

AllianzGI Convertible & Income Fund II  
Form N-Q  
January 24, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-Q**

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

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 10019

(Address of principal executive offices) (Zip code)

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

**Scott Whisten**

**1633 Broadway,**

**New York, NY 10019**

(Name and address of agent for service)

**Registrant's telephone number, including area code: 212-739-3367**

**Date of fiscal year end: February 28**

**Date of reporting period: November 30, 2018**

**Item 1. Schedule of Investments****Schedule of Investments****AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited)

Principal

Amount

(000s)		Value*
<b>CORPORATE BONDS &amp; NOTES 37.3%</b>		
<b>Aerospace &amp; Defense 1.0%</b>		
\$5,750	TransDigm, Inc., 6.50%, 5/15/25	\$ 5,742,812
1,080	Triumph Group, Inc., 7.75%, 8/15/25	996,300
		6,739,112
<b>Auto Manufacturers 0.7%</b>		
4,685	Navistar International Corp., 6.625%, 11/1/25 (a)(b)	4,655,766
<b>Chemicals 2.9%</b>		
5,500	Chemours Co., 6.625%, 5/15/23	5,596,250
3,640	Kraton Polymers LLC, 7.00%, 4/15/25 (a)(b)	3,321,500
1,465	Olin Corp., 5.00%, 2/1/30	1,309,344
4,330	Platform Specialty Products Corp., 6.50%, 2/1/22 (a)(b)	4,427,425
810	Tronox Finance PLC, 5.75%, 10/1/25 (a)(b)	690,525
4,180	Tronox, Inc., 6.50%, 4/15/26 (a)(b)	3,626,150
		18,971,194
<b>Commercial Services 0.7%</b>		
5,974	Conveo Corp., 6.00%, 5/15/24, (cost-\$7,623,154; purchased 3/22/12) (a)(b)(c)(d)(f)(h)	328,570
1,810	Laureate Education, Inc., 8.25%, 5/1/25 (a)(b)	1,941,225
2,500	United Rentals North America, Inc., 5.50%, 7/15/25	2,443,750
		4,713,545
<b>Computers 1.4%</b>		
3,976	DynCorp International, Inc., PIK 1.50%, 11.875%, 11/30/20	4,144,807
5,650	Harland Clarke Holdings Corp., 9.25%, 3/1/21 (a)(b)	5,240,375
		9,385,182
<b>Distribution/Wholesale 0.6%</b>		
4,110	H&E Equipment Services, Inc., 5.625%, 9/1/25	3,847,987
<b>Diversified Financial Services 2.9%</b>		
6,000	Community Choice Financial Issuer LLC, 9.00%, 9/6/20 (a)(b)	5,997,210
	Community Choice Financial, Inc. (d)(f),	

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

7,465	10.75%, 5/1/19	3,433,900
5,370	12.75%, 5/1/20 (a)(b)	1,530,450
1,200	Navient Corp., 7.25%, 9/25/23	1,210,500
3,865	Springleaf Finance Corp., 8.25%, 10/1/23	4,077,575
2,730	Travelport Corporate Finance PLC, 6.00%, 3/15/26 (a)(b)	2,702,700
		18,952,335
	<b>Electric Utilities 0.7%</b>	
4,265	NRG Energy, Inc., 6.25%, 5/1/24	4,376,956
	<b>Electronic Equipment, Instruments &amp; Components 0.2%</b>	
1,225	Energizer Holdings, Inc., 5.50%, 6/15/25 (a)(b)	1,127,766
	<b>Engineering &amp; Construction 0.9%</b>	
2,165	AECOM, 5.125%, 3/15/27	1,977,186
3,900	Tutor Perini Corp., 6.875%, 5/1/25 (a)(b)	3,753,750
		5,730,936
	<b>Entertainment 1.2%</b>	
3,810	AMC Entertainment Holdings, Inc., 6.125%, 5/15/27	3,390,900
3,045	Cedar Fair L.P., 5.375%, 6/1/24	3,045,000
1,515	International Game Technology PLC, 6.25%, 1/15/27 (a)(b)	1,518,787
		7,954,687
	<b>Healthcare-Products 0.4%</b>	
2,755	Mallinckrodt International Finance S.A., 5.75%, 8/1/22 (a)(b)	2,513,938
	<b>Healthcare-Services 2.3%</b>	
1,880	Centene Corp., 5.375%, 6/1/26 (a)(b)	1,896,450
2,165	Community Health Systems, Inc., 6.25%, 3/31/23	2,016,156
4,125	DaVita, Inc., 5.125%, 7/15/24	3,980,625
1,325	Encompass Health Corp., 5.75%, 11/1/24	1,331,625
2,950	HCA, Inc., 7.50%, 2/15/22	3,193,375
2,750	Tenet Healthcare Corp., 7.00%, 8/1/25	2,691,563
		15,109,794

