

NFJ DIVIDEND, INTEREST & PREMIUM STRATEGY FUND
Form N-CSR
April 03, 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 811-21417

AllianzGI NFJ Dividend, Interest & Premium Strategy 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, 2013
end:

Date of reporting period: January 31, 2013

Item 1. Report to Shareholders

January 31, 2013

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund (formerly NFJ Dividend, Interest & Premium Strategy Fund)

AllianzGI Equity & Convertible Income Fund (formerly AGIC Equity & Convertible Income Fund)

Contents

Letter to Shareholders	2-3
Fund Insights/Performance & Statistics	4-9
Schedules of Investments	10-25
Statements of Assets and Liabilities	26
Statements of Operations	27
Statements of Changes in Net Assets	28
Notes to Financial Statements	29-35
Financial Highlights	36-37
Report of Independent Registered Public Accounting Firm	38
Tax Information	39
Annual Shareholder Meeting Results/Proxy Voting Policies & Procedures	40
Privacy Policy	41
Dividend Reinvestment Plan	42-43
Board of Trustees	44-45
Fund Officers	46

Dear Shareholder:

The US economy continued to advance during the twelve-month fiscal reporting period ended January 31, 2013. The housing market nationwide showed strength, hiring continued at a steady pace, and export orders were on the rise. As consumer confidence increased, investors shifted from US Treasuries to equities. Bond yields rose from all-time lows and stocks approached their highest levels in five years.

Twelve Months in Review through January 31, 2013

Hans W. Kertess

Chairman

For the twelve-month fiscal period ended January 31, 2013:

- AllianzGI NFJ Dividend, Interest & Premium Strategy Fund rose 9.77% on net asset value (NAV) and 6.83% on market price.
- AllianzGI Equity & Convertible Income Fund increased 10.49% on NAV and returned 10.92% on market price.

Brian S. Shlissel

President & CEO

The Russell 3000 Index, a broad measure of US stock market performance, increased 16.90% during the twelve-month period, the Russell 1000 Value Index, a measure of large-cap value-style stocks, rose 20.58%, and the Russell 1000 Growth Index, a measure of growth style stocks, increased 13.43%. Convertible securities, reflected by the BofA Merrill Lynch All Convertibles Index, returned 12.95% during the twelve-months ended January 31, 2013.

As the fiscal reporting period began, US gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of US economic activity and the principal indicator of economic performance, was growing at an annual rate of 2.0%. This slowed to a 1.3% pace during the second quarter, before accelerating to an annual rate of 3.1% during the third quarter of 2012. Growth was negative 0.1% during the fourth quarter of 2012, which the government indicated was due to the drop in defense spending.

There were many encouraging economic signs in the private sector. US unemployment fell to 7.9% from 8.3% during the twelve-month reporting period. The economy created an average 181,000 non-farm jobs each month during 2012. The S&P/Case-Shiller Home Price Index, a leading measure of the US residential housing market, indicated home prices rose 5.5% in its 20-City Composite during the twelve-month period ended November 30, 2012. According to a separate study by CoreLogic, a leading provider of consumer, financial, property analytics

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

AllianzGI Equity & Convertible Income Fund Annual Report | 1.31.13

and services to businesses and governments, home prices increased in 46 of 50 states during the 12-months ended December 31, 2012. Automobile sales were up 13% during the same period.

Outlook

In addition to reduced defense spending which contributed to weaker-than-expected GDP figure in the fourth quarter of 2012, additional government spending reductions postponed from January 1, 2013 began on March 1, 2013. These reductions (known as the sequester) are to be shared between defense and domestic spending. As designed, the sequester would cut federal spending by \$1.2 trillion, spread out over the next ten years. Both the White House and Congress agree that these cuts may jeopardize the economic recovery. As of this writing, this issue has not been resolved.

Beyond this uncertainty, we see positive signs for the US economy in 2013. The economy is expected to grow 2.50% to 2.75%, driven in large part by the strengthening housing market. Home prices are anticipated to appreciate 10% on a national basis and the improving labor market is expected to drive wage gains beyond the drag created by the December 31, 2012 expiration of the 2% payroll tax holiday.

Receive this report electronically and eliminate paper mailings. To enroll, go to www.allianzinvestors.com/edelivery.

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, www.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**

January 31, 2013 (unaudited)

The equity and convertible markets moved higher during the period, despite ongoing global macro uncertainties and episodes of heightened volatility.

During the first two months of the period, the markets reflected that the risks to the US economy had diminished. This sentiment shift was demonstrated by the credit and equity markets rallying and, ultimately, the Treasury market selling off. The most obvious factor driving the rally was the decoupling of US and European financial risk. As the economic statistics, corporate earnings and specifically, the housing market showed improvement, the odds of a double-dip recession appeared remote.

Investor sentiment over the following two months was in stark contrast to the sentiment shift signified earlier in the period. By early May 2012, fear and macro concerns returned. Despite some softening in the broad economic statistics in the US, the real focus was on the day-to-day developments throughout Europe. With little direction and no discernible timetable toward resolution of the financial woes across several countries, investors sold risk assets. Convertible securities, such as equities, were sold, and investors once again flocked to Treasuries and cash.

Macro factors led investor demand higher and enhanced returns in the months that ensued. The actions and language of global monetary policy leadership, specifically in the US and Europe, were decidedly accommodative. For the better part of the last two years, investors have been presented with strengthening corporate profits against a backdrop of macro volatility. During this period, the macro factors reversed and the markets responded with enthusiasm.

During the remaining months of the fiscal reporting period, market volatility continued. Initially, stocks sold off after the election on budget debate concerns. However, a fiscal cliff compromise, healthy fourth quarter corporate earnings, improving activity in China and signs of a bottoming in Europe led to higher equity prices through January 2013.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

AllianzGI Equity & Convertible Income Fund Annual Report | 1.31.13

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

January 31, 2013 (unaudited) (continued)

As expected, the convertible market benefited from stock market strength. In addition, convertible bonds benefited from credit-spread tightening. Improving balance-sheet strength throughout the period was the primary driver of credit improvement.

Sector level performance was positive. Telecommunications, Health Care, Financials and Consumer Discretionary were among the strongest-performing sectors. In contrast, Information Technology, Utilities, Energy and Materials issuers underperformed on a relative basis.

Levels of implied volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), were muted compared to recent years. The average implied volatility for the period was 17.3, compared with 24.4 in 2011 and 22.3 in 2010. In fact, during May and June 2012, when the highest levels of implied volatility were registered amid uncertainty regarding the European debt crisis, the VIX Index only reached a peak of 26.7. During the second half of the reporting period, implied volatility remained mostly in the 14-18 range. However, as concerns rose in the final days of December 2012, regarding the impending US fiscal cliff, the VIX Index spiked up to 22.7. Once the fiscal cliff was avoided, the VIX fell immediately below 15 where it would remain until the end of January 2013. During this time, implied volatility reached a low of 12.43, the lowest level since April 2007.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund Fund Insights

January 31, 2013 (unaudited)

For the period of February 1, 2012, through January 31, 2013, as provided by Ben Fischer, Portfolio Manager.

From February 1, 2012 through January 31, 2013, AllianzGI NFJ Dividend, Interest & Premium Strategy Fund (the Fund) returned 9.77% on net asset value (NAV) and 6.83% 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. In terms of stock selection, the Fund's holdings in the Energy, Consumer Discretionary, and Financials sectors were the most beneficial to returns. Conversely, stock selection was net negative in the Industrials, Materials, and Health Care sectors. From a sector allocation perspective, overweights in the Energy and Materials sectors, as well as an underweight in Consumer Discretionary, detracted from performance. The Fund's underweight in Utilities and overweight in Health Care resulted in a positive contribution to results.

