

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

Nicholas-Applegate Equity & Convertible Income Fund  
Form N-Q  
December 21, 2007

**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, 2008

Date of reporting period: October 31, 2007

Form N-Q is to be used by the registered management investment company, other than a small business investment company 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 30b1-5 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, 2007 (unaudited)

Shares (000)		Value*
<b>COMMON STOCK-59.3%</b>		
<b>Aerospace/Defense-1.6%</b>		
87	L-3 Communications Holdings, Inc. (a)	\$ 9,571,572
<b>Automotive-1.7%</b>		
226	Johnson Controls, Inc. (a)	9,876,348
<b>Beverages-3.4%</b>		
162	Coca-Cola Co. (a)	10,023,648
177	Molson Coors Brewing Co. □ Class B (a)	10,106,818
		20,130,466
<b>Chemicals-2.1%</b>		
124	Monsanto Co. (a)	12,145,172
<b>Commercial Services-1.6%</b>		
140	McKesson Corp. (a)	9,254,000
<b>Computers-3.6%</b>		
474	EMC Corp. (a) (e)	12,034,860
77	International Business Machines Corp. (a)	8,906,404
		20,941,264
<b>Electric-1.7%</b>		
103	Constellation Energy Group, Inc. (a)	9,716,220
<b>Healthcare Products-3.8%</b>		
158	Baxter International, Inc. (a)	9,505,584
39	Intuitive Surgical, Inc. (a) (e)	12,845,991
		22,351,575
<b>Insurance-2.9%</b>		
171	Cigna Corp. (a)	8,954,794
86	Prudential Financial, Inc. (a)	8,288,904
		17,243,698
<b>Machinery-5.1%</b>		
195	AGCO Corp. (a) (e)	11,643,568
69	Deere & Co. (a)	10,734,570
105	Terex Corp. (a) (e)	7,763,412
		30,141,550
<b>Metals &amp; Mining-1.9%</b>		
93	Freeport-McMoRan Copper & Gold, Inc. (a)	10,944,240
<b>Miscellaneous Manufacturing-3.2%</b>		
217	General Electric Co. (a)	8,927,604
142	Textron, Inc. (a)	9,855,504
		18,783,108
<b>Oil &amp; Gas-6.6%</b>		

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87	Diamond Offshore Drilling, Inc. (a)	9,805,718
141	National Oilwell Varco, Inc. (a) (e)	10,356,136
99	Schlumberger Ltd.	9,589,401
127	Valero Energy Corp. (a)	8,958,696
		38,709,951
	<b>Pharmaceuticals-6.8%</b>	
311	Bristol-Myers Squibb Co. (a)	9,311,895
219	Gilead Sciences, Inc. (a) (e)	10,110,991
109	Medco Health Solutions, Inc. (a) (e)	10,315,734
175	Merck & Co., Inc. (a)	10,166,370
		39,904,990
	<b>Retail-1.5%</b>	
139	Target Corp. (a)	8,504,496
	<b>Semi-conductors-1.6%</b>	
355	Intel Corp. (a)	9,536,050
	<b>Software-3.7%</b>	
315	Microsoft Corp. (a)	11,584,107
443	Oracle Corp. (a) (e)	9,810,225
		21,394,332

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

October 31, 2007 (unaudited)

Shares

(000)

**Telecommunications-6.5%**

156 Harris Corp. (a)  
 293 Juniper Networks, Inc. (a) (e)  
 206 Qualcomm, Inc. (a)  
 202 Verizon Communications, Inc. (a)

Total Common Stock (cost-\$305,928,026)

**CONVERTIBLE PREFERRED STOCK-28.4%**

Credit Rating  
 (Moody's/S&P)

**Agriculture-0.9%**

39 Bunge Ltd., 4.875%, 12/31/49 Ba1/BB

**Automotive-0.9%**

214 General Motors Corp., 6.25%, 7/15/33, Ser. C Caa1/B-

**Banking-1.0%**

43 Wells Fargo & Co., 8.00%, 6/1/08, Ser. AAPL (Apple, Inc.) (f) Aa1/AA+

**Commercial Services-0.9%**

102 United Rentals, Inc., 6.50%, 8/1/28 Caa1/B-

**Diversified Financial Services-10.9%**

61 Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (Genworth Financial, Inc.) (d) (f) Aa2/AA