**Schedule of Investments**

**AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited) (continued)

Principal

Amount

(000s)		Value*
<b>Home Builders 0.3%</b>		
\$1,745	Beazer Homes USA, Inc., 8.75%, 3/15/22	\$ 1,776,934
<b>Insurance 0.5%</b>		
3,320	Prudential Financial, Inc., 5.70%, 9/15/48 (converts to FRN on 9/15/28) (g)	3,139,475
<b>Internet 0.3%</b>		
2,200	Netflix, Inc., 5.875%, 2/15/25	2,249,500
<b>Iron/Steel 0.7%</b>		
AK Steel Corp.,		
1,550	7.00%, 3/15/27	1,294,250
1,005	7.50%, 7/15/23	1,017,563
2,165	United States Steel Corp., 6.875%, 8/15/25	2,062,162
		4,373,975
<b>Lodging 0.4%</b>		
1,000	Wyndham Hotels & Resorts, Inc., 5.375%, 4/15/26 (a)(b)	967,500
2,165	Wynn Las Vegas LLC, 5.50%, 3/1/25 (a)(b)	2,067,575
		3,035,075
<b>Machinery-Construction &amp; Mining 0.5%</b>		
3,585	Terex Corp., 5.625%, 2/1/25 (a)(b)	3,303,757
<b>Media 1.5%</b>		
5,630	Cablevision Systems Corp., 8.00%, 4/15/20	5,869,275
2,850	Gray Television, Inc., 5.875%, 7/15/26 (a)(b)	2,778,750
3,589	LiveStyle, Inc., 9.625%, 2/1/19, (cost-\$3,593,544; purchased 5/7/14-2/26/15) (a)(b)(c)(d)(f)(h)(j)	72
1,330	Meredith Corp., 6.875%, 2/1/26 (a)(b)	1,363,250
		10,011,347
<b>Metal Fabricate/Hardware 0.4%</b>		
2,920	Park-Ohio Industries, Inc., 6.625%, 4/15/27	2,897,188
<b>Mining 1.9%</b>		
3,900	Alcoa Nederland Holding BV, 7.00%, 9/30/26 (a)(b)	4,065,750
3,365	Constellium NV, 6.625%, 3/1/25 (a)(b)	3,230,400
2,135	Hudbay Minerals, Inc., 7.625%, 1/15/25 (a)(b)	2,129,662

