

AllianzGI Convertible & Income Fund II
Form N-CSR
April 29, 2014

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number: 811-21338

AllianzGI Convertible & Income Fund II
(Exact name of registrant as specified in charter)

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

10019
(Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: February 28, 2014

Date of reporting period: February 28, 2014

Item 1. Report to Shareholders

AllianzGI Convertible & Income Fund

AllianzGI Convertible & Income Fund II

Annual Report

February 28, 2014

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Letter from the Chairman of the Board &

President

Hans W. Kertess

Chairman

Julian Sluyters

President & CEO

Dear Shareholder:

The US economy continued to expand during the fiscal 12-month reporting period ended February 28, 2014. Bond yields moved higher as the Federal Reserve (the Fed) adjusted its monetary policy, while stocks posted impressive gains.

Twelve Months in Review through February 28, 2014

n AllianzGI Convertible & Income Fund returned 21.69% on net asset value (NAV) and 24.87% on market price.

n AllianzGI Convertible & Income Fund II returned 21.28% on NAV and 28.50% on market price. In comparison, the Standard & Poor's 500 Index, an unmanaged index generally representative of the US stock market, rose 25.37% and the Barclays US Credit Index, an unmanaged index considered representative of publicly issued, Securities & Exchange Commission registered US corporate and specific foreign debentures and secured notes, returned 0.90% during the 12-month reporting period. Convertible securities, which share characteristics of both stocks and bonds, rose. The BofA Merrill Lynch All Convertibles Index, an unmanaged index generally representative of the convertible securities market, advanced 26.79% for the period.

The US economy continued to grow during the reporting period. Gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, grew at an annual pace of 1.1% during the first quarter of 2013. Annual GDP growth then rose 2.5% during the second quarter and 4.1% during the third quarter, the latter being the best reading since the fourth quarter of 2011. Improving growth was partially due to an increase in private inventory investment and decelerating imports. According to the US Commerce Department, GDP growth expanded at a 2.6% annual pace during the fourth quarter of 2013.

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The US Federal Reserve (the Fed) maintained an accommodative monetary policy during the reporting period. However, at its meeting in December 2013, the Fed announced that it would begin tapering its monthly purchase program beginning in January 2014, from \$85 billion to \$75 billion. The program continued into February. However, the Fed reiterated that tapering did not mean that it would raise interest rates anytime soon, saying, it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the

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unemployment rate declines below 6.5%, especially if projected inflation continues to run below the Committee's 2% longer-run goal.

Outlook

The US was highly resilient and appeared to overcome the headwinds associated with higher taxes, the sequestration, a partial federal government shutdown and rising interest rates. Barring unanticipated

strengthening of US labor markets and accelerating

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inflation, we expect the central bank to take a measured approach to the reduction of purchases in 2014. Tapering of asset purchases, as well as concerns about global growth, ongoing geopolitical issues and dysfunction in Washington DC, will likely contribute to increased market volatility.

While ongoing tapering could lead to periods of volatility, the Fed made it clear that it does not intend to raise short-term rates for an extended period. That being said, concerns related to global growth, geopolitical issues and ever-changing market factors may also contribute to market volatility.

For specific information on the Funds and their performance, please refer to the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, us.allianzgi.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Julian Sluyters
President & Chief Executive Officer

Fund Insights

AllianzGI Convertible & Income Funds

February 28, 2014 (unaudited)

For the period of March 1, 2013, through February 28, 2014, as provided by Doug Forsyth, CFA, Portfolio Manager.

For the fiscal twelve-month period ended February 28, 2014, AllianzGI Convertible & Income Fund and AllianzGI Convertible & Income Fund II (the Funds) returned 21.69% and 21.28% on net asset value (NAV) and 24.87% and 28.50% on market price, respectively.

Market Environment

Convertible and high-yield bond markets moved sharply higher over the reporting period. Convertibles largely benefited from higher stock prices, and to a lesser extent, credit spread tightening. Healthy corporate earnings, continued global economic improvement and ongoing accommodative global central bank policies supported the stock market's advance. In addition, convertible and high-yield bonds benefited from a lack of credit risk. Solid balance sheets were confirmed during the reporting seasons. The new-issue corporate-bond market produced a lower semiannual interest-expense burden for issuers, and again proved the widespread availability of new capital. Furthermore, the majority of the new issues' use-of-proceeds continued to be refinancing, which helped eliminate near-term amortization risk in the market.

Despite a significant rise in markets overall, there were periods of uncertainty. Market weakness was generally more macro in nature than fundamentally driven. In particular, headlines focused on the US Federal Reserve (the Fed) led to episodes of volatility. What had been perceived by investors as a unilaterally accommodative global monetary policy was tempered by the language and eventual tapering by the Fed.

