

AllianzGI NFJ DIVIDEND, INTEREST & PREMIUM STRATEGY FUND  
Form N-CSR  
April 02, 2015

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, 2015  
end:

Date of reporting period: January 31, 2015

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ITEM 1. REPORT TO SHAREHOLDERS



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**Letter from Chairman of the Board & President**

Dear Shareholder:

Despite a period of weakness in early 2014, the US economy continued to expand as the 12-month fiscal reporting period ended January 31, 2015 progressed. Against this backdrop, longer-term bond yields declined and US equities generated strong returns.

**12 Months in Review through January 31, 2015**

For the 12-month reporting period ended January 31, 2015:

**Hans W. Kertess**

*Chairman*

i AllianzGI NFJ Dividend, Interest & Premium Strategy Fund returned 2.78% on net asset value ( NAV ) and declined 1.75% on market price.

i AllianzGI Equity & Convertible Income Fund returned 7.59% on NAV and gained 14.07 % on market price.

**Julian Sluyters**

*President & CEO*

During the reporