

AllianzGI Convertible & Income Fund  
Form N-Q  
July 22, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS**  
**OF REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21284

**AllianzGI Convertible & Income Fund**

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY 10019

(Address of principal executive offices) (Zip code)

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

**Lawrence G. Altadonna**

**1633 Broadway,**

**New York, NY 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, 2014**

**Date of reporting period: May 31, 2013**

**Item 1. Schedule of Investments****AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited)

Principal Amount (000s)		Value*
<b>CORPORATE BONDS &amp; NOTES 43.4%</b>		
<b>Advertising 0.6%</b>		
\$8,230	Affinion Group, Inc., 11.50%, 10/15/15	\$ 7,077,800
<b>Auto Components 0.7%</b>		
5,205	American Axle & Manufacturing Holdings, Inc., 9.25%, 1/15/17 (a)(b)	5,660,437
1,280	Goodyear Tire & Rubber Co., 8.25%, 8/15/20	1,432,000
		7,092,437
<b>Auto Manufacturers 0.8%</b>		
7,410	Chrysler Group LLC, 8.25%, 6/15/21	8,410,350
<b>Commercial Services 4.2%</b>		
	Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,	
1,665	9.625%, 3/15/18	1,843,987
4,000	9.75%, 3/15/20	4,690,000
11,500	Cenveo Corp., 11.50%, 5/15/17	9,861,250
5,705	DynCorp International, Inc., 10.375%, 7/1/17	5,876,150
3,965	Interactive Data Corp., 10.25%, 8/1/18	4,470,538
6,375	Monitronics International, Inc., 9.125%, 4/1/20	6,916,875
11,000	National Money Mart Co., 10.375%, 12/15/16	11,838,750
		45,497,550
<b>Commercial Services &amp; Supplies 0.8%</b>		
5,645	United Rentals North America, Inc., 8.375%, 9/15/20	6,181,275
2,255	West Corp., 8.625%, 10/1/18	2,486,138
		8,667,413
<b>Consumer Finance 0.8%</b>		
2,395	SLM Corp., 8.45%, 6/15/18	2,670,425
5,775	Springleaf Finance Corp., 6.90%, 12/15/17	6,013,219
		8,683,644
<b>Distribution/Wholesale 0.5%</b>		
5,675	HD Supply, Inc., 10.50%, 1/15/21	5,909,094
<b>Diversified Consumer Services 0.6%</b>		
6,815	Cambium Learning Group, Inc., 9.75%, 2/15/17	6,201,650
<b>Diversified Financial Services 1.6%</b>		

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

	Community Choice Financial, Inc.,	
10,085	10.75%, 5/1/19	9,984,150
7,130	12.75%, 5/1/20 (a)(b)	7,334,987
		17,319,137
	<b>Diversified Telecommunications 1.0%</b>	
10,275	Cincinnati Bell, Inc., 8.75%, 3/15/18	10,583,250
	<b>Electric 0.4%</b>	
	Texas Competitive Electric Holdings Co. LLC,	
750	11.50%, 10/1/20 (a)(b)	592,500
10,800	15.00%, 4/1/21	3,510,000
		4,102,500
	<b>Electrical Components &amp; Equipment 1.3%</b>	
13,585	WireCo WorldGroup, Inc., 9.50%, 5/15/17	14,162,363
	<b>Electronic Equipment, Instruments &amp; Components 0.7%</b>	
7,725	Kemet Corp., 10.50%, 5/1/18	8,014,688
	<b>Electronics 0.2%</b>	
1,700	NXP BV/NXP Funding LLC, 9.75%, 8/1/18 (a)(b)	1,929,500
	<b>Energy Equipment &amp; Services 1.0%</b>	
9,795	Pioneer Drilling Co., 9.875%, 3/15/18	10,725,525
	<b>Food &amp; Staples Retailing 0.5%</b>	
5,000	Rite Aid Corp., 10.25%, 10/15/19	5,756,250
	<b>Health Care Providers &amp; Services 0.9%</b>	
8,875	ExamWorks Group, Inc., 9.00%, 7/15/19	9,806,875
	<b>Healthcare-Products 0.6%</b>	
6,065	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18	6,595,688
	<b>Hotels, Restaurants &amp; Leisure 1.9%</b>	
9,120	DineEquity, Inc., 9.50%, 10/30/18	10,305,600
8,405	MGM Resorts International, 11.375%, 3/1/18	10,926,500
		21,232,100
	<b>Household Durables 1.2%</b>	
	Beazer Homes USA, Inc.,	
2,945	7.25%, 2/1/23 (a)(b)	3,132,744
5,045	9.125%, 5/15/19	5,543,193
3,950	Jarden Corp., 7.50%, 5/1/17	4,512,875
		13,188,812
	<b>Household Products/Wares 0.8%</b>	
7,610	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	8,323,438
	<b>Internet Software &amp; Services 1.1%</b>	
	EarthLink, Inc.,	
2,800	7.375%, 6/1/20 (a)(b)	2,772,000
9,060	8.875%, 5/15/19	9,150,600