The latter half of the period was transitional, as several structural and fundamental drivers of investor sentiment moved away from speculation and moved toward certainty. Risk assets, including convertible and high-yield bonds, responded positively to these stabilizing factors, which restored confidence in the US and global economy. Among the macro factors that contributed to performance: the Fed announced tapering, the House and Senate passed a budget, the media circus associated with the government shutdown proved to be overblown, US economic statistics continued to surprise on the upside, and in the euro zone, the majority of economies and financial conditions stabilized.

As the period came to a close, investors looked beyond emerging market concerns and mixed US economic data points partially due to inclement weather, expecting stronger growth ahead. The Fed continued to reduce asset purchases, but reiterated that future stimulus withdrawal was not on a preset schedule. Furthermore, US corporations continued to deliver healthy fourth-quarter results.

Against this backdrop the convertible and high-yield bond markets outperformed fixed-income asset classes during the period due to their low and even negative correlations with interest rates.

Portfolio Specifics

The Funds rallied with the market in the reporting period. The attribution for the period included several positive single-name performers from a variety of sectors. The majority of the Funds' issuers exceeded earnings expectations, which helped contribute to performance.

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In the convertibles sleeve, sector allocations which benefitted performance in the period relative to the convertibles universe were Industrials, Energy, Media and Materials. Stronger issue-specific performance was evident across all of the aforementioned sectors, but greatest among Industrials and Energy. Additionally, the Funds benefitted from an underweight in Materials as the sector underperformed the overall market. Conversely, sector allocations that hindered relative performance in the reporting period were Healthcare, Financials and Consumer Discretionary. An underweight and negative security selection in Healthcare pressured relative performance. Furthermore, an overweight and relative underperformance in Financials detracted. Lastly, weaker issue-specific performance in Consumer Discretionary negatively impacted relative returns.

In the high yield bond sleeve, industry allocations which benefitted performance in the period relative to the high yield universe were Publishing/Printing, Services, Diversified Media and Technology. All of the aforementioned industries demonstrated positive security selection. In contrast, industry allocations that hindered relative performance during the period were Telecom Wireless, Gaming, Financial Services and Broadcasting. Negative security selection was exhibited within the Telecom, Gaming and Broadcasting industries. In Financial Services, both an overweight and weaker issuer-specific returns negatively impacted relative performance.

Performance and Statistics

AllianzGI Convertible & Income Fund

February 28, 2014 (unaudited)

Total Return ⁽¹⁾:	Market Price	NAV
1 Year	24.87%	21.69%
5 Year	36.54%	30.81%
10 Year	8.70%	7.93%
Commencement of Operations (3/31/03) to 2/28/14	9.67%	9.60%

Market Price/NAV Performance:

Commencement of Operations (3/31/03) to 2/28/14

Market Price/NAV:

Market Price	\$10.20
NAV	\$9.49
Premium to NAV	7.48%
Market Price Yield ⁽²⁾	10.59%
Leverage ⁽³⁾	30.55%

Moody's Ratings

(as a % of total investments)

Performance and Statistics

AllianzGI Convertible & Income Fund II

February 28, 2014 (unaudited)

Total Return ⁽¹⁾:	Market Price	NAV
1 Year	28.50%	21.28%
5 Year	38.03%	31.20%
10 Year	8.48%	7.23%
Commencement of Operations (7/31/03) to 2/28/14	8.83%	8.19%

Market Price/NAV Performance:

Commencement of Operations (7/31/03) to 2/28/14

Market Price/NAV:

Market Price	\$9.71
NAV	\$8.53
Premium to NAV	13.83%
Market Price Yield ⁽²⁾	10.50%
Leverage ⁽³⁾	30.41%

Moody's Ratings

(as a % of total investments)

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

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

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An investment in each Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per common share (comprised of net investment income) by the market price per common share at February 28, 2014.

