

AllianzGI Equity & Convertible Income Fund
Form N-CSRS
October 01, 2013

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

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

1633 Broadway, New York, New York
(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 January 31, 2014
end:

Date of reporting period: July 31, 2013

Item 1. Report to Shareholders

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Letter from Chairman of the Board & President

Dear Shareholder:

The US economy continued to expand during the fiscal six-month reporting period ended July 31, 2013. Bond yields rose sharply, while the Federal Reserve's (the Fed's) monetary policy drove stocks to reach record highs on several occasions.

Six Months in Review through July 31, 2013

For the six-month fiscal period ended July 31, 2013:

Hans W. Kertess

Chairman

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund rose 7.28% on net asset value (NAV) and 10.40% on market price.

AllianzGI Equity & Convertible Income Fund increased 8.71% on NAV and 8.34% on market price.

The Russell 3000 Index, a broad measure of US stock market performance, increased 14.05% during the six-month period; the Russell 1000 Value Index, a measure of large-cap value-style stocks, rose 14.70%; and the Russell 1000 Growth Index, a measure of growth style stocks, advanced 12.89%. Convertible securities, reflected by the BofA Merrill Lynch All Convertibles Index, returned 10.54% during the six-months ended July 31, 2013.

Brian S. Shlissel

President & CEO

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, partially due to stronger consumer spending. According to an initial estimate from the US Commerce Department, GDP growth increased to a 1.7% annual pace during the second quarter of 2013.

Although US economic data was mixed, there were continuing signs of the long-awaited recovery in the housing market. Unemployment remained elevated, however, the unemployment rate declined from 7.9% in January 2013 to 7.4% in July 2013 as new job growth trended higher. Elsewhere, despite concerns related to higher tax rates, the fiscal cliff and sequestration, consumer spending held up relatively well during the six-month period ended July 31, 2013.

Outlook

Market volatility increased sharply toward the end of the fiscal reporting period. This was not triggered by economic concerns, but rather uncertainties surrounding the Fed tapering its asset purchases. We expect the Fed's policy stance to remain accommodative, even if it begins to taper its purchase program toward the end of the year. Tapering of the Fed's purchase program is likely to create higher volatility, however we believe the Fed will only raise interest rates if it is confident the economic recovery is on solid footing.

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us.allianzgi.com/edelivery.

With respect to the US economy, an important factor going forward will be consumer spending, as it comprises in excess of two-thirds of GDP. The US Commerce Department reported that retail sales rose for the fourth consecutive month in July 2013. In addition, there were signs that consumers have their balance sheets in order. While the global financial crisis of 2008-2009 has had a significant impact on consumers' mindset, it appears that as the employment situation improves, consumer confidence will likely rise with spending to follow. This could help drive the economy during the remainder of the year and into 2014.

For specific information on the Funds and their performance, please review 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 NFJ Investment Group LLC and Allianz Global Investors U.S. LLC, the Funds' sub-advisers, 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

Brian S. Shlissel
President & Chief Executive Officer

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund/AllianzGI Equity & Convertible Income Fund Market Environment

July 31, 2013 (unaudited)

Many of the factors contributing to the equity and convertible market's return in 2013 were seen throughout 2012. In general, corporate profits were healthy and most companies exceeded expectations. Convertible bonds benefited from both credit-spread tightening and higher equity prices. The primary reason for continued credit improvement was, and is, the lack of credit risk. Solid balance sheets were confirmed in the fourth-quarter reporting season. The new-issue corporate-bond market produced 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 helps eliminate near-term amortization risk in the market. A consistently accommodative global monetary policy continued to offset any headline macroeconomic softness.

The markets pulled back in late May and June 2013. What had been perceived by investors as a unilaterally accommodative global monetary policy has now been tempered by the language, not the actions, of the US Federal Reserve. This knee-jerk reaction by investors faded toward the end of June, however, as a more normalized response to rising rates materialized among the aforementioned asset classes.

Stocks rebounded in July. Better-than-expected second-quarter corporate profits, rising consumer confidence and a strengthening US economy helped support an advance that lifted equities to new highs for the year.

Levels of implied volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), were muted compared to recent years. During the reporting period, there were isolated episodes of heightened volatility in February and June 2013 related to sequestration fears and stimulus tapering concerns, respectively, but none that exceeded the fiscal cliff-related spike at the end of 2012. The VIX ended at 13.45 after starting the fiscal reporting period 14.38.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund Fund Insights

For the period of February 1, 2013, through July 31, 2013 as provided by Ben Fischer, CFA, Portfolio Manager.

For the fiscal six-month period ended July 31, 2013, the AllianzGI NFJ Dividend, Interest & Premium Strategy Fund (the Fund) returned 7.28% on net asset value (NAV) and 10.40% on market price.

Portfolio Specifics

The Fund rallied with the market during the reporting period. Strength was evident in a variety of holdings and industries. Exposure to convertible bonds helped cushion the Fund from downside volatility during equity market declines and provided upside participation when equities rallied.

