

Edgar Filing: Nicholas-Applegate Equity & Convertible Income Fund - Form N-Q

Nicholas-Applegate Equity & Convertible Income Fund  
Form N-Q  
December 22, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM N-Q**

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

Investment Company Act file number 811-21989

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

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

10105  
(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, 2009

Date of reporting period: October 31, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q 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 the 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. Schedule of Investments****Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

Shares (000)		Value*
<b>COMMON STOCK-60.4%</b>		
	<b>Aerospace/Defense-1.8%</b>	
74	L-3 Communications Holdings, Inc.	\$6,030,931
	<b>Automotive-1.2%</b>	
226	Johnson Controls, Inc.	4,005,207
	<b>Beverages-5.4%</b>	
148	Coca-Cola Co.	6,542,910
127	Molson Coors Brewing Co. □Cl. B	4,755,928
114	PepsiCo, Inc. (a)	6,499,140
		17,797,978
	<b>Commercial Services-1.6%</b>	
140	McKesson Corp.	5,150,600
	<b>Computers-4.2%</b>	
379	EMC Corp. (e)	4,459,908
67	International Business Machines Corp.	6,210,396
61	Research In Motion, Ltd. (e)	3,066,144
		13,736,448
	<b>Cosmetics/Personal Care-2.4%</b>	
121	Procter & Gamble Co.	7,835,156
	<b>Electric-0.7%</b>	
92	Constellation Energy Group, Inc.	2,227,320
	<b>Electronics-1.3%</b>	
149	Amphenol Corp. □Cl. A	4,268,850
	<b>Healthcare Products-3.5%</b>	
111	Baxter International, Inc. (a)	6,720,439
27	Intuitive Surgical, Inc. (e)	4,660,146
		11,380,585
	<b>Insurance-0.8%</b>	
87	Prudential Financial, Inc. (a)	2,610,000
	<b>Internet-1.5%</b>	
14	Google, Inc. □Cl. A (e)	5,031,040
	<b>Machinery-3.5%</b>	
137	AGCO Corp. (e)	4,321,392
101	Deere & Co.	3,890,704
108	Joy Global, Inc.	3,124,044

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		11,336,140
	<b>Metals &amp; Mining-1.6%</b>	
70	Freeport-McMoRan Copper & Gold, Inc.	2,037,000
97	Peabody Energy Corp.	3,330,215
		5,367,215
	<b>Miscellaneous Manufacturing-0.8%</b>	
142	Textron, Inc.	2,520,480

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**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

Shares (000)		Value*
	<b>Oil &amp; Gas-5.6%</b>	
69	Diamond Offshore Drilling, Inc.	\$6,118,320
96	National Oilwell Varco, Inc. (e)	2,863,462
90	Occidental Petroleum Corp. (a)	4,987,492
81	Schlumberger Ltd.	4,204,310
		18,173,584
	<b>Pharmaceuticals-6.6%</b>	
137	Abbott Laboratories (a)	7,555,550
164	Gilead Sciences, Inc. (e)	7,519,400
172	Medco Health Solutions, Inc. (e)	6,542,580
		21,617,530
	<b>Retail-3.8%</b>	
119	McDonald's Corp. (a)	6,876,291
139	Target Corp.	5,560,632
		12,436,923
	<b>Semi-conductor Equipment-3.4%</b>	
354	Intel Corp.	5,672,000
289	Texas Instruments, Inc.	5,648,928
		11,320,928
	<b>Software-3.8%</b>	
260	Microsoft Corp.	5,816,965
367	Oracle Corp. (e)	6,717,917
		12,534,882
	<b>Telecommunications-6.9%</b>	
314	Cisco Systems, Inc. (a) (e)	5,574,449
156	Harris Corp.	5,590,225
142	Qualcomm, Inc.	5,425,268
202	Verizon Communications, Inc.	5,993,340
		22,583,282
	Total Common Stock (cost-\$329,331,716)	197,965,079

**CONVERTIBLE PREFERRED STOCK-24.0%**

		Credit Rating (Moody's/S&P)	
	<b>Agriculture-0.6%</b>		
39	Bunge Ltd., 4.875%, 12/31/49	Ba1/BB	2,012,750
	<b>Banking-4.0%</b>		
	Bank of America Corp.,		
4	7.25%, 12/31/49, Ser. L	A1/A	2,995,525
68	10.00%, 5/11/09, Ser. JNJ (Johnson & Johnson) (f)	Aa2/AA	4,021,779
	Wachovia Corp.,		
134	13.15%, 3/30/09, Ser. GE, (General Electric Co.) (f)	A1/AA-	2,510,075
92	14.10%, 4/1/09, Ser. JPM, (JP Morgan Chase & Co.) (f)	A1/AA-	3,459,623
			12,987,002