In the convertibles sleeve, sector allocations that benefitted performance in the period relative to the convertibles universe were Industrials, Financials, Consumer Staples and Transportation. Security selection was positive across all four sectors. In addition, underweighting Technology issues had a positive impact on relative performance. Conversely, sector allocations which hindered relative performance in the reporting period were Energy, Telecommunications, Health Care and Consumer Discretionary. All of the aforementioned sectors exhibited negative issuer-specific performance.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

AllianzGI Equity & Convertible Income Fund Annual Report | 1.31.13

AllianzGI Equity & Convertible Income Fund Fund Insights

January 31, 2013 (unaudited)

For the period of February 1, 2012 through January 31, 2013, as provided by Doug Forsyth, Portfolio Manager.

For the twelve-month fiscal period ended January 31, 2013, AllianzGI Equity & Convertible Income Fund (the Fund) returned 10.49% on NAV and 10.92% on market price.

AllianzGI Equity & Convertible Income Fund 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 performance in the period were Healthcare, Telecommunications Services and Information Technology relative to the Russell 1000 Growth Index. Stock picking was positive across all three sectors. In contrast, security selection within the Consumer Discretionary, Industrials and Energy sectors negatively influenced relative returns.

In the convertibles sleeve, sector allocations that helped performance relative to the convertibles universe in the period were Technology, Materials and Financials. A relative underweight and positive issuer-specific performance helped in Technology and Materials. Conversely, sector allocations that hurt relative performance in the period were Energy, Telecommunications, Health Care and Consumer Discretionary. All of the aforementioned sectors exhibited negative issuer-specific performance.

The Fund benefitted from opportunistically over-writing individual equity positions. Single-stock implied volatilities for the front month continued to be low. Despite the challenging equity market, acceptable single-stock premiums were recognized. As select equity holdings moved higher, the covered calls were actively managed to higher strikes.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund
AllianzGI Equity & Convertible Income Fund
Performance & Statistics

January 31, 2013 (unaudited)

Dividend, Interest & Premium Strategy

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	6.83%	9.77%
5 Year	1.69%	2.03%
Commencement of Operations (2/28/05) to 1/31/13	3.33%	4.40%

Market Price/NAV Performance:

Commencement of Operations (2/28/05) to 1/31/13
 NAV
 Market Price

Market Price/NAV:

Market Price \$16.65
 NAV \$17.91
 Discount to NAV (7.04)%
 Market Price Yield(2) 4.02%

Equity & Convertible Income			
Total Return(1):	Market Price	NAV	
1 Year	10.92%	10.49%	
5 Year	4.16%	4.52%	
Commencement of Operations (2/27/07) to 1/31/13	2.48%	4.64%	

Market Price/NAV Performance:

Commencement of Operations (2/27/07) to 1/31/13
 NAV
 Market Price

Market Price/NAV:

Market Price \$17.91
 NAV \$20.10
 Discount to NAV (10.90)%
 Market Price Yield(2) 6.25%

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

AllianzGI Equity & Convertible Income Fund Annual Report | 1.31.13

8

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund
AllianzGI Equity & Convertible Income Fund
Performance & Statistics

January 31, 2013 (unaudited) (continued)

(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 income dividends, capital gain and return of capital 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 each Fund, market conditions, supply and demand for each Fund's shares, or changes in each Fund's dividends.

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 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 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 dividend (comprised of net investment income and net capital gains, if any) payable to shareholders by the market price per share at January 31, 2013.

AllianzGI NFJ Dividend, Interest & Premium Strategy Fund Schedule of Investments

January 31, 2013

Shares		Value
COMMON STOCK	71.9%	
Aerospace & Defense	1.5%	
	115,300	Lockheed Martin Corp.
	245,200	Northrop Grumman Corp. (a)
		\$10,016,111
		15,947,808
		25,963,919
Beverages	0.7%	
	284,300	Molson Coors Brewing Co., Class B
Capital Markets	0.8%	
	200,000	Ameriprise Financial, Inc. (a)
Chemicals	1.4%	
	492,800	EI du Pont de Nemours & Co. (a)
Commercial Banks	5.2%	
		13,264,000
		23,383,360