288 Eksportfinans AS, 13.00%, 11/1/08, Ser. TWX (Time Warner, Inc.) (f) Aaa/A+

Goldman Sachs Group, Inc.,

240 12.00%, 12/12/07, Ser. CSCO (Cisco Systems, Inc.) (f) Aa3/NR

119 20.00%, 3/6/08, Ser. DISH (EchoStar Communications Corp.) (f) Aa3/NR

128 Lazard Ltd., 6.625%, 5/15/08 Ba1/NR

Lehman Brothers Holdings, Inc.,

209 6.00%, 10/12/10, Ser. GIS (General Mills, Inc.) (f) A1/A+

68 8.50%, 8/25/08, Ser. UTX (United Technologies Corp.) (f) A1/A+

145 20.00%, 2/24/08, Ser. HPQ (Hewlett-Packard Co.) (f) A1/A+

Morgan Stanley,

59 20.00%, 12/15/07, Ser. XOM (Exxon Mobil Corp.) (f) Aa3/AA-

134 20.00%, 1/31/08, Ser. T (AT&T, Inc.) (f) Aa3/AA-

11 20.00%, 3/8/08, Ser. GOOG (Google, Inc.) (f) Aa3/NR

130 20.00%, 3/24/08, Ser. DIS (Walt Disney Co.) (f) Aa3/NR

120 Svensk Exportkredit AB, 10.00%, 10/20/08, Ser. TEVA (Teva Pharmaceutical Industries Ltd.) (f) Aa1/AA+

**Electric-2.9%**

102 AES Trust III, 6.75%, 10/15/29 B3/B-

82 Entergy Corp., 7.625%, 2/17/09 NR/BBB

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15 NRG Energy, Inc., 5.75%, 3/16/09 B2/CCC+

**Hand/Machine Tools-0.9%**

5 Stanley Works, 7.145%, 5/17/12 (d) A2/A

**Insurance-3.7%**

4 Fortis Insurance NV, 7.75%, 1/26/08 (b) (c) Aa3/A+  
157 Metlife, Inc., 6.375%, 8/15/08 NR/BBB+  
165 Platinum Underwriters Holdings Ltd., 6.00%, 2/15/09, Ser. A NR/BB+  
197 XL Capital Ltd., 7.00%, 2/15/09 A3/A-

**Investment Companies-1.0%**

81 Vale Capital Ltd., 5.50%, 6/15/10, Ser. RIO (Companhia Vale do Rio Doce) (f) NR/NR

**Oil & Gas-0.9%**

44 Chesapeake Energy Corp., 5.00%, 12/31/49 NR/B

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

October 31, 2007 (unaudited)

Shares (000)		Credit Rating (Moody's/S&P)	Value
	<b>Packaging &amp; Containers-0.9%</b>		
112	Owens-Illinois, Inc., 4.75%, 12/31/49	Caa1/B-	\$ 5,27
	<b>Pharmaceuticals-0.8%</b>		
18	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	4,89
	<b>Real Estate-0.9%</b>		
199	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B2/B-	4,97
	<b>Telecommunications-1.0%</b>		
98	Crown Castle International Corp., 6.25%, 8/15/12	NR/NR	5,91
	<b>Waste Disposal-0.8%</b>		
15	Allied Waste Industries, Inc., 6.25%, 3/1/08, Ser. D	B3/B	4,81
	Total Convertible Preferred Stock (cost-\$159,836,170)		166,56
	<b>CONVERTIBLE BONDS &amp; NOTES-5.6%</b>		
	Principal Amount (000)		
	<b>Automotive-0.8%</b>		
\$3,900	Ford Motor Co., 4.25%, 12/15/36	Caa1/CCC+	4,68
	<b>Commercial Services-0.9%</b>		
4,800	Bowne & Co., Inc., 5.00%, 10/1/33	B2/B-	5,16
	<b>Computers-1.0%</b>		
4,925	Maxtor Corp., 6.80%, 4/30/10	Ba1/NR	5,58
	<b>Electric-0.9%</b>		
1,540	PG&E Corp., 9.50%, 6/30/10	NR/NR	5,42
	<b>Oil &amp; Gas-1.1%</b>		
3,775	Devon Energy Corp., 4.95%, 8/15/08	Baa1/BBB	6,45
	<b>Telecommunications-0.9%</b>		
5,910	Level 3 Communications, Inc., 6.00%, 3/15/10	Caa3/CCC	5,43
	Total Convertible Bonds & Notes (cost-\$31,509,554)		32,75
	<b>CORPORATE BONDS &amp; NOTES-3.4%</b>		
	<b>Electric-1.6%</b>		
9,500	Energy Future Holdings Corp., 10.875%, 11/1/17 (b)(c)	B3/CCC+	9,65

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**Paper Products-0.2%**

1,000 Neenah Paper, Inc., 7.375%, 11/15/14, GDR	B2/B+	97
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**Pipelines-0.7%**

4,340 Dynergy Holdings, Inc., 7.75%, 6/1/19 (b)(c)	B2/B-	4,09
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**Telecommunications-0.9%**

5,000 Millicom International Cellular S.A., 10.00%, 12/1/13, GDR	B1/B+	5,40
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Total Corporate Bonds & Notes (cost-\$19,813,951)		20,12
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**U.S. GOVERNMENT SECURITIES-0.4%**

2,000 U.S. Treasury Notes, 10.375%, 11/15/12 (cost-\$2,075,312)		2,00
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**SHORT-TERM INVESTMENT-6.8%**