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

11,922,600

**Iron/Steel 0.6%**

7,305	AK Steel Corp., 8.375%, 4/1/22	6,574,500
-------	--------------------------------	-----------

**IT Services 0.2%**

2,615	Stream Global Services, Inc., 11.25%, 10/1/14	2,699,988
-------	---	-----------

**Leisure Time 0.8%**

650	NCL Corp. Ltd., 9.50%, 11/15/18	736,125
8,855	Travelport LLC, 11.875%, 9/1/16	8,434,388

9,170,513

**AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited) (continued)

Principal

Amount

(000s)

Value\*

	<b>Lodging 0.8%</b>	
\$12,385	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18	\$ 8,731,425
	<b>Machinery 0.5%</b>	
5,755	Navistar International Corp., 8.25%, 11/1/21	5,891,681
	<b>Media 2.8%</b>	
5,545	McClatchy Co., 9.00%, 12/15/22 (a)(b)	6,016,325
8,220	McGraw-Hill Global Education Holdings LLC/McGraw-Hill Global Education Finance, 9.75%, 4/1/21 (a)(b)	8,579,625
6,750	Media General, Inc., 11.75%, 2/15/17	7,560,000
3,745	Mood Media Corp., 9.25%, 10/15/20 (a)(b)	3,688,825
4,240	Sinclair Television Group, Inc., 9.25%, 11/1/17 (a)(b)	4,547,400
		30,392,175
	<b>Metals &amp; Mining 0.9%</b>	
3,775	ArcelorMittal, 10.35%, 6/1/19	4,690,437
5,465	Thompson Creek Metals Co., Inc., 7.375%, 6/1/18	4,973,150
		9,663,587
	<b>Miscellaneous Manufacturing 0.9%</b>	
10,150	Harland Clarke Holdings Corp., 9.50%, 5/15/15	10,213,437
	<b>Oil &amp; Gas 1.9%</b>	
9,050	Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17	10,090,750
9,280	United Refining Co., 10.50%, 2/28/18	10,579,200
		20,669,950
	<b>Oil, Gas &amp; Consumable Fuels 1.9%</b>	
2,840	Arch Coal, Inc., 9.875%, 6/15/19 (a)(b)	2,939,400
9,890	Endeavour International Corp., 12.00%, 3/1/18	9,346,050
5,050	EP Energy LLC/EP Energy Finance, Inc., 9.375%, 5/1/20	5,750,687
2,500	Laredo Petroleum, Inc., 9.50%, 2/15/19	2,843,750
		20,879,887

