 9/17/05	(150,000)
100	strike price \$770, expires 9/17/05	(101,000)

**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Contracts	Value
American Stock Exchange Oil Index,	
600 strike price \$870, expires 8/20/05	\$ (4,473,000)
300 strike price \$950, expires 9/17/05	(715,500)
250 strike price \$880, expires 8/20/05	(1,633,750)
200 strike price \$940, expires 9/17/05	(579,000)
100 strike price \$970, expires 9/17/05	(157,500)
100 strike price \$980, expires 9/17/05	(122,000)
American Stock Exchange Pharmaceutical Index,	
3,550 strike price \$75, expires 8/20/05	(44,375)
800 strike price \$325, expires 9/17/05	(544,000)
500 strike price \$330, expires 9/17/05	(197,500)
400 strike price \$335, expires 8/20/05	(36,000)
200 strike price \$330, expires 8/20/05	(48,000)
200 strike price \$330, expires 8/5/05	(21,320)
Financial Basket Index,	
5,000 strike price \$100.6, expires 9/16/05	(430,000)
Ishares DJ Telecommunications Index,	
1,000 strike price \$24, expires 8/20/05	(47,500)
Ishares DJ U.S. Real Estate Index,	
1,500 strike price \$65, expires 9/17/05	(547,500)
1,000 strike price \$64.50, expires 9/17/05	(400,000)
Morgan Stanley Cyclical Index	
200 strike price \$730, expires 8/26/05	(653,000)
200 strike price \$730, expires 8/5/05	(644,460)
100 strike price \$740, expires 8/12/05	(239,235)
Nasdaq 100 Stock Index,	
100 strike price \$1540, expires 9/17/05	(840,500)
50 strike price \$1575, expires 9/16/05	(284,250)
30 strike price \$1550, expires 8/20/05	(191,700)
25 strike price \$1600, expires 9/17/05	(100,625)
25 strike price \$1625, expires 9/17/05	(67,125)
Pharmaceutical HOLDERS,	
1,388 strike price \$72.79, expires 9/16/05	(192,932)
Philadelphia Stock Exchange KBW Bank Sector Index,	
8,500 strike price \$100, expires 8/20/05	(786,250)
5,000 strike price \$100, expires 9/17/05	(737,500)
3,000 strike price \$101.25, expires 8/26/05	(246,000)
2,500 strike price \$100, expires 8/26/05	(282,250)
2,500 strike price \$102.50, expires 8/20/05	(31,250)
2,000 strike price \$100.75, expires 8/12/05	(114,000)
2,000 strike price \$100, expires 8/12/05	(110,000)
1,000 strike price \$102.50, expires 9/17/05	(47,500)
Philadelphia Stock Exchange Utility Index,	
400 strike price \$405, expires 8/20/05	(1,030,000)
400 strike price \$410, expires 8/20/05	(838,000)
400 strike price \$432.50, expires 9/17/05	(236,000)



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300	strike price \$415, expires 8/5/05	(495,894)
300	strike price \$430, expires 9/17/05	(214,500)
100	strike price \$415, expires 8/20/05	(162,500)
100	strike price \$420, expires 8/20/05	(118,500)

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**NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments**

July 31, 2005 (unaudited)