In the equity sleeve, negative sector allocation drove underperformance, with stock selection a net detractor as well, but to a lesser extent. In terms of stock selection, the Fund's holdings in Industrials, Financials, and Consumer Discretionary were the most beneficial. Conversely, stock selection was net negative in Materials, Energy, and Health Care. From a sector allocation perspective, overweights in Energy and Materials, as well as an underweighting in Financials, detracted from the Fund's performance. The Fund's underweight in Telecom and Utilities resulted in a positive contribution to results.

Convertible bond holdings positively contributed to overall Fund performance. In particular, the Transportation and Consumer Discretionary sectors recorded the strongest gains during the reporting period followed by Financials and Industrials. Energy and Utilities issues aided the advance as well. In contrast, Telecommunications and Materials closed lower for the period, pressuring performance.

AllianzGI Equity & Convertible Income Fund Fund Insights

For the period of February 1, 2013, through July 31, 2013 as provided by Doug Forsyth, Portfolio Manager.

For the fiscal six-month period ended July 31, 2013, AllianzGI Equity & Convertible Income Fund (the Fund) returned 8.71% on NAV and 8.34% on market price.

Portfolio Specifics

The Fund rallied with the market during the reporting period. Strength was evident in a variety of holdings and industries. Exposure to convertible bonds helped cushion the Fund from downside volatility during equity market declines and provided upside participation when equities rallied.

In the equity sleeve, sector allocations that helped relative performance in the period were Information Technology, Financials and Telecommunications followed by company specific outperformance in certain other sectors. Stock picking within the three aforementioned sectors positively impacted relative returns. Conversely, security selection within Industrials, Energy and Health Care hampered performance.

In the convertibles sleeve, superior issue selection in Financials and Industrials was beneficial. An overweighting in Transportation and an underweighting in Technology helped buoy performance. In contrast, weaker relative returns and an underweighting in Health Care hindered relative performance.

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The portfolio benefitted from opportunistically writing covered calls on individual equity positions. Single stock implied volatilities for the front month continued to be low. Despite the challenging volatility, acceptable single stock premiums were recognized. As select equity holdings moved higher, the covered calls were actively managed to higher strike prices.

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Performance & Statistics

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

July 31, 2013 (unaudited)

Total Return(1)	Market Price	NAV
Six Months	10.40%	7.28%
1 Year	14.57%	16.03%
5 Year	6.02%	4.43%
Commencement of Operations (2/28/05) to 7/31/13	4.35%	5.01%

Market Price/NAV Performance:

Commencement of Operations (2/28/05) to 7/31/13

NAV

Market Price

Market Price/NAV:

Market Price

NAV

Discount to NAV

Market Price Yield(2)

\$17.44

\$18.28

(4.60)%

3.21%

Investment Allocation

(as a % of total investments before call options written)

(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. Total return for a period of less than one year is not annualized.

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 the Fund's shares, or changes in the Fund's dividends.

An investment in the 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 onetime 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 less total liabilities divided by the number of shares

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outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current quarterly per share dividend (comprised of net investment income and net short-term capital gains, if any) payable to shareholders by the market price per share at July 31, 2013.

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Performance & Statistics

AllianzGI Equity & Convertible Income Fund

July 31, 2013 (unaudited)

Total Return(1)	Market Price	NAV
Six Months	8.34%	8.71%
1 Year	17.91%	20.33%
5 Year	7.88%	7.24%
Commencement of Operations (2/27/07) to 7/31/13	3.57%	5.64%

Market Price/NAV Performance:

Commencement of Operations (2/27/07) to 7/31/13

NAV
Market Price

Market Price/NAV:

Market Price \$18.82
NAV \$21.28
Discount to NAV (11.56)%
Market Price Yield(2) 5.95%

Investment Allocation

(as a % of total investments before call options written)

(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. Total return for a period of less than one year is not annualized.

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 the Fund's shares, or changes in the Fund's dividends.

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(2) Market Price Yield is determined by dividing the annualized current quarterly per share dividend (comprised of net investment income and net short-term capital gains, if any) payable to shareholders by the market price per share at July 31, 2013.

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Schedule of Investments

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

July 31, 2013 (unaudited)

Shares		Value
Common Stock 69.8%		
Aerospace & Defense 1.9%		
	115,300	Lockheed Martin Corp.
	200,000	Northrop Grumman Corp. (a)
		\$13,849,836
		18,412,000
		32,261,836
Automobiles 2.4%		
	2,476,500	Ford Motor Co. (a)
Beverages 0.7%		
	253,800	Molson Coors Brewing Co., Class B
Capital Markets 1.0%		
	200,000	Ameriprise Financial, Inc. (a)
Chemicals 1.5%		
	450,000	EI du Pont de Nemours & Co. (a)
Commercial Banks 5.7%		
	1,300,000	Fifth Third Bancorp (a)
	405,900	PNC Financial Services Group, Inc. (a)
	963,600	Wells Fargo & Co. (a)
		24,999,000
		30,868,695
		41,916,600
		97,784,295
Commercial Services & Supplies 2.2%		
	1,500,000	Pitney Bowes, Inc. (a)
	700,000	RR Donnelley & Sons Co. (a)
		24,765,000
		13,293,000