**Packaging & Containers 0.7%**

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

6,379	Tekni-Plex, Inc., 9.75%, 6/1/19 (a)(b)	7,176,375
<b>Retail 0.4%</b>		
3,980	Toys R Us, Inc., 10.375%, 8/15/17	4,368,050
<b>Semiconductors &amp; Semiconductor Equipment 1.2%</b>		
2,580	Advanced Micro Devices, Inc., 8.125%, 12/15/17	2,683,200
5,035	Freescale Semiconductor, Inc., 10.125%, 3/15/18 (a)(b)	5,651,787
4,345	10.75%, 8/1/20	4,931,575
		13,266,562
<b>Software 0.6%</b>		
5,670	First Data Corp., 12.625%, 1/15/21	6,222,825
<b>Specialty Retail 0.4%</b>		
4,160	Brown Shoe Co., Inc., 7.125%, 5/15/19	4,420,000
<b>Telecommunications 2.5%</b>		
7,420	Clearwire Communications LLC/Clearwire Finance, Inc., 12.00%, 12/1/15 (a)(b)	7,949,046
5,665	Consolidated Communications Finance Co., 10.875%, 6/1/20	6,571,400
8,203	ITC Deltacom, Inc., 10.50%, 4/1/16	8,682,465
5,090	NII Capital Corp., 8.875%, 12/15/19	4,631,900
		27,834,811
<b>Textiles, Apparel &amp; Luxury Goods 0.8%</b>		
7,540	Fifth & Pacific Cos, Inc., 10.50%, 4/15/19	8,444,800
<b>Trading Companies &amp; Distribution 0.6%</b>		
6,075	Aircastle Ltd., 9.75%, 8/1/18	6,895,125
<b>Transportation 1.8%</b>		
9,050	Quality Distribution LLC, 9.875%, 11/1/18	10,158,625
8,610	Swift Services Holdings, Inc., 10.00%, 11/15/18	9,879,975
		20,038,600
<b>Wireless Telecommunication Services 0.9%</b>		
6,705	Sprint Nextel Corp., 11.50%, 11/15/21	9,286,425
Total Corporate Bonds & Notes (cost-\$463,699,543)		474,043,380
Shares		
<b>CONVERTIBLE PREFERRED STOCK 34.2%</b>		
<b>Aerospace &amp; Defense 1.1%</b>		
193,595	United Technologies Corp., 7.50%, 8/1/15	11,681,522
<b>Airlines 1.4%</b>		
313,435	Continental Airlines Finance Trust II, 6.00%, 11/15/30	15,260,367
<b>Auto Components 1.1%</b>		
233,475	Goodyear Tire & Rubber Co., 5.875%, 4/1/14	11,662,076
<b>Automobiles 1.5%</b>		
332,430	General Motors Co., 4.75%, 12/1/13, Ser. B	16,225,908

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

<b>Biotechnology 1.1%</b>		
219,000	Credit Suisse, 8.00%, 5/9/14 (Gilead Sciences, Inc.) (d)	12,003,390
<b>Capital Markets 1.0%</b>		
171,470	AMG Capital Trust I, 5.10%, 4/15/36	11,113,400
<b>Commercial Banks 2.1%</b>		
81,250	Fifth Third Bancorp, 8.50%, 6/30/13, Ser. G (c)	12,837,500
8,100	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (c)	10,165,500
		23,003,000
<b>Commercial Services &amp; Supplies 0.9%</b>		
150,157	United Rentals, Inc., 6.50%, 8/1/28	10,557,914



**AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited) (continued)

Shares		Value*
<b>Communications Equipment 2.2%</b>		
12,015	Lucent Technologies Capital Trust I, 7.75%, 3/15/17	\$ 11,146,916
219,090	The Goldman Sachs Group, Inc., 8.00%, 1/15/14 (QualComm) (d)	13,439,200
		24,586,116
<b>Computers &amp; Peripherals 1.2%</b>		
543,785	JPMorgan Chase & Co., 7.50%, 3/24/14 (EMC Corp.) (d)	12,931,207
<b>Diversified Financial Services 1.5%</b>		
13,660	Bank of America Corp., 7.25%, 12/31/49, Ser. L (c)	16,228,080
<b>Electric Utilities 2.3%</b>		
	NextEra Energy, Inc.,	
195,425	5.599%, 6/1/15	10,583,241
25,000	7.00%, 9/1/13	1,395,000
263,985	PPL Corp., 9.50%, 7/1/13	13,795,856
		25,774,097
<b>Health Care Providers &amp; Services 1.3%</b>		
11,340	HealthSouth Corp., 6.50%, 12/31/49, Ser. A (c)	13,851,810
<b>Insurance 2.2%</b>		
344,500	JPMorgan Chase & Co., 7.00%, 3/10/14 (American International Group, Inc.) (d)	14,355,315
194,050	MetLife, Inc., 5.00%, 3/26/14	10,325,401
		24,680,716
<b>Internet &amp; Catalog Retail 1.2%</b>		
16,330	Credit Suisse, 8.00%, 5/21/14 (Priceline.com) (d)	13,020,889
<b>IT Services 0.9%</b>		
167,530	Unisys Corp., 6.25%, 3/1/14	9,890,971
<b>Machinery 0.3%</b>		
23,595	Stanley Black & Decker, Inc., 4.75%, 11/17/15	3,120,439
<b>Metals &amp; Mining 1.3%</b>		
227,900	ArcelorMittal, 6.00%, 1/15/16	4,846,430
315,215	Cliffs Natural Resources, Inc., 7.00%, 2/1/16	6,048,976
160,000	Thompson Creek Metals Co., Inc., 6.50%, 5/15/15	2,952,000
		13,847,406

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

<b>Multi-Utilities 1.1%</b>		
239,645	AES Trust III, 6.75%, 10/15/29	12,015,800
<b>Oil, Gas &amp; Consumable Fuels 2.9%</b>		
220,325	Apache Corp., 6.00%, 8/1/13	10,309,007
119,250	Chesapeake Energy Corp., 5.00%, 12/31/49 (c)	10,590,890
1,200	5.75%, 05/17/15 (a)(b)(c)	1,315,050
124,235	PetroQuest Energy, Inc., 6.875%, 12/31/49 (c)	3,917,279
29,215	Sanchez Energy Corp., (a)(b)(c) 4.875%, 12/31/49	1,683,514
63,305	6.50%, 12/31/49	3,790,387
		31,606,127
<b>Real Estate Investment Trust 3.9%</b>		
439,700	Alexandria Real Estate Equities, Inc., 7.00%, 12/31/49 (c)	12,377,555
707,605	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A (c)	17,513,224
208,680	Health Care REIT, Inc., 6.50%, 04/20/18, Ser. I (c)	13,146,840
		43,037,619
<b>Road &amp; Rail 1.7%</b>		
1,259,980	2010 Swift Mandatory Common Exchange Security Trust, 6.00%, 12/31/13 (b)	18,410,702
	<b>Total Convertible Preferred Stock (cost-\$334,404,671)</b>	<b>374,509,556</b>

Principal

Amount

(000s)

<b>CONVERTIBLE BONDS &amp; NOTES 20.2%</b>		
<b>Aerospace &amp; Defense 1.1%</b>		
\$7,310	GenCorp, Inc., 4.063%, 12/31/39	11,558,938
<b>Biotechnology 0.6%</b>		
8,910	Dendreon Corp., 2.875%, 1/15/16	6,704,775
<b>Capital Markets 2.3%</b>		
10,755	Ares Capital Corp., 5.75%, 2/1/16	11,857,387
13,195	BGC Partners, Inc., 4.50%, 7/15/16	13,722,800
		25,580,187
<b>Commercial Services 1.0%</b>		
11,795	Cenveo Corp., 7.00%, 5/15/17	10,888,259
<b>Construction Materials 0.8%</b>		
7,645	Cemex S.A.B. de C.V., 4.875%, 3/15/15	9,231,337
<b>Electrical Equipment 1.1%</b>		
9,100	EnerSys, 3.375%, 6/1/38 (e)	12,370,358
<b>Hotels, Restaurants &amp; Leisure 2.0%</b>		
9,075	MGM Resorts International, 4.25%, 4/15/15	10,339,828