Contracts	Value
6,000 Real Estate Investment Trust Basket Index, strike price \$101.50, expires 8/19/05	\$ (4,877,340)
800 Standard & Poors 500 Index, strike price \$1235, expires 9/17/05	(1,704,000)
600 strike price \$1240, expires 9/17/05	(1,104,000)
450 strike price \$1215, expires 8/20/05	(1,210,500)
350 strike price \$1225, expires 8/20/05	(672,000)
300 strike price \$1215, expires 8/12/05	(741,000)
300 strike price \$1245, expires 9/30/05	(592,200)
200 strike price \$1210, expires 8/26/05	(653,000)
200 strike price \$1210, expires 8/20/05	(620,000)
200 strike price \$1225, expires 8/26/05	(436,400)
200 strike price \$1240, expires 9/30/05	(422,884)
150 strike price \$1220, expires 8/20/05	(343,500)
100 strike price \$1215, expires 9/17/05	(348,000)
100 strike price \$1250, expires 10/22/05	(223,000)
100 strike price \$1230, expires 8/20/05	(158,000)
5,000 Telecommunication Basket Index, strike price \$100.75, expires 8/19/05	(1,472,500)
5,000 strike price \$100.75, expires 8/30/05	(1,427,500)
 Total Call Options Written (premiums received-\$22,292,634)	 (40,062,240)
 <b>Total Investments, net of call options written</b> (cost-\$2,262,632,052) 99.9%	 <b>2,247,264,890</b>
 Other assets less liabilities 0.1%	 3,184,163
 <b>Net Assets 100.0%</b>	 <b>\$ 2,250,449,053</b>

**Notes to Schedule of Investments:**

- (a) All or a portion of security is pledged as collateral for call options written.
- (b) 144A Security Security 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.
- (c) Private placement. Restricted as to resale and may not have a readily available market.
- (d) Variable rate security. Interest rate disclosed reflects the rate in effect on July 31, 2005.
- (e) Non-income producing.

**Glossary:**

ADR □ American Depositary Receipt

GDR □ Global Depositary Receipt

REIT □ Real Estate Investment Trust

NR □ Not Rated

**See accompanying Notes to Financial Statements** | 7.31.05 | NFJ Dividend, Interest & Premium Strategy Fund Semi-Annual

Report **9**

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**NFJ Dividend, Interest & Premium Strategy Fund Statement of Assets and Liabilities**

July 31, 2005 (unaudited)

**Assets:**

Investments, at value (cost \$2,284,924,686)	\$ 2,287,327,130
Receivable for investments sold	25,128,141
Interest and dividends receivable	11,669,617
Prepaid expenses	37,090
<b>Total Assets</b>	<b>2,324,161,978</b>

**Liabilities:**

Due to custodian	1,203
Call options written, at value (premiums received \$22,292,634)	40,062,240
Payable for investments purchased	31,489,246
Investment management fees payable	1,704,539
Offering costs payable	143,901
Accrued expenses	311,796
<b>Total Liabilities</b>	<b>73,712,925</b>

**Net Assets**

\$2,250,449,053

**Composition of Net Assets:**

Common Stock:

Par value (\$0.00001 per share applicable to 94,524,325 shares issued and outstanding)	945
Paid-in-capital in excess of par	2,253,996,753
Undistributed net investment income	4,783,609
Net realized gain on investments	7,034,908
Net unrealized depreciation of investments and call options written	(15,367,162)

**Net Assets**

\$ 2,250,449,053

**Net Asset Value Per Share**

\$23.81

**10** NFJ Dividend, Interest & Premium Strategy Fund Semi-Annual Report | 7.31.05 | **See accompanying Notes to Financial Statements**

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**NFJ Dividend, Interest & Premium Strategy Fund Statement of Operations**

For the period February 28, 2005\* through July 31, 2005 (unaudited)

**Investment Income:**

Dividends (net of foreign withholding taxes of \$105,440)	\$ 28,907,506
Interest	6,859,717
Total Investment Income	35,767,223

**Expenses:**

Investment management fees	8,160,627
Custodian and accounting agent fees	149,820
Reports and notices to shareholders	99,950
Trustees' fees and expenses	35,666
Audit and tax services	34,191
New York Stock Exchange listing fees	29,210
Legal fees	18,130
Transfer agent fees	11,595
Investor relations	6,705
Miscellaneous	7,394
Total expenses	8,553,288

**Net Investment Income**

27,213,935

**Realized and Unrealized Gain (Loss):**

Net realized gain (loss) on:

Investments	38,917,960
Call options written	(4,066,930)
Short sales	(1,104,249)
	33,746,781
Net unrealized appreciation (depreciation) of:	
Investments	2,402,444