**Time Deposit-6.8%**

40,030 Bank of America□London, 4.10%, 11/1/07 (cost-\$40,029,830)		40,02
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<b>Total Investments, before call options written (cost-\$559,192,843)- 103.9%</b>		<b>608,72</b>
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**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2007 (unaudited)

Contracts	Value*
<b>CALL OPTIONS WRITTEN (e)-(1.4)%</b>	
1,365 AGCO Corp., strike price \$55, expires 11/17/07	\$ (655,200)
1,108 Baxter International, Inc., strike price \$60, expires 11/17/07	(155,120)
2,170 Bristol-Myers Squibb Co., strike price \$32.50, expires 12/22/07	(60,760)
1,195 CIGNA Corp., strike price \$56.62, expires 1/19/08	(191,200)
1,135 Coca-Cola Co., strike price \$62.50, expires 12/22/07	(141,875)
715 Constellation Energy Group, Inc., strike price \$95, expires 1/19/08	(357,500)
485 Deere & Co., strike price \$155, expires 12/22/07	(426,800)
600 Diamond Offshore Drilling, Inc., strike price \$120, expires 11/17/07	(75,000)
3,300 EMC Corp., strike price \$25, expires 12/22/07	(495,000)
650 Freeport-McMoran Copper & Gold, Inc., strike price \$120, expires 11/17/07	(221,000)
1,520 General Electric Co., strike price \$ 42.50, expires 12/22/07	(101,840)
1,530 Gilead Sciences, Inc., strike price \$47.50, expires 12/22/07	(214,200)
1,090 Harris Corp., strike price \$65, expires 11/17/07	(61,040)
2,480 Intel Corp., strike price \$27.50, expires 1/19/08	(292,640)
535 International Business Machines Corp., strike price \$120, expires 12/22/07	(117,700)
275 Intuitive Surgical, Inc., strike price \$340, expires 12/22/07	(500,500)
1,580 Johnson Controls, Inc., strike price \$45, expires 12/22/07	(221,200)
2,050 Juniper Networks, Inc., strike price \$40, expires 11/17/07	(20,500)
610 L-3 Communications Holdings, Inc., strike price \$110, expires 1/19/08	(292,800)
980 McKesson Corp., strike price \$62.50, expires 11/17/07	(362,600)
760 Medco Health Solutions, Inc., strike price \$95, expires 1/19/08	(364,800)
1,220 Merck & Co., Inc., strike price \$55, expires 11/17/07	(402,600)
2,200 Microsoft Corp., strike price \$37.50, expires 12/22/07	(236,500)
1,230 Molson Coors Brewing Co., strike price \$60, expires 11/17/07	(86,100)
870 Monsanto Co., strike price \$95, expires 11/17/07	(400,200)
990 National Oilwell Varco, Inc., strike price \$87.50, expires 11/17/07	(7,920)
3,100 Oracle Corp., strike price \$22.50, expires 11/17/07	(108,500)
600 Prudential Financial, Inc., strike price \$105, expires 12/22/07	(78,000)
1,445 Qualcomm, Inc., strike price \$45, expires 12/22/07	(153,170)
695 Schlumberger Ltd., strike price \$115, expires 11/17/07	(3,475)
970 Target Corp., strike price \$70, expires 1/19/08	(140,650)
730 Terex Corp., strike price \$90, expires 12/22/07	(56,210)
995 Textron, Inc., strike price \$65, expires 11/17/07	(477,600)
890 Valero Energy Corp., strike price \$75, expires 11/17/07	(57,850)
1,415 Verizon Communications, Inc., strike price \$45, expires 1/19/08	(382,050)
Total Call Options Written (premium received-\$5,982,180)	(7,920,100)
<b>Total Investments, net of call options written (cost-\$553,210,663) -102.5%</b>	<b>600,804,904</b>
Liabilities in excess of other assets-(2.5%)	(14,675,706)
<b>Net Assets-100.0%</b>	<b>\$ 586,129,198</b>

**Notes to Schedule of Investments:**



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- \* 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, are fair-valued, in good faith, pursuant to guidelines 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 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 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 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 daily 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.
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**Nicholas-Applegate Equity & Convertible Income Fund Schedule of Investments**

October 31, 2007 (unaudited)

- (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 only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (c) Private Placement. Restricted as to resale and may not have a readily available market. Securities with an aggregate market value of \$19,399,028, representing 3.31% of net assets are restricted.
- (d) Variable rate security. Interest rate disclosed reflects the rate in effect on October 31, 2007.
- (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.

**Glossary:**

GDR-Global Depositary Receipt

NR-Not Rated

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**Item 2. 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 Act (17CFR270.30a-3(c)), 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 over financial reporting (as defined in Rule 30a-3(d)) under the Act (17CFR 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 21, 2007

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

Date: December 21, 2007

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 dated indicated.

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

Date: December 21, 2007

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

Date: December 21, 2007

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