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

3,050	Joseph T. Ryerson & Son, Inc., 11.00%, 5/15/22 (a)(b)	3,255,875
		12,681,687
<b>Miscellaneous Manufacturing 0.3%</b>		
2,255	Koppers, Inc., 6.00%, 2/15/25 (a)(b)	2,029,500
<b>Oil, Gas &amp; Consumable Fuels 3.8%</b>		
2,300	Calumet Specialty Products Partners L.P., 6.50%, 4/15/21	2,072,875
1,420	Carrizo Oil & Gas, Inc., 6.25%, 4/15/23	1,359,650
2,500	Chesapeake Energy Corp., 8.00%, 1/15/25	2,415,625
	Enesco PLC,	
450	5.20%, 3/15/25	338,904
3,565	7.75%, 2/1/26	2,954,494
6,180	EP Energy LLC, 9.375%, 5/1/20	5,809,200
2,165	NGL Energy Partners L.P., 7.50%, 11/1/23	2,123,865
2,095	Noble Holding International Ltd., 7.75%, 1/15/24	1,840,981
3,745	Oasis Petroleum, Inc., 6.875%, 3/15/22	3,712,231
2,580	Transocean, Inc., 7.50%, 1/15/26 (a)(b)	2,412,300
		25,040,125
<b>Pharmaceuticals 1.5%</b>		
	Bausch Health Cos., Inc. (a)(b),	
2,605	6.125%, 4/15/25	2,451,826
1,280	7.00%, 3/15/24	1,342,400
1,755	Endo Finance LLC, 5.375%, 1/15/23 (a)(b)	1,452,263
4,425	Horizon Pharma USA, Inc., 6.625%, 5/1/23	4,413,937
		9,660,426
<b>Pipelines 0.4%</b>		
2,715	Energy Transfer L.P., 5.50%, 6/1/27	2,715,000

**Schedule of Investments**

**AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited) (continued)

Principal

Amount

(000s)		Value*
<b>Real Estate 1.2%</b>		
\$4,205	Kennedy-Wilson, Inc., 5.875%, 4/1/24	\$ 4,010,056
4,090	Uniti Group L.P., 8.25%, 10/15/23	3,808,813
		7,818,869
<b>Retail 0.8%</b>		
4,370	Conn s, Inc., 7.25%, 7/15/22	4,293,525
1,170	L Brands, Inc., 6.875%, 11/1/35	1,002,912
		5,296,437
<b>Semiconductors 1.1%</b>		
4,090	Advanced Micro Devices, Inc., 7.00%, 7/1/24	4,320,062
2,875	Amkor Technology, Inc., 6.375%, 10/1/22	2,896,505
		7,216,567
<b>Software 0.7%</b>		
3,850	Camelot Finance S.A., 7.875%, 10/15/24 (a)(b)	3,821,125
685	Rackspace Hosting, Inc., 8.625%, 11/15/24 (a)(b)	582,250
		4,403,375
<b>Telecommunications 4.7%</b>		
865	CenturyLink, Inc., 7.50%, 4/1/24, Ser. Y	889,869
3,125	Cincinnati Bell, Inc., 7.00%, 7/15/24 (a)(b)	2,755,859
7,130	Consolidated Communications, Inc., 6.50%, 10/1/22	6,684,375
4,045	Frontier Communications Corp., 10.50%, 9/15/22	3,256,225
2,050	GTT Communications, Inc., 7.875%, 12/31/24 (a)(b)	1,891,125
	Hughes Satellite Systems Corp.,	
1,130	6.625%, 8/1/26	1,055,138
3,500	7.625%, 6/15/21	3,669,575
5,545	Sprint Communications, Inc., 11.50%, 11/15/21	6,434,972
1,425	Sprint Corp., 7.625%, 3/1/26	1,464,188
6,283	Windstream Services LLC, 6.375%, 8/1/23 (a)(b)	2,905,887
		31,007,213
<b>Transportation 0.4%</b>		
2,940	XPO Logistics, Inc., 6.50%, 6/15/22 (a)(b)	3,002,475

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

Total Corporate Bonds & Notes (cost-\$274,813,805)