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Call options written	(17,769,606)
	(15,367,162)
Net realized and unrealized gain on investments, call options written and short sales	18,379,619
<b>Net Increase in Net Assets Resulting from Investment Operations</b>	<b>\$ 45,593,554</b>

\* Commencement of operations

**See accompanying Notes to Financial Statements | 7.31.05 | NFJ Dividend, Interest & Premium Strategy Fund Semi-Annual Report 11**

**NFJ Dividend, Interest & Premium Strategy Fund Statement of Changes in Net Assets**

For the period February 28, 2005\* through July 31, 2005 (unaudited)

**Investment Operations:**

Net investment income	\$ 27,213,935
Net realized gain on investments, call options written and short sales	33,746,781
Net unrealized depreciation of investments and call options written	(15,367,162)
Net increase in net assets resulting from investment operations	45,593,554

**Dividends and Distributions to Shareholders from:**

Net investment income	(22,430,326)
Net realized gains	(26,711,873)
Total dividends and distributions to shareholders	(49,142,199)

**Capital Share Transactions:**

Net proceeds from the sale of common stock	2,234,700,000
Offering costs charged to paid-in capital in excess of par	(2,287,500)
Reinvestment of dividends and distributions	21,485,186
Net increase from capital share transactions	2,253,897,686
Total increase in net assets	2,250,349,041

**Net Assets:**

Beginning of period	100,012
End of period (including undistributed net investment income of \$4,783,609)	\$ 2,250,449,053

**Shares Issued and Reinvested:**

Issued	93,600,000
Issued in reinvestment of dividends and distributions	920,136
<b>Net Increase</b>	<b>94,520,136</b>

\* Commencement of operations





## NFJ Dividend, Interest & Premium Strategy Fund Notes to Financial Statements

July 31, 2005 (unaudited)

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### 1. Organization and Significant Accounting Policies

NFJ Dividend, Interest & Premium Strategy Fund (the "Fund") was organized as a Massachusetts business trust on August 20, 2003. Prior to commencing operations on February 28, 2005, the Fund had no operations other than matters relating to its organization and registration as a diversified, closed-end management investment company under the Investment Company Act of 1940 as amended, and the sale and issuance of 4,189 shares of beneficial interest at an aggregate par of \$100,012 to Allianz Global Investors of America, L.P. ("Allianz Global"). Allianz Global Investors Fund Management LLC (the "Investment Manager"), formerly PA Fund Management LLC, is an indirect wholly-owned subsidiary of Allianz Global. Allianz Global is an indirect, majority-owned subsidiary of Allianz AG. The Fund has an unlimited amount of \$0.00001 par value common stock authorized.

The Fund issued 86,100,000 shares of common stock in its initial public offering. An additional 7,500,000 shares were issued in connection with the underwriter's over-allotment option. These shares were all issued at \$25.00 per share before an underwriting discount of \$1.125 per share. Offering costs of \$2,287,500 (representing \$0.02444 per share) were offset against the proceeds of the offering and over-allotment option and have been charged to paid-in capital in excess of par.

The Fund's primary investment objective is to seek current income and gains, with a secondary objective of long-term capital appreciation. The Fund will pursue its investment objectives by investing in a diversified portfolio of dividend-paying common stocks and income-producing convertible securities. The Fund will also employ a strategy of writing (selling) call options on equity indexes in an attempt to generate gains from option premiums.

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 Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet been asserted. However, the Fund expects the risk of any loss to be remote.

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

#### (a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security may be fair-valued, in good faith, pursuant to guidelines established by the Board of Trustees. The Fund's investments are valued daily by an independent pricing service, dealer quotations, or are valued at the last sale price on the exchange that is the primary market for such securities, or the last quoted bid 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. Exchange traded options are valued at the settlement price determined by the relevant exchange. Short-term investments maturing in 60 days or less are valued at amortized cost, if their original maturity was 60 days 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 Fund to value securities may differ from the value that would be realized if the securities were sold and the differences could be material to the financial statements. The Fund's net asset value is determined daily at the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange.