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

11,940	Morgans Hotel Group Co., 2.375%, 10/15/14	11,641,500
		21,981,328
	<b>IT Services 1.1%</b>	
5,180	Alliance Data Systems Corp., 1.75%, 8/1/13	11,661,475
	<b>Machinery 3.9%</b>	
10,115	Greenbrier Cos, Inc., 3.50%, 4/1/18	10,639,716
	Meritor, Inc.,	
12,480	4.625%, 3/1/26 (e)	12,667,200
5,655	7.875%, 3/1/26 (a)(b)	7,160,644
11,335	Navistar International Corp., 3.00%, 10/15/14	11,639,628
150	Terex Corp., 4.00%, 6/1/15	343,031
		42,450,219

**AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value*
	<b>Media 0.7%</b>	
\$4,505	Liberty Interactive LLC, 3.125%, 3/30/23	\$ 7,650,053
	<b>Oil, Gas &amp; Consumable Fuels 1.0%</b>	
2,300	Endeavour International Corp., 5.50%, 7/15/16	1,355,562
3,685	PDC Energy, Inc., 3.25%, 5/15/16 (a)(b)	5,112,938
5,500	Peabody Energy Corp., 4.75%, 12/15/41	4,760,937
		11,229,437
	<b>Road &amp; Rail 0.1%</b>	
550	Avis Budget Group, Inc., 3.50%, 10/1/14	1,136,094
	<b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>	
9,920	SunPower Corp., 4.75%, 4/15/14	10,670,200
	<b>Software 1.4%</b>	
6,335	Nuance Communications, Inc., 2.75%, 8/15/27	7,570,325
7,490	TeleCommunication Systems, Inc., 7.75%, 6/30/18	7,447,869
		15,018,194
	<b>Thriffs &amp; Mortgage Finance 0.7%</b>	
6,535	MGIC Investment Corp., 5.00%, 5/1/17	7,053,716
	<b>Tobacco 1.4%</b>	
13,060	Vector Group Ltd., 2.50%, 1/15/19 (f)	15,423,599
	Total Convertible Bonds & Notes (cost- \$178,679,389)	220,608,169
	<b>SHORT-TERM INVESTMENT 2.2%</b>	
	<b>Time Deposit 2.2%</b>	
24,351	Wells Fargo-Grand Cayman, 0.03%, 6/3/13 (cost- \$24,351,335)	24,351,335
	<b>Total Investments</b> (cost- \$1,001,134,938) (g) <b>100.0%</b>	<b>\$ 1,093,512,440</b>

**Notes to Schedule of Investments:**

\*Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. 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.

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

The Board of Trustees (the Board ) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation method to Allianz Global Investors Fund Management LLC (the Investment Manager ) and Allianz Global Investors U.S. LLC (the Sub-Adviser ). The Fund s Valuation Committee was established by the Board to oversee the implementation of the Fund s valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Synthetic convertible securities are valued based on quotations obtained from unaffiliated brokers who are the principal market-makers in such securities. Such valuations are derived by the brokers from proprietary models which are generally based on readily available market information including valuations of the common stock underlying the synthetic security.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

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

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

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$87,033,484, representing 8.0% 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) Perpetual maturity. The date shown, if any, is the next call date.
- (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) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (f) In addition to the coupon rate shown, the issuer is expected to pay additional income based on the actual dividends paid on its common stock.
- (g) At May 31, 2013, the cost basis of portfolio securities for federal income tax purposes was \$1,004,129,700. Gross unrealized appreciation was \$120,129,876; gross unrealized depreciation was \$30,747,136; and net unrealized appreciation was \$89,382,740. The difference between book and tax cost basis was attributable to the differing treatment of bond premium amortization and to wash sale loss deferrals.