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

Schedule of Investments

AllianzGI Convertible & Income Fund

February 28, 2014

Principal Amount (000s)		Value
Corporate Bonds & Notes 42.3%		
Aerospace & Defense 0.5%		
\$5,570	Erickson Air-Crane, Inc., 8.25%, 5/1/20 (a)(b)	\$5,932,050
Auto Components 0.9%		
4,180	Chassix, Inc., 9.25%, 8/1/18 (a)(b)	4,503,950
5,280	Goodyear Tire & Rubber Co., 8.25%, 8/15/20	5,926,800
		10,430,750
Auto Manufacturers 0.7%		
7,410	Chrysler Group LLC, 8.25%, 6/15/21	8,428,875
Commercial Services 3.8%		
4,000	Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 9.75%, 3/15/20	4,660,000
11,500	Cenveo Corp., 11.50%, 5/15/17	11,413,750
5,705	DynCorp International, Inc., 10.375%, 7/1/17	5,990,250
7,955	Interactive Data Corp., 10.25%, 8/1/18	8,670,950
7,375	Monitronics International, Inc., 9.125%, 4/1/20	7,946,562
5,716	National Money Mart Co., 10.375%, 12/15/16	5,708,855
		44,390,367
Commercial Services & Supplies 0.8%		
5,645	United Rentals North America, Inc., 8.375%, 9/15/20	6,350,625
2,255	West Corp., 8.625%, 10/1/18	2,441,038
		8,791,663
Construction Materials 0.6%		
6,810	US Concrete, Inc., 8.50%, 12/1/18 (a)(b)	7,269,675
Consumer Finance 0.8%		
3,210	SLM Corp., 8.45%, 6/15/18	3,811,875
4,935	Springleaf Finance Corp., 8.25%, 10/1/23	5,539,538
		9,351,413
Distribution/Wholesale 0.9%		
8,170	HD Supply, Inc., 11.00%, 4/15/20	10,028,675
Diversified Consumer Services 0.6%		
6,815	Cambium Learning Group, Inc., 9.75%, 2/15/17	6,712,775
Diversified Financial Services 2.0%		
8,395	Affinion Investments LLC, 13.50%, 8/15/18 (a)(b)	8,310,654
10,085	Community Choice Financial, Inc., 10.75%, 5/1/19	8,874,800
7,130	12.75%, 5/1/20 (a)(b)	6,470,475
		23,655,929

	Diversified Telecommunications 0.9%	
10,275	Cincinnati Bell, Inc., 8.75%, 3/15/18	10,779,112
	Electrical Components & Equipment 1.2%	
13,585	WireCo WorldGroup, Inc., 9.50%, 5/15/17	14,060,475
	Electronic Equipment, Instruments & Components 0.7%	
7,725	Kemet Corp., 10.50%, 5/1/18	8,111,250
	Energy Equipment & Services 0.9%	
9,795	Pioneer Drilling Co., 9.875%, 3/15/18	10,333,725
	Food & Staples Retailing 0.9%	
5,000	Rite Aid Corp., 10.25%, 10/15/19	5,568,750

Schedule of Investments

AllianzGI Convertible & Income Fund

February 28, 2014 (continued)

Principal Amount (000s)		Value
	Food & Staples Retailing (continued)	
\$5,000	US Foods, Inc., 8.50%, 6/30/19	\$5,425,000
		10,993,750
	Health Care Providers & Services 0.8%	
8,875	ExamWorks Group, Inc., 9.00%, 7/15/19	9,806,875
	Healthcare-Products 0.9%	
8,885	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18	10,317,706
	Hotels, Restaurants & Leisure 1.8%	
9,120	DineEquity, Inc., 9.50%, 10/30/18	10,032,000
8,405	MGM Resorts International, 11.375%, 3/1/18	10,947,512
		20,979,512
	Household Durables 1.1%	
	Beazer Homes USA, Inc.,	
2,945	7.25%, 2/1/23	3,048,075
5,045	9.125%, 5/15/19	5,467,519
3,950	Jarden Corp., 7.50%, 5/1/17	4,562,250
		13,077,844
	Household Products/Wares 0.7%	
7,610	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	8,618,325
	Internet Software & Services 1.1%	
	EarthLink, Inc.,	
2,800	7.375%, 6/1/20	2,940,000
10,060	8.875%, 5/15/19	10,185,750
		13,125,750
	Iron/Steel 0.6%	
7,305	AK Steel Corp., 8.375%, 4/1/22	7,286,737
	IT Services 0.2%	
2,615	Stream Global Services, Inc., 11.25%, 10/1/14	2,634,613
	Leisure Time 0.8%	
8,855	Travelport LLC, 11.875%, 9/1/16	9,131,719
	Lodging 0.6%	
12,385	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18	6,997,525
	Machinery 0.6%	
6,755	Navistar International Corp., 8.25%, 11/1/21	7,084,306
	Media 2.5%	
5,500	AMC Entertainment, Inc., 9.75%, 12/1/20	6,373,125
8,355	McClatchy Co., 9.00%, 12/15/22	9,597,806
8,220	McGraw-Hill Global Education Holdings LLC/McGraw-Hill Global Education Finance,	9,144,750

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	9.75%, 4/1/21 (a)(b)	
3,745	Mood Media Corp., 9.25%, 10/15/20 (a)(b)	3,613,925
		28,729,606
	Metals & Mining 1.2%	
6,590	ArcelorMittal, 10.35%, 6/1/19	8,410,487