#### (b) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date.

#### (c) Federal Income Taxes

The Fund intends to distribute all of its taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year the Fund intends not to be subject to U.S. federal excise tax.



**NFJ Dividend, Interest & Premium Strategy Fund Notes to Financial Statements**

July 31, 2005 (unaudited)

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**1. Organization and Significant Accounting Policies (continued)**

**(d) Dividends and Distributions**

The Fund declares quarterly dividends and distributions from net investment income and gains from index option premiums and the sale of portfolio securities. The Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book-tax" differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions of paid-in capital in excess of par.

**(e) Call Option Transactions**

The Fund employs a strategy of writing (selling) call options on equity indexes in an attempt to generate gains from option premiums. When an option is written, the premium received is recorded as an asset with an equal liability, which is subsequently adjusted to the current market value of the option. Premiums received from writing options, which expire unexercised, are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. These liabilities are reflected as call options written on the Statement of Assets and Liabilities.

The Fund, as writer of a call option, may have no control over whether the underlying securities may be sold (called). As a result, the Fund bears the market risk of an unfavorable change in the price of the security underlying the written call option.

**(f) Short Sales**

The Fund may enter into short sales of securities as a method of hedging potential price declines in similar securities owned. The Fund may sell a security it does not own in anticipation of a decline in the market value of that security (short sale). When the Fund makes a short sale, it will borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow the particular security and may be obligated to return any interest or dividends received on such borrowed securities. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited as to dollar amount, will be recognized upon the termination of a short sale if the market price at termination is less than or greater than the proceeds originally received, respectively, and is presented in the Statement of Operations as net realized gain or loss on short sales.

The use of derivative transactions may involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities.

**(g) Concentration of Risk**

It is the Fund's policy to invest a portion of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund's investments include features which render them more sensitive to price changes in their underlying securities. Consequently, this exposes the Fund to greater downside risk than traditional convertible securities, but still less than that of the underlying common stock.

**NFJ Dividend, Interest & Premium Strategy Fund Notes to Financial Statements**

July 31, 2005 (unaudited)

**2. Investment Manager/Sub-Advisers**

The Fund has entered into an Investment Management Agreement (the "Agreement") with the Investment Manager. Subject to the supervision of the Fund's Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund's investment activities, business affairs and administrative matters. Pursuant to the Agreement, the Fund pays the Investment Manager an annual fee, payable monthly, at the annual rate of 0.90% of the Fund's average daily total managed assets. Total managed assets refer to the total assets of the Fund (including assets attributable to any preferred shares or other forms of leverage that may be outstanding) minus accrued liabilities (other than liabilities representing leverage). The Investment Manager has retained its affiliates, NFJ Investment Group L.P. ("NFJ"), Nicholas-Applegate Capital Management LLC ("NACM"), and PEA Capital LLC ("PEA") (the "Sub-Advisers"), to manage the Fund's equity component, convertible component and index option strategy, respectively. Subject to the supervision of the Investment Manager, the Sub-Advisers make all of the Fund's investment decisions in connection with their respective components of the Fund's investments. For their services, pursuant to Sub-Advisory agreements, the Investment Manager and not the Fund, pays the Sub-Advisers a monthly fee.

**3. Investment in Securities**

For the period ended July 31, 2005, purchases and sales of investments, other than short-term securities and U.S. government obligations, were \$3,134,611,791 and \$972,479,211, respectively.

(a) Transaction in call options written for the period February 28, 2005 (commencement of operations) through July 31, 2005 were:

	Contracts (000)	Premiums
Options outstanding, February 28, 2005	□	\$ □
Options written	150,518	61,000,990
Options terminated in closing purchase transactions	(50,390)	(20,174,450)
Options expired	(32,060)	(18,533,906)
	<hr/>	<hr/>
Options outstanding, July 31, 2005	68,068	\$ 22,292,634

**4. Income Tax Information**

The cost basis of portfolio securities for federal income tax purposes is \$2,284,924,686. Aggregated gross unrealized appreciation for securities in which there is an excess value over tax cost is \$53,632,730; aggregated gross unrealized depreciation for securities in which there is an excess of tax cost over value is \$51,230,286; net unrealized appreciation for federal income tax purposes is \$2,402,444.