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<b>Commercial Services-0.5%</b>			
102	United Rentals, Inc., 6.50%, 8/1/28	B3/B-	1,741,650
<b>Diversified Financial Services-8.2%</b>			
94	Citigroup, Inc., 6.50%, 12/31/49, Ser. T Credit Suisse Group,	A2/A	3,034,182
174	11.00%, 3/16/09, Ser. MSFT, (Microsoft Corp.) (f)	Aa1/AA-	4,032,614
72	11.00%, 4/25/09, Ser. KO, (Coca-Cola Corp.) (f) Eksportfinans AS,	Aa1/AA-	3,603,866
102	10.00%, 3/12/09, Ser. HPQ (Hewlett Packard, Co. ) (f)	Aaa/AA+	3,971,388
28	10.00%, 6/13/09, Ser. AAPL (Apple Inc.) (f)	Aaa/AA+	4,061,087
288	13.00%, 11/1/08, Ser. TWX, (Time Warner, Inc.) (f)	Aaa/A+	3,270,881
199	Goldman Sachs Group, Inc., 9.75%, 12/19/08, Ser. CSCO (Cisco Systems, Inc.) (f) Lehman Brothers Holdings, Inc., (g) (h),	Aa3/NR	3,931,238
209	6.00%, 10/12/10, Ser. GIS (General Mills, Inc.) (f)	B3/NR	673,534
33	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.) (f)	B3/NR	455,285
			27,034,075

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**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

Shares (000)		Credit Rating (Moody's/S&P)	Value*
	<b>Electric-3.3%</b>		
102	AES Trust III, 6.75%, 10/15/29	B3/B-	\$3,667,
82	Entergy Corp., 7.625%, 2/17/09	NR/BBB	3,864,
15	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	3,128,
			10,660,
	<b>Hand/Machine Tools-1.0%</b>		
5	Stanley Works, 6.53%, 5/17/12 (d)	A2/A	3,290,
	<b>Insurance-1.7%</b>		
181	Metlife, Inc., 6.375%, 2/15/09	NR/BBB+	1,568,
145	Platinum Underwriters Holdings Ltd., 6.00%, 2/15/09, Ser. A	NR/BB+	3,883,
			5,451,
	<b>Investment Companies-0.5%</b>		
62	Vale Capital Ltd., 5.50%, 6/15/10, Ser. RIO (Companhia Vale do Rio Doce) (f)	NR/NR	1,705,
	<b>Oil &amp; Gas-0.6%</b>		
27	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	2,071,
	<b>Pharmaceuticals-0.9%</b>		
22	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	2,975,
	<b>Real Estate (REIT)-0.5%</b>		
207	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B2/CCC+	1,502,
	<b>Sovereign-1.1%</b>		
54	Svensk Exportkredit AB, 12.50%, 12/12/08, Ser. XOM (Exxon Mobil Corp.) (f)	Aa1/AA+	3,795,
	<b>Telecommunications-1.1%</b>		
98	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	3,681,
	Total Convertible Preferred Stock (cost-\$130,287,163)		78,911,

**CONVERTIBLE BONDS & NOTES-8.6%**

Principal Amount (000)			
	<b>Auto Manufacturers-0.4%</b>		
\$4,575	Ford Motor Co., 4.25%, 12/15/36	Caa1/CCC	1,292,
	<b>Commercial Services-1.4%</b>		
4,800	Bowne & Co., Inc., 5.00%, 10/1/33	B1/B	4,686,
	<b>Computers-1.4%</b>		
4,925	Maxtor Corp., 6.80%, 4/30/10	Ba1/NR	4,703,



**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)
	<b>Electrical Components &amp; Equipment-0.4%</b>	
\$4,605	JA Solar Holdings Co., Ltd., 4.50%, 5/15/13	NR/NR
	<b>Entertainment-1.1%</b>	
4,300	Regal Entertainment Group, 6.25%, 3/15/11 (b) (c)	NR/NR
	<b>Oil &amp; Gas-0.6%</b>	
2,345	Transocean, Inc., 1.50%, 12/15/37	Baa2/BBB+
	<b>Real Estate (REIT)-0.9%</b>	
5,950	Developers Diversified Realty Corp., 3.00%, 3/15/12	NR/BBB-
	<b>Telecommunications-2.4%</b>	
5,910	Level 3 Communications, Inc., 6.00%, 3/15/10	Caa3/CCC
4,700	NII Holdings, Inc., 3.125%, 6/15/12	NR/NR
3,730	Nortel Networks Corp., 2.125%, 4/15/14	B3/B-
	Total Convertible Bonds & Notes (cost-\$43,462,795)	