245,738,123

<b>CONVERTIBLE BONDS &amp; NOTES 30.7%</b>		
<b>Agriculture 1.4%</b>		
Vector Group Ltd. (g),		
4,335	3 mo. Cash Dividends on Common Stock + 1.75%, 2.15%, 4/15/20	4,438,082
4,685	3 mo. Cash Dividends on Common Stock + 2.50%, 2.90%, 1/15/19	4,828,741
		9,266,823
<b>Apparel &amp; Textiles 0.7%</b>		
11,020	Iconix Brand Group, Inc., 5.75%, 8/15/23	4,835,576
<b>Auto Manufacturers 1.0%</b>		
4,675	Navistar International Corp., 4.75%, 4/15/19	4,675,052
1,785	Tesla, Inc., 0.25%, 3/1/19	1,917,759
		6,592,811
<b>Biotechnology 1.5%</b>		
7,260	Intercept Pharmaceuticals, Inc., 3.25%, 7/1/23	6,986,196
1,750	Omeros Corp., 6.25%, 11/15/23 (a)(b)	1,689,970
1,355	Verastem, Inc., 5.00%, 11/1/48	1,299,106
		9,975,272
<b>Building Materials 0.7%</b>		
3,225	Cemex S.A.B de C.V., 3.72%, 3/15/20	3,172,390
1,725	Patrick Industries, Inc., 1.00%, 2/1/23 (a)(b)	1,398,675
		4,571,065
<b>Chemicals 1.0%</b>		
8,615	Aceto Corp., 2.00%, 11/1/20	6,547,400
<b>Commercial Services 1.2%</b>		
7,960	Huron Consulting Group, Inc., 1.25%, 10/1/19	7,912,240
<b>Distribution/Wholesale 0.8%</b>		
4,975	Titan Machinery, Inc., 3.75%, 5/1/19	4,937,558



**Schedule of Investments**

**AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited) (continued)

Principal

Amount

(000s)		Value*
<b>Diversified Financial Services 2.3%</b>		
\$7,030	Encore Capital Group, Inc., 3.00%, 7/1/20	\$ 6,531,643
9,160	PRA Group, Inc., 3.00%, 8/1/20	8,622,885
		15,154,528
<b>Electrical Equipment 1.2%</b>		
	SunPower Corp.,	
2,365	0.875%, 6/1/21	1,874,262
7,095	4.00%, 1/15/23	5,837,759
		7,712,021
<b>Electronics 0.8%</b>		
5,955	OSI Systems, Inc., 1.25%, 9/1/22	5,528,455
<b>Energy-Alternate Sources 2.9%</b>		
2,150	Green Plains, Inc., 4.125%, 9/1/22	1,998,382
5,160	Pattern Energy Group, Inc., 4.00%, 7/15/20	5,113,168
12,690	Tesla Energy Operations, Inc., 1.625%, 11/1/19	11,935,161
		19,046,711
<b>Equity Real Estate Investment Trusts (REITs) 1.3%</b>		
3,025	Two Harbors Investment Corp., 6.25%, 1/15/22	3,053,166
5,810	Western Asset Mortgage Capital Corp., 6.75%, 10/1/22	5,659,695
		8,712,861
<b>Insurance 2.5%</b>		
8,400	AmTrust Financial Services, Inc., 2.75%, 12/15/44	7,912,800
8,605	AXA S.A., 7.25%, 5/15/21 (a)(b)	8,642,182
		16,554,982
<b>Oil, Gas &amp; Consumable Fuels 1.9%</b>		
4,905	Chesapeake Energy Corp., 5.50%, 9/15/26	4,257,314
1,720	Nabors Industries, Inc., 0.75%, 1/15/24	1,151,325
7,525	Whiting Petroleum Corp., 1.25%, 4/1/20	7,143,498
		12,552,137