**5. Subsequent Dividend Declaration**

On September 16, 2005, a dividend of \$0.525 per share was declared to shareholders payable September 30, 2005 to shareholders of record on September 27, 2005.

**6. Legal Proceedings**

On September 13, 2004, the Securities and Exchange Commission (the "Commission") announced that the Investment Manager and certain of its affiliates (together with the Investment Manager, the "Affiliates") had agreed to a settlement of charges that they and certain of their officers had, among other things, violated various antifraud provisions of the federal securities laws in connection with an alleged market-timing arrangement involving trading of shares of certain open-end investment companies ("open-end funds") advised or distributed by these certain affiliates. In their settlement with the Commission, the Affiliates consented to the entry of an order by the Commission and, without admitting or denying the findings contained in the order, agreed to implement certain compliance and governance changes and consented to cease-and-desist orders and censures. In addition, the Affiliates agreed to pay civil money penalties in the aggregate amount of \$40 million and to pay disgorgement in the amount of \$10 million, for an aggregate payment of \$50 million. In connection with the settlement, the Affiliates have been

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dismissed from the related complaint the Commission filed on May 6, 2004 in the U.S. District Court in the Southern District of New York. Neither the complaint nor the order alleges any inappropriate activity took place with respect to the Fund.

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**NFJ Dividend, Interest & Premium Strategy Fund Notes to Financial Statements**

July 31, 2005 (unaudited)

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**6. Legal Proceedings (continued)**

In a related action on June 1, 2004, the Attorney General of the State of New Jersey (the "NJAG") announced that it had entered into a settlement agreement with Allianz Global and the Affiliates, in connection with a complaint filed by the NJAG on February 17, 2004. In the settlement, Allianz Global and other named affiliates neither admitted nor denied the allegations or conclusions of law, but did agree to pay New Jersey a civil fine of \$15 million and \$3 million for investigative costs and further potential enforcement initiatives against unrelated parties. They also undertook to implement certain governance changes. The complaint relating to the settlement contained allegations arising out of the same matters that were the subject of the Commission order regarding market-timing described above and does not allege any inappropriate activity took place with respect to the Fund.

On September 15, 2004, the Commission announced that the Affiliates had agreed to settle an enforcement action in connection with charges that they violated various antifraud and other provisions of federal securities laws as a result of, among other things, their failure to disclose to the board of trustees and shareholders of various open-end funds advised or distributed by the Affiliates material facts and conflicts of interest that arose from their use of brokerage commissions on portfolio transactions to pay for so-called "shelf space" arrangements with certain broker-dealers. In their settlement with the Commission, the Affiliates consented to the entry of an order by the Commission without admitting or denying the findings contained in the order. In connection with the settlement, the Affiliates agreed to undertake certain compliance and disclosure reforms and consented to cease-and-desist orders and censures. In addition, the Affiliates agreed to pay a civil money penalty of \$5 million and to pay disgorgement of approximately \$6.6 million based upon the aggregate amount of brokerage commissions alleged to have been paid by such open-end funds in connection with these shelf-space arrangements (and related interest). In a related action, the California Attorney General announced on September 15, 2004 that it had entered into an agreement with an affiliate of the Investment Manager in resolution of an investigation into matters that are similar to those discussed in the Commission order. The settlement agreement resolves matters described in a complaint filed contemporaneously by the California Attorney General in the Superior Court of the State of California alleging, among other things, that this affiliate violated certain antifraud provisions of California law by failing to disclose matters related to the shelf-space arrangements described above. In the settlement agreement, the affiliate did not admit to any liability but agreed to pay \$5 million in civil penalties and \$4 million in recognition of the California Attorney General's fees and costs associated with the investigation and related matters. Neither the Commission order nor the California Attorney General's complaint alleges any inappropriate activity took place with respect to the Fund.

