

Nicholas-Applegate Equity & Convertible Income Fund
Form N-CSR
April 09, 2009

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 811-21989

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

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

New York 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: January 31, 2009

Date of reporting period: January 31, 2009

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.

NFJ Dividend, Interest & Premium Strategy Fund
Nicholas-Applegate Equity & Convertible
Income Fund

Annual Report
January 31, 2009

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NFJ Dividend, Interest & Premium Strategy Fund
Nicholas-Applegate Equity & Convertible Income Fund Letter to Shareholders

March 12, 2009

Dear Shareholder:

Please find enclosed the annual report for the NFJ Dividend, Interest & Premium Strategy Fund and the Nicholas-Applegate Equity & Convertible Income Fund (collectively the Funds) for the fiscal year ended January 31, 2009.

U.S. stocks turned in one of their worst 12-month periods in history as instability in mortgage and banking sectors triggered an unprecedented constriction of credit and an economy-wide de-leveraging. Equities lost value as investors were forced to sell shares in a market with few buyers. In this environment, the Russell 3000 Index, a broad measure of U.S. stock market performance, declined 38.86%. Large-cap value stocks, as represented by the Russell 1000 Value Index, fell 41.78% for the 12-month reporting period while large-cap growth stocks, as measured by the Russell 1000 Growth Index, declined 36.44%.

The Federal Reserve (The Fed) sought to inject liquidity into the economy through multiple initiatives, including reducing the Federal Funds rate five times. The Fed's credit easing moves lowered the key benchmark rate on loans between member banks from 3.0% at the beginning of the reporting period to a targeted 0%-0.25% at its end. The Fed also announced plans to buy some \$500 billion in mortgage-backed securities by mid-2009.

Please refer to the following pages for specific information on the Funds. 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) 331-1710. You may also find a wide range of information and resources on our Web site, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and NFJ Investment Group L.P. and Oppenheimer Capital LLC (sub-advisers to NFJ Dividend, Interest & Premium Strategy Fund) and Nicholas-Applegate Capital Management (sub-adviser to both Funds) we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

NFJ Dividend, Interest & Premium Strategy Fund

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NFJ Dividend, Interest & Premium Strategy Fund Fund Insights

January 31, 2009 (unaudited)

- For the fiscal 12-month period ended January 31, 2009, NFJ Dividend, Interest & Premium Strategy returned (34.66)% on net asset value (NAV) and (37.93)% based on market price.
- U.S. stocks experienced deep and broad-based declines during the fiscal period, which witnessed an economic retrenchment of historic proportions. Investor concerns early in the period over higher oil prices and economic slowing were overshadowed in September by the failures of high-profile financial institutions. To boost confidence and reduce the depth of recession, the Federal Reserve cut benchmark interest rates to historic lows and announced plans to purchase approximately \$500 billion in mortgage-backed securities.
- Among U.S. Large Cap Value stocks, as represented by the Russell 1000 Value Index, all sectors posted negative returns during the 12-month period. Share prices in the financials and materials sectors traced the steepest declines. Within the Equity Component of the Fund, an underweight position in financials, along with stock selection decisions in the industrials sector contributed most significantly to outperformance of the benchmark. Stock selections among energy stocks and an underweighting of that sector detracted from performance versus the benchmark.
- In the financials sector, the Fund's position in Annaly Capital Management contributed positively to returns. Shares of the real estate investment trust rallied on reported earnings nearly double year-earlier levels. The company, which invests in mortgage-backed securities, benefited from lower borrowing costs that have widened the spread between the rates it pays and those it receives on government-backed mortgage securities.
- Among industrials, the Fund's position in Norfolk Southern advanced early in the period as high transport volumes of coal boosted revenues and earnings. The company was able to raise rates and add fuel surcharges to customers to pass along increased costs. The position was sold from the Fund during the first half of the fiscal year, locking in gains as the energy outlook weakened.
- In energy, the swift decline in the price of crude oil triggered a drop in stock prices for oilfield services firms and for exploration and production companies. In comparison, the magnitude of loss was lower for stocks of large integrated oil companies. The Fund's positions in Halliburton, the world's second largest oil field services provider, and Diamond Offshore Drilling contributed significantly to losses in this environment.
- In the Convertible Component, all sectors posted negative returns during the 12-month period. The consumer discretionary underperformance was the most severe of any industry in the convertible market for the quarter and year. This was driven largely by the auto makers, who eventually testified before Congress that they needed federal intervention to survive. The materials, industrials and energy industries also underperformed as the economic data worsened throughout the quarter. The best-performing industries were consumer staples and healthcare. These industries performed well because of favorable operating performance as well as an expected flight to quality.
- Investment-grade convertible bonds outperformed their non-investment-grade counterparts during the fiscal period. Investors also exhibited a preference for mid- and larger-capitalized convertibles.
- New convertible issuance was nonexistent during the fourth quarter amid the continued difficult credit environment. For 2008, total proceeds raised were \$57.8 billion. These figures are down from 2007 when nearly twice that amount was brought to market.