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

<b>Pharmaceuticals 2.4%</b>		
9,210	Dermira, Inc., 3.00%, 5/15/22	7,662,775
2,460	Horizon Pharma Investment Ltd., 2.50%, 3/15/22	2,457,985
6,370	Tilray, Inc., 5.00%, 10/1/23 (a)(b)	5,405,124
		15,525,884
<b>Pipelines 2.1%</b>		
18,700	Cheniere Energy, Inc., 4.25%, 3/15/45	14,052,695
<b>Semiconductors 0.4%</b>		
2,970	Veeco Instruments, Inc., 2.70%, 1/15/23	2,339,095
<b>Software 2.6%</b>		
1,725	Avaya Holdings Corp., 2.25%, 6/15/23 (a)(b)	1,499,934
11,915	Avid Technology, Inc., 2.00%, 6/15/20	10,842,579
2,130	DocuSign, Inc., 0.50%, 9/15/23 (a)(b)	1,997,060
3,015	Synchronoss Technologies, Inc., 0.75%, 8/15/19	2,914,926
		17,254,499
<b>Telecommunications 1.0%</b>		
5,735	GDS Holdings Ltd., 2.00%, 6/1/25 (a)(b)	4,729,775
2,585	Infinera Corp., 2.125%, 9/1/24	1,985,893
		6,715,668
<b>Transportation 1.0%</b>		
3,440	Echo Global Logistics, Inc., 2.50%, 5/1/20	3,442,150
3,555	Teekay Corp., 5.00%, 1/15/23 (a)(b)	2,841,750
		6,283,900
	<b>Total Convertible Bonds &amp; Notes (cost-\$207,575,722)</b>	<b>202,072,181</b>

**Schedule of Investments****AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited) (continued)

Shares		Value*
<b>CONVERTIBLE PREFERRED STOCK 28.2%</b>		
<b>Banks 4.2%</b>		
9,140	Bank of America Corp., 7.25%, Ser. L (e)	\$ 11,699,200
12,835	Wells Fargo & Co., 7.50%, Ser. L (e)	16,220,231
		27,919,431
<b>Chemicals 1.4%</b>		
63,645	International Flavors & Fragrances, Inc., 6.00%, 9/15/21	3,591,487
51,505	Rayonier Advanced Materials, Inc., 8.00%, 8/15/19, Ser. A	5,457,470
		9,048,957
<b>Diversified Financial Services 0.2%</b>		
30,145	AMG Capital Trust II, 5.15%, 10/15/37	1,590,330
<b>Electric Utilities 5.2%</b>		
83,335	CenterPoint Energy, Inc., 7.00%, 9/1/21, Ser. B	4,183,417
228,650	Dominion Energy, Inc., 6.75%, 8/15/19, Ser. A	11,078,092
111,635	NextEra Energy, Inc., 6.123%, 9/1/19	6,631,119
121,195	Sempra Energy, 6.00%, 1/15/21, Ser. A	12,292,809
		34,185,437
<b>Electronic Equipment, Instruments &amp; Components 0.9%</b>		
76,780	Belden, Inc., 6.75%, 7/15/19	5,911,292
<b>Electronics 1.1%</b>		
7,625	Fortive Corp., 5.00%, 7/1/21, Ser. A	7,493,469
<b>Equity Real Estate Investment Trusts (REITs) 5.3%</b>		
7,795	Crown Castle International Corp., 6.875%, 8/1/20, Ser. A	8,445,618
43,045	QTS Realty Trust, Inc., 6.50%, Ser. B (e)	4,368,637
476,235	RLJ Lodging Trust, 1.95%, Ser. A (e)	12,072,558
149,485	Welltower, Inc., 6.50%, Ser. I (e)	9,753,896
		34,640,709
<b>Gas Utilities 1.4%</b>		

Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

184,475	South Jersey Industries, Inc., 7.25%, 4/15/21	9,422,983
<b>Hand/Machine Tools 1.6%</b>		
104,940	Stanley Black & Decker, Inc., 5.375%, 5/15/20	10,256,280
<b>Healthcare-Products 2.1%</b>		
214,580	Becton Dickinson and Co., 6.125%, 5/1/20, Ser. A	13,601,389
<b>Insurance 1.9%</b>		
120,100	Assurant, Inc., 6.50%, 3/15/21, Ser. D	12,600,892
<b>Oil, Gas &amp; Consumable Fuels 0.3%</b>		
51,395	Nabors Industries Ltd., 6.00%, 5/1/21	1,336,270
173,845	Sanchez Energy Corp., 6.50%, Ser. B (e)	625,842
		1,962,112
<b>Pharmaceuticals 1.4%</b>		
23,315	Teva Pharmaceutical Industries Ltd., 7.00%, 12/15/18	9,478,713
<b>Real Estate 1.2%</b>		
309,935	Ready Capital Corp., 7.00%, 8/15/23	7,774,720
	Total Convertible Preferred Stock (cost-\$187,256,463)	185,886,714
<b>PREFERRED STOCK (a)(d)(f)(j) 1.3%</b>		
<b>Media 1.3%</b>		
3,554	LiveStyle, Inc., Ser. A	483,522
76,572	LiveStyle, Inc., Ser. B (i)	7,657,200
5,000	LiveStyle, Inc., Ser. B (i)	50
	Total Preferred Stock (cost-\$12,855,447)	8,140,772
<b>COMMON STOCK (a)(d)(f)(i) 0.2%</b>		
<b>Advertising 0.2%</b>		
133,715	Affinion Group Holdings, Inc., Class A, (cost-\$2,371,020; purchased 11/9/15-11/12/15) (h)	1,353,196

**Schedule of Investments**

**AllianzGI Convertible & Income Fund II**

November 30, 2018 (unaudited) (continued)

Shares		Value*
	<b>Aerospace &amp; Defense 0.0%</b>	
6,354	Erickson, Inc.	\$ 176,196
	<b>Media 0.0%</b>	
90,407	LiveStyle, Inc.(j)	9
	<b>Total Common Stock (cost-\$7,842,203)</b>	<b>1,529,401</b>
Units		
	<b>WARRANTS (d)(f)(i) 0.0%</b>	
	<b>Commercial Services 0.0%</b>	
1,562,241	Cenveo, Inc., strike price \$12.00, expires 6/10/24 (b)	15
	<b>Media 0.0%</b>	
19,500	LiveStyle, Inc., expires 11/30/21, Ser. C (a)(j)	2
	<b>Total Warrants (cost-\$183,305)</b>	<b>17</b>
Principal Amount (000s)		
	<b>Repurchase Agreements 2.3%</b>	
\$15,018	State Street Bank and Trust Co.,	
	dated 11/30/18, 0.42%, due 12/3/18, proceeds \$15,018,526; collateralized by U.S. Treasury Bonds, 3.375%, due 5/15/44, valued at \$15,321,290 including accrued interest (cost-\$15,018,000)	15,018,000
	<b>Total Investments (cost-\$705,544,945) (k) 100.0%</b>	<b>658,385,208</b>
	Liabilities in excess of other assets	(3,963,625)
	Preferred Shares	(271,525,000)
	<b>Net Assets Applicable to Common Shareholders</b>	<b>\$ 382,896,583</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 official closing prices, last reported sales prices, or if no sales or closing prices are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Fund's investments are valued daily using prices supplied by an independent pricing service or broker/dealer quotations, or by using the last sale or settlement price on the exchange that is the primary market for such securities, or the mean between the last bid and ask quotations. 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.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial instruments in circumstances where market quotations are not readily available (including in cases where available market quotations are deemed to be unreliable), and has delegated primary responsibility for applying the valuation methods to the investment manager, Allianz Global Investors U.S. LLC (the Investment Manager). The Fund's Valuation Committee was established by the Board to oversee the implementation of the Fund's valuation methods and to make fair value determinations on behalf of the Board, as necessary. The Investment Manager monitors the continued appropriateness of methods applied and identifies circumstances and events that may require fair valuation. The Investment Manager determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Investment Manager determines that a valuation method may no longer be appropriate, another valuation method previously approved by the Fund's Valuation Committee may be selected or the Fund's Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures adopted by the Board. The Board shall review and ratify the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Fund's Valuation Committee.