On April 11, 2005, the Attorney General of the State of West Virginia filed a complaint in the Circuit Court of Marshall County, West Virginia (the "West Virginia Complaint") against the Investment Manager and certain of its Affiliates based on the same circumstances as those cited in the 2004 settlements with the Commission and NJAG involving alleged "market timing" activities described above. The West Virginia Complaint alleges, among other things, that the Investment Manager and certain of its Affiliates improperly allowed broker-dealers, hedge funds and investment advisers to engage in frequent trading of various open-end funds advised or distributed by the Affiliates in violation of the funds' stated restrictions on "market timing." As of the date of this report, the West Virginia Complaint has not been formally served upon the Investment Manager or the Affiliates. The West Virginia Complaint also names numerous other defendants unaffiliated with the Affiliates in separate claims alleging improper market timing and/or late trading of open-end investment companies advised or distributed by such other defendants. The West Virginia Complaint seeks injunctive relief, civil monetary penalties, investigative costs and attorney's fees. The West Virginia Complaint does not allege that any inappropriate activity took place with respect to the Fund.

Since February 2004, certain of the Affiliates and their employees have been named as defendants in a total of 14 lawsuits filed in one of the following: U.S. District Court in the Southern District of New York, the Central District of California and the Districts of New Jersey and Connecticut. Ten of those lawsuits concern "market timing," and they have been transferred to and consolidated for pre-trial proceedings in the U.S. District Court for the District of Maryland; the remaining four lawsuits concern "revenue sharing" with brokers offering "shelf space" and have been consolidated into a single action in the U.S. District Court for the District of Connecticut. The lawsuits have been commenced as putative class actions on behalf of investors who purchased, held or redeemed shares of affiliated funds during specified periods or as derivative actions on behalf of the funds.

**NFJ Dividend, Interest & Premium Strategy Fund Notes to Financial Statements**

July 31, 2005 (unaudited)

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**6. Legal Proceedings (continued)**

The lawsuits generally relate to the same facts that are the subject of the regulatory proceedings discussed above. The lawsuits seek, among other things, unspecified compensatory damages plus interest and, in some cases, punitive damages, the rescission of investment advisory contracts, the return of fees paid under those contracts and restitution. The Investment Manager believes that other similar lawsuits may be filed in federal or state courts naming as defendants the Investment Adviser, the Affiliates, Allianz Global, the Fund, other open- and closed-end funds advised or distributed by the Investment Manager and/or its affiliates, the boards of directors or trustees of those funds, and/or other affiliates and their employees. Under Section 9(a) of the 1940 Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against the Investment Manager, Allianz Global/or their affiliates, they and their affiliates would, in the absence of exemptive relief granted by the Commission, be barred from serving as an investment manager/sub-adviser or principal underwriter for any registered investment company, including the Fund. In connection with an inquiry from the Commission concerning the status of the New Jersey settlement described above under Section 9(a), the Investment Manager and certain of its affiliates (together, the "Applicants") have sought exemptive relief from the Commission under Section 9(c) of the 1940 Act.

The Commission has granted the Applicants a temporary exemption from the provisions of Section 9(a) with respect to the New Jersey settlement until the earlier of (i) September 13, 2006 and (ii) the date on which the Commission takes final action on their application for a permanent order. There is no assurance that the Commission will issue a permanent order. If the West Virginia Attorney General were to obtain a court injunction against the Investment Manager or the Affiliates, the Investment Manager or the Affiliates would, in turn, seek exemptive relief under Section 9(c) with respect to that matter, although there is no assurance that such exemptive relief would be granted.

A putative class action lawsuit captioned *Charles Mutchka et al. v. Brent R. Harris, et al.*, filed in January 2005 by and on behalf of individual shareholders of certain open-end funds that hold equity securities and that are sponsored by the Investment Manager and the Affiliates, is currently pending in the federal district court for the Central District of California. The plaintiff alleges that fund trustees, investment advisers and affiliates breached fiduciary duties and duties of care by failing to ensure that the open-end funds participated in securities class action settlements for which those funds were eligible. The plaintiff has claimed as damages disgorgement of fees paid to the investment advisers, compensatory damages and punitive damages.