**CORPORATE BONDS & NOTES-3.0%**

	<b>Apparel-0.1%</b>	
500	Levi Strauss., 9.75%, 1/15/15	B2/B+
	<b>Computers-0.4%</b>	
2,300	Unisys Corp., 8.00%, 10/15/12	B2/B+
	<b>Diversified Financial Services-0.1%</b>	
500	GMAC LLC, 6.75%, 12/1/14	Caa/B-
	<b>Miscellaneous Manufacturing-0.2%</b>	
1,000	Polypore, Inc., 8.75%, 5/15/12	B3/B-
	<b>Oil &amp; Gas-0.9%</b>	
4,340	Dynegy Holdings, Inc., 7.75%, 6/1/19	B2/B
	<b>Paper Products-0.2%</b>	
1,000	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+
	<b>Telecommunications-1.1%</b>	
4,600	Millicom International Cellular S.A., 10.00%, 12/1/13, GDR	B1/BB
	Total Corporate Bonds & Notes (cost-\$13,524,149)	

**U.S. GOVERNMENT SECURITIES-0.7%**



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2,000 United States Treasury Notes, 12.50%, 8/15/14  
(cost-\$2,197,500)

**SHORT-TERM INVESTMENT-2.8%**

**Time Deposit-2.8%**

9,218 Citibank[]London, 0.17%, 11/3/08  
(cost-\$9,217,509)

**Total Investments, before call options written (cost-\$528,020,832)-99.5%**

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**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

Contracts	Value*
<b>CALL OPTIONS WRITTEN (e)-(0.0)%</b>	
960 Abbott Laboratories, strike price \$60, expires 11/22/08	\$(38,400)
770 Baxter International, Inc., strike price \$70, expires 11/22/08	(15,400)
2,195 Cisco Systems, Inc., strike price \$27, expires 11/22/08	(2,195)
845 McDonalds Corp., strike price \$67.50, expires 11/22/08	(8,450)
630 Occidental Petroleum Corp., strike price \$95, expires 11/22/08	(3,150)
800 PepsiCo, Inc., strike price \$75, expires 11/22/08	(8,000)
610 Prudential Financial, Inc., strike price \$85, expires 11/22/08	(21,350)
Total Call Options Written (premium received-\$976,636)	(96,945)
<b>Total Investments, net of call options written (cost-\$527,044,196)-99.5%</b>	<b>326,285,938</b>
Other assets less other liabilities -0.5%	1,638,246
<b>Net Assets-100.0%</b>	<b>\$327,924,184</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, based on quotes obtained from a quotation reporting system, established market makers, or pricing services.

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, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees or persons acting at their discretion pursuant to procedures established by the Board of Trustees. The Fund's investments, including over-the-counter options, 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 last quoted mean 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 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.

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

- (a) All or partial amount segregated 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 to qualified institutional buyers.
- (c) Private Placement. Restricted as to resale and may not have a readily available market. Securities with an aggregate market value of \$3,440,000, representing 1.05% of net assets.
- (d) Variable rate security. Interest rate disclosed reflects the rate in effect on October 31, 2008.
- (e) Non-income producing.
- (f) Securities exchangeable or convertible into securities of an entity different than the issuer. Such entity is identified in the parenthetical.
- (g) Issuer in default.
- (h) Fair-valued □ Securities with an aggregate value of \$1,128,819, representing 0.34% of net assets.

**Glossary:**

GDR-Global Depositary Receipt

NR-Not Rated



**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2008 (unaudited)

**Other Investments:**

Transactions in call options written for the nine months ended October 31, 2008:

	<b>Contracts</b>	<b>Premiums</b>
Options outstanding, January 31, 2008	32,480	\$4,595,709
Options written	107,486	13,291,418
Options terminated in closing purchase transactions	(26,468)	(3,449,286)
Options expired	(105,831)	(13,369,428)
Options exercised	(857)	(91,777)
Options outstanding, October 31, 2008	6,810	\$976,636

**Fair Value Measurements**—Effective February 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

□ Level 1 □ quoted prices in active markets for identical investments

□ Level 2 □ other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

□ Level 3 □ significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the nine months ended October 31, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs.

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

The following is a summary of the inputs used as of October 31, 2008 in valuing the Fund's investments carried at value:

<b>Valuation Inputs</b>	<b>Investments in Securities</b>
Level 1 □ Quoted Prices	\$244,397,120
Level 2 □ Other Significant Observable Inputs	80,759,999
Level 3 □ Significant Unobservable Inputs	1,128,819
<b>Total</b>	<b>\$326,285,938</b>

A roll forward of fair value measurement using significant unobservable inputs (Level 3) as of October 31, 2008, were as follows:

	<b>Investments in Securities</b>
Beginning balance, January 31, 2008	\$ -
Net purchases (sales) and settlements	-
Accrued discounts (premiums)	-
Total realized and unrealized gain (loss)	-
Transfers in and/or out of Level 3	1,128,819
<b>Ending balance, October 31, 2008</b>	<b>\$1,128,819</b>



**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))), as 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 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

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**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: Nicholas-Applegate Equity & Convertible Income Fund

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

Date: December 22, 2008

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

Date: December 22, 2008

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 & Chief Executive Officer

Date: December 22, 2008

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

Date: December 22, 2008

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