Short-term debt instruments 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 premiums or discounts based on 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 investments may differ from the value that would be realized if the investments were sold, and these differences could be material. The Fund's net asset value (NAV) 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. In unusual circumstances, the Board or the Valuation Committee may in good faith determine the NAV as of 4:00 p.m., Eastern Time, notwithstanding an earlier, unscheduled close or halt of trading on the NYSE.

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$130,956,833, representing 19.9% of total investments.
- (b) 144A 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. Securities with an aggregate value of \$121,286,673, representing 18.4% of total investments.
- (c) In default.
- (d) Fair-Valued Securities with an aggregate value of \$14,963,182, representing 2.3% of total investments.
- (e) Perpetual maturity. The date shown, if any, is the next call date.
- (f) Level 3 security.

## Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

- (g) In addition to the coupon rate shown, the issuer is expected to pay additional interest based on the actual dividends paid on its common stock.
- (h) Restricted. The aggregate cost of such securities is \$13,587,718. The aggregate value is \$1,681,838, representing 0.3% of total investments.
- (i) Non-income producing.
- (j) A member of the Fund's portfolio management team is a member of the board of directors of LiveStyle, Inc. The Fund's aggregate value of investments in LiveStyle, Inc. represents 1.3% of total investments.
- (k) At November 30, 2018, the cost basis of portfolio securities for federal income tax purposes was \$710,111,608. Gross unrealized appreciation was \$24,685,464; gross unrealized depreciation was \$76,411,864; and net unrealized depreciation was \$51,726,400. The difference between book and tax cost was attributable to wash sale loss deferrals and the differing treatment of bond premium amortization.

### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Funds has the ability to access

Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

Level 3 valuations based on significant unobservable inputs (including the Investment Manager's or Valuation Committee's own assumptions and securities whose price was determined by using a single broker's quote)

The valuation techniques used by the Fund to measure fair value during the nine months ended November 30, 2018 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Fund's policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities within Level 2 and Level 3, in accordance with accounting principles generally accepted in the United States of America.

**Equity Securities (Common and Preferred Stock and Warrants)** Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

## Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

**Convertible Bonds & Notes** Convertible bonds & notes are valued by independent pricing services based on various inputs and techniques, which include broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of convertible bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Corporate Bonds & Notes** Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

A summary of the inputs used at November 30, 2018 in valuing the Fund's assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Value at 11/30/18
<b>Investments in Securities Assets</b>				
Corporate Bonds & Notes:				
Commercial Services		\$ 4,384,975	\$ 328,570	\$ 4,713,545
Diversified Financial Services		13,987,985	4,964,350	18,952,335
Media		10,011,275	72	10,011,347
All Other		212,060,896		212,060,896
Convertible Bonds & Notes		202,072,181		202,072,181
Convertible Preferred Stock:				
Chemicals		9,048,957		9,048,957
Diversified Financial Services		1,590,330		1,590,330
Electronics		7,493,469		7,493,469
Equity Real Estate Investment Trusts (REITs)	\$ 26,195,091	8,445,618		34,640,709
Hand/Machine Tools		10,256,280		10,256,280
Healthcare-Products		13,601,389		13,601,389
Oil, Gas & Consumable Fuels	1,336,270	625,842		1,962,112
Pharmaceuticals		9,478,713		9,478,713
Real Estate		7,774,720		7,774,720
All Other	90,040,035			90,040,035
Preferred Stock			8,140,772	8,140,772
Common Stock			1,529,401	1,529,401
Warrants			17	17
Repurchase Agreements		15,018,000		15,018,000
<b>Totals</b>	<b>\$ 117,571,396</b>	<b>\$ 525,850,630</b>	<b>\$ 14,963,182</b>	<b>\$ 658,385,208</b>