The Investment Manager believes that the claims made in the lawsuit against the Investment Manager and the Affiliates are baseless, and the Investment Manager and the Affiliates intend to vigorously defend the lawsuit. As of the date hereof, the Investment Manager believes a decision, if any, against the defendants would have no material adverse effect on the Fund or the ability of the Investment Manager or the Sub-Advisers to perform their duties under the investment management or portfolio management agreements, as the case may be. It is possible that these matters and/or other developments resulting from these matters could lead to a decrease in the market price of the Fund's shares or other adverse consequences to the Fund and its shareholders. However, the Investment Manager and the Sub-Advisers believe that these matters are not likely to have a material adverse effect on the Fund or on the Investment Manager's or the Sub-Adviser's ability to perform their respective investment advisory services related to the Fund.

The foregoing speaks only as of the date hereof. There may be additional litigation or regulatory developments in connection with the matters discussed above.



**NFJ Dividend, Interest & Premium Strategy Fund Financial Highlights**

For a share outstanding for the period February 28, 2005\* through July 31, 2005 (unaudited)

Net asset value, beginning of period	\$ 23.88**
<b>Income from Investment Operations:</b>	
Net investment income	0.29
Net realized and unrealized gains on investments	0.19
Total from investment operations	0.48
<b>Dividends and Distributions to Shareholders from:</b>	
Net investment income	(0.24)
Net realized gains	(0.29)
Total dividends and distributions to shareholders	(0.53)
<b>Capital Share Transactions:</b>	
Offering costs charged to paid-in capital in excess of par	(0.02)
Net asset value, end of period	\$ 23.81
Market price, end of period	\$ 23.86
Total Investment Return (1)	(2.41)%
<b>RATIOS/SUPPLEMENTAL DATA:</b>	
Net assets, end of period (000)	\$ 2,250,449
Ratio of expenses to average net assets (2)	0.94%
Ratio of net investment income to average net assets (2)	3.00%
Portfolio turnover	47%

\* Commencement of operations.

\*\* Initial public offering price of \$25.00 per share less underwriting discount of \$1.125 per share.

(1) Total investment return is calculated assuming a purchase of a share at the current market price on the first day of the period and a sale of a share at the current market price on the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges. Total investment return for a period of less than one year is not annualized.

(2) Annualized.

**18** NFJ Dividend, Interest & Premium Strategy Fund Semi-Annual Report | 7.31.05 | **See accompanying Notes to Financial Statements**

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## **Trustees and Principal Officers**

Robert E. Connor

Trustee, Chairman of the Board of Trustees

Paul Belica

Trustee

John J. Dalessandro II

Trustee

Hans W. Kertess

Trustee

Brian S. Shlissel

President & Chief Executive Officer

Ben J. Fischer

Vice President

Douglas Forsyth

Vice President

Greg Tournant

Vice President

Newton B. Schott, Jr.

Vice President

Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Thomas J. Fuccillo

Secretary & Chief Legal Officer

Youse Guia

Chief Compliance Officer

Jennifer A. Patula

Assistant Secretary

## **Investment Manager**

Allianz Global Investors Fund Management LLC

1345 Avenue of the Americas

New York, NY 10105

## **Sub-Advisers**

NFJ Investment Group L.P.

2121 San Jacinto, Suite 1840

Dallas, Texas 75201

Nicholas-Applegate Capital Management

600 West Broadway, 30th Floor

San Diego, California 92101

PEA Capital LLC

1345 Avenue of the Americas, 50th Floor,

New York, New York 10105

## **Custodian & Accounting Agent**

Brown Brothers Harriman & Co.

40 Water Street

Boston, MA 02109

## **Transfer Agent, Dividend Paying Agent and Registrar**

PFPC Inc.