NFJ Dividend, Interest & Premium Strategy Fund

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NFJ Dividend, Interest & Premium Strategy Fund Performance & Statistics

January 31, 2009 (unaudited)

Total Return⁽¹⁾:	Market Price	Net Asset Value (NAV)
1 year	(37.93)%	(34.66)%
3 years	(8.10)%	(8.52)%
Commencement of Operations (2/28/05) to 1/31/09	(7.38)%	(4.60)%

Market Price/NAV Performance:

Commencement of Operations (2/28/05) to 1/31/09

Market Price/NAV:

Market Price	\$ 12.97
NAV	\$ 14.12
Discount to NAV	(8.14)%

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

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

The Fund's performance at market price will differ from its 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 the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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 equal to total assets attributable to shareholders less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current quarterly per share distribution payable to shareholders by the market price per share at January 31, 2009.

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Nicholas-Applegate Equity & Convertible Income Fund Fund Insights

January 31, 2009 (unaudited)

- For the fiscal 12-month period ended January 31, 2009, Nicholas-Applegate Equity & Convertible Income returned (35.14)% on net asset value (NAV) and (31.75)% on market price.
- History books will be written to describe the last four months of 2008. The September-to-early-December period is nearly indescribable in any concise format. The simple conclusion was the equity, convertible and debt markets experienced one of the most rapid sell-offs of all time. Investors began 2008 with many questions about different economic scenarios and how the operating performance of issuers would fare. Those generic concerns paled in comparison to the shocking events of late 2008.
- The majority of the economic indicators turned negative during the 12-month period. There is no need to list all of the statistics because, by the end of January, they were universally weak. Corporate earnings and the outlook for corporate prospects, also faltered during the period.
- All industries posted negative returns during the 12-month period. The consumer discretionary underperformance was the most severe of any industry in the convertible market for the quarter and year. This was driven largely by the auto makers, who eventually testified before Congress that they needed federal intervention to survive. The materials, industrials and energy industries also underperformed as the economic data worsened throughout the quarter. The best-performing industries were consumer staples and healthcare. They performed well because of favorable operating performance as well as an expected flight to quality.
- Select positions in the healthcare and consumer staples industries contributed to Fund's performance. In addition to the expected flight to quality, healthcare and consumer staples companies benefited from stable earnings and cash flows.
- Select positions in the industrials, technology and energy industries detracted from relative performance. Energy issuers were down because of falling energy prices and lower global demand. Technology and industrial companies were down as many of these companies lowered fourth quarter and full-year guidance.
- The average Chicago Board of Exchange Volatility Index the (VIX) for the period was elevated at 34.2. Concurrent with the collapsing markets, the VIX first peaked in October and then re-peaked in November at an incredulous level of 80.8. These never-before-seen volatility levels were double previous historic highs.
- Investment-grade convertible bonds outperformed their non investment-grade counterparts during the period. Investors also exhibited a preference for mid- and larger-capitalized convertibles.
- New convertible issuance was nonexistent during the fourth quarter amid the continued difficult credit environment. For 2008, total proceeds raised were \$57.8 billion. These figures are down from 2007 when nearly twice that amount was brought to market.