---

**AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited) (continued)

**Fair Value Measurements**

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

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committees' own assumptions and securities whose price was determined by using a single broker's quote)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles.

Equity Securities (Common and Preferred Stock) Equity securities traded in inactive markets equity securities are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Convertible Bonds & Notes Convertible bonds & notes are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of convertible bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable the values are categorized as Level 3.

The valuation techniques used by the Fund to measure fair value during the three months ended May 31, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Fund's policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels

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

1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

A summary of the inputs used at May 31, 2013 in valuing the Fund's assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):



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

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/13
<b>Investments in Securities Assets</b>				
Corporate Bonds & Notes		\$ 474,043,380		\$ 474,043,380
Convertible Preferred Stock:				
Airlines		15,260,367		15,260,367
Biotechnology			\$ 12,003,390	12,003,390
Capital Markets		11,113,400		11,113,400
Commercial Banks	\$ 10,165,500	12,837,500		23,003,000
Commercial Services & Supplies		10,557,914		10,557,914
Communications Equipment		11,146,916	13,439,200	24,586,116
Computers & Peripherals			12,931,207	12,931,207
Health Care Providers & Services		13,851,810		13,851,810
Insurance	10,325,401		14,355,315	24,680,716
Internet & Catalog Retail			13,020,889	13,020,889
Metals & Mining	9,000,976	4,846,430		13,847,406
Oil, Gas & Consumable Fuels	10,309,007	21,297,120		31,606,127
Road & Rail		18,410,702		18,410,702
All Other	149,636,512			149,636,512
Convertible Bonds & Notes		220,608,169		220,608,169
Short-Term Investments		24,351,335		24,351,335
Totals	\$ 189,437,396	\$ 838,325,043	\$ 65,750,001	\$ 1,093,512,440

At May 31, 2013, there were no transfers between Levels 1 and 2.

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

**AllianzGI Convertible & Income Fund Schedule of Investments**

May 31, 2013 (unaudited) (continued)

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the three months ended May 31, 2013, was as follows:

	Beginning Balance 2/28/13	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 5/31/13
<b>Investments in Securities</b>									
<b>Assets</b>									
Convertible Preferred Stock:									
Biotechnology		\$ 12,124,497				\$ (121,107)			\$ 12,003,390
Communications Equipment	\$ 14,013,654					(574,454)			13,439,200
Computer Storage & Peripherals	11,138,123		\$ (14,162,877)			3,024,754			
Computers & Peripherals		13,019,681				(88,474)			12,931,207
Insurance		13,596,003				759,312			14,355,315
Internet & Catalog Retail		13,104,825				(83,936)			13,020,889
<b>Totals</b>	<b>\$ 25,151,777</b>	<b>\$ 51,845,006</b>	<b>\$ (14,162,877)</b>			<b>\$2,916,095</b>			<b>\$ 65,750,001</b>

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized as Level 3 at May 31, 2013:

Investments in Securities Assets	Ending Balance at 5/31/13	Valuation Technique Used	Unobservable Inputs	Input Values
Convertible Preferred Stock	\$ 65,750,001	Third-Party Vendor	Single Broker Quote	\$ 23.78-\$797.36

Stock conversion.

The net change in unrealized appreciation/depreciation of Level 3 investments, which the Fund held at May 31, 2013, was \$(108,659).

**Glossary:**

REIT Real Estate Investment Trust

**Item 2. Controls and Procedures**

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) 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 control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

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: AllianzGI Convertible & Income Fund

By /s/ Brian S. Shlissel  
Brian S. Shlissel

President & Chief Executive Officer

Date: July 22, 2013

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date: July 22, 2013

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  
Brian S. Shlissel

President & Chief Executive Officer

Date: July 22, 2013

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date: July 22, 2013