P.O. Box 43027

Providence, RI 02940-3027

## **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

## **Legal Counsel**

Ropes & Gray LLP One International Place

Boston, MA 02210-2624

This report, including the financial information herein, is transmitted to the shareholders of NFJ Dividend, Interest & Premium Strategy Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

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The financial information included herein is taken from the records of the Fund without examination by an independent registered public accounting firm, who did not express an opinion hereon.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.

The Portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ( "SEC") for the first and third quarters of its fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The information on Form N-Q is also available on the Fund's website at [www.allianzinvestors.com](http://www.allianzinvestors.com).

A description of the policies and procedures that the Fund has adopted to determine how to vote proxies relating to portfolio securities and information about how the Fund voted proxies relating to portfolio securities held during the period February 28, 2005 (commencement of operations) through June 30, 2005 is available (i) without charge, upon request by calling the Fund's transfer agent at 1-800- 331-1710; (ii) on the Fund's website at [www.allianzinvestors.com](http://www.allianzinvestors.com); and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

Information on the Fund is available at [www.allianzinvestors.com](http://www.allianzinvestors.com) or by calling the Fund's transfer agent at 1-800-331-1710.

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**Item 2. Code of Ethics**

Not required in this filing.

**Item 3. Audit Committee Financial Expert**

Not required in this filing.

**Item 4. Principal Accountant Fees and Services**

Not required in this filing.

**Item 5. Audit Committee of Listed Registrant**

Not required in this filing.

**Item 6. Schedule of Investments**

Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies**

Not required in this filing.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies**

Not required at the time of this filing

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Companies**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May yet Be Purchased Under the Plans or Programs</b>
February 2005	N/A	N/A	N/A	N/A
March 2005	N/A	N/A	N/A	N/A
April 2005	N/A	N/A	N/A	N/A
May 2005	N/A	N/A	N/A	N/A
June 2005	N/A	23.35	920,136	N/A
July 2005	N/A	N/A	N/A	N/A
August 2005	N/A	N/A	N/A	N/A

**Item 10. Submission of Matters to a Vote of Security Holders**

The Registrant's Board of Trustees adopted a Nominating Committee Charter governing the affairs of the Nominating Committee of the Board, which is posted on the Allianz Investors Funds website at [www.allianzinvestors.com](http://www.allianzinvestors.com). Appendix B to the Nominating Committee Charter includes "Procedures for Shareholders to Submit Nominee Candidates," which sets forth the procedures by which shareholders may recommend nominees to the Registrant's Board of Trustees. The Registrant has not yet held its first annual shareholders' meeting, so these procedures have yet to be disclosed in response to the requirements of Item 7(d) (2) (ii) (G) of Schedule 14A, and this is the first Form N-CSR filing made by the Registrant after Item 10 was added to the Form. Among other requirements, the procedures provide that the recommending shareholder must submit any recommendation in writing to the Registrant to the attention of the Registrant's Secretary, at the address of the principal executive offices of the Registrant and that such submission must be received at such offices not less than 45 days nor more than 75 days prior to the date of the Board or shareholder meeting at which the nominee would be elected. Any recommendation must include certain biographical and other information regarding the candidate and the recommending shareholder, and must include a written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected. The foregoing description of the requirements is only a summary and is qualified in its entirety by reference to Appendix B of the Nominating Committee Charter.

### **Item 11. Controls and Procedures**

- (a) The registrant's President and Chief Executive Officer and Principal Financial Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.
- (b) There were no significant changes in the registrant's internal controls or in factors that could affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### **Item 12. Exhibits**

- (a)(2) Exhibit 99 Cert. - Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - (b) Exhibit 99.906 Cert. - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) NFJ Dividend, Interest & Premium Strategy Fund

By /s/ Brian S. Shlissel  
President and Chief Executive Officer

Date October 6, 2005

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date October 6, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel  
President and Chief Executive Officer

Date October 6, 2005

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date October 6, 2005

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