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Nicholas-Applegate Equity & Convertible Income Fund Performance & Statistics

January 31, 2009 (unaudited)

Total Return⁽¹⁾:	Market Price	Net Asset Value (NAV)
1 Year	(31.75)%	(35.14)%
Commencement of Operations (2/27/07) to 1/31/09	(20.43)%	(18.11)%

Market Price/NAV Performance:

Commencement of Operations (2/27/07) to 1/31/09

Market Price/NAV:

Market Price	\$ 13.10
NAV	\$ 13.41
Discount to NAV	(2.31)%
Market Price Yield ⁽²⁾	8.55%

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

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NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments

January 31, 2009

Shares		Value
(000)		
COMMON STOCK 66.1%		
Aerospace/Defense 2.1%		
655	Boeing Co. (a)	\$ 27,700,357
Chemicals 1.3%		
1,500	Dow Chemical Co. (a)	17,385,000
Commercial Banks 2.0%		
597	PNC Financial Services Group, Inc.	19,427,448
400	Wells Fargo & Co.	7,560,000
		26,987,448
Commercial Services & Supplies 1.6%		
400	R.R. Donnelley & Sons Co. (a)	3,904,000
573	Waste Management, Inc.	17,859,394
		21,763,394
Communications Equipment 0.6%		
178	Harris Corp.	7,692,633
Diversified Financial Services 1.1%		
260	Bank of America Corp.	1,712,774
500	JP Morgan Chase & Co. (a)	12,755,000
		14,467,774

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Diversified Telecommunication Services 4.9%

350	AT&T, Inc. (a)	8,617,000
450	Verizon Communications, Inc. (a)	13,441,500
5,000	Windstream Corp. (a)	43,400,000

65,458,500

Energy Equipment & Services 2.9%

300	Diamond Offshore Drilling, Inc.	18,828,000
1,120	Halliburton Co.	19,311,375

38,139,375

Food & Drug Retailing 0.0%

20	SUPERVALUE, Inc.	354,308
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Food Products 1.4%

653	Kraft Foods, Inc. Cl. A	18,308,235
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Household Durables 1.9%

400	Black & Decker Corp. (a)	11,564,000
400	Whirlpool Corp.	13,372,000

24,936,000

Household Products 1.4%

350	Kimberly-Clark Corp.	18,014,500
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Industrial Conglomerates 2.2%

300	3M Co.	16,137,000
1,086	General Electric Co.	13,169,541

29,306,541

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NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments

January 31, 2009

Shares		Value
(000)		
	Insurance 4.7%	
700	Allstate Corp. (a)	\$ 15,169,000
487	Hartford Financial Services Group, Inc.	6,410,526
1,303	Lincoln National Corp. (a)	19,708,338
550	Travelers Cos., Inc.	21,252,000
		62,539,864
	Leisure Equipment & Products 1.5%	
1,400	Mattel, Inc. (a)	19,866,000
	Machinery 0.9%	
400	Caterpillar, Inc. (a)	12,340,000
	Media 0.8%	
1,906	CBS Corp Cl. B	10,900,032
	Metals & Mining 0.3%	
583	Alcoa, Inc.	4,540,012
	Multi-Utilities 1.7%	
683	Ameren Corp. (a)	22,696,450
	Office Electronics 1.1%	
2,127	Xerox Corp.	14,119,960
	Oil, Gas & Consumable Fuels 12.3%	
300	Chevron Corp. (a)	21,156,000

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417	ConocoPhillips	19,815,257
535	EnCana Corp. (a)	23,726,334
900	Marathon Oil Corp. (a)	24,507,000
429	Occidental Petroleum Corp.	23,423,770