At November 30, 2018, securities valued at \$18,701,898 were transferred from Level 1 to Level 2. The transfer was the result of the securities having used an exchange-traded closing price on February 28, 2018, and then using an evaluated price from a third-party independent pricing vendor on November 30, 2018.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the nine months ended November 30, 2018, was as follows:



Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

	Beginning Balance 2/28/18	Purchases	Sales	Accrued Discount (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 11/30/18
<b>Investments in Securities Assets</b>									
Corporate Bonds & Notes:									
Commercial Services	\$	\$	\$	\$	\$	\$	\$ 328,570*	\$	\$ 328,570
Diversified Financial Services							4,964,350*		4,964,350
Media							72**		72
Preferred Stock:									
Media	8,491,150		(650,957)		181,840	118,739			8,140,772
Common Stock:									
Advertising	2,024,445					(671,249)			1,353,196
Aerospace & Defense	199,452					(23,256)			176,196
Media	9								9
Warrants:									
Commercial Services	273					(258)			15
Media	2								2
<b>Totals</b>	<b>\$ 10,715,331</b>	<b>\$</b>	<b>\$ (650,957)</b>	<b>\$</b>	<b>\$ 181,840</b>	<b>\$ (576,024)</b>	<b>\$ 5,292,992</b>	<b>\$</b>	<b>\$ 14,963,182</b>

The table above includes Level 3 investments that are valued by brokers or independent pricing services.

\* At November 30, 2018, securities valued at \$5,292,920 were transferred from Level 2 to Level 3. The transfer resulted from the lack of a current evaluated price from an independent pricing service at November 30, 2018 for the securities.

## Edgar Filing: AllianzGI Convertible & Income Fund II - Form N-Q

\*\* At November 30, 2018, a security valued at \$72 was transferred from Level 2 to Level 3. The transfer was due to uncertainty regarding the receipt of updated financial statements and data related to a current evaluated price.

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at November 30, 2018:

<b>Investments in Securities Assets</b>	Ending Balance at 11/30/18	Valuation Technique Used	Unobservable Inputs	Input Values (Range)
Preferred Stock	\$483,522	Market and Company Comparables	EV Multiples	0.74x (0.38x - 1.26x)
			Applicable Liquidity Multiple	1.60
			Illiquidity Discount	25%
	\$7,567,200	Market and Company Comparables	EV Multiples	0.74x (0.38x - 1.26x)
			Illiquidity Discount	25%
Common Stock	\$1,353,196	Market and Company Comparables	EV Multiples	5.18x (2.14x - 9.61x)
			Illiquidity Discount	20%
	\$176,196	Market and Company Comparables	EV Multiples	0.65x (0.44x - 0.91x)
			M&A Transaction Multiples	0.87x(0.32x - 2.12x)
			Illiquidity Discount	40%

The table above does not include Level 3 investments that are valued by brokers or independent pricing services.

The net change in unrealized appreciation/depreciation of Level 3 investments held at November 30, 2018 was \$(7,581,526).

### Glossary:

FRN - Floating Rate Note

PIK - Payment-in-Kind

REIT - Real Estate Investment Trust

**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 Investment Company Act of 1940 Act (the "1940 Act") (17 CFR 270.30a-3(c))) 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 control over financial reporting (as defined in Rule 30a-3(d) under the 1940 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**

Certifications pursuant to Rule 30a-2(a) under the 1940 Act are filed and attached here to as Exhibit 99\_CERT:

**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: AllianzGI Convertible & Income Fund II

By /s/ Thomas J. Fuccillo  
Thomas J. Fuccillo

President & Chief Executive Officer

Date: January 24, 2019

By /s/ Scott Whisten  
Scott Whisten

Treasurer, Principal Financial & Accounting Officer

Date: January 24, 2019

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/ Thomas J. Fuccillo  
Thomas J. Fuccillo

President & Chief Executive Officer

Date: January 24, 2019

By /s/ Scott Whisten  
Scott Whisten

Treasurer, Principal Financial & Accounting Officer

Date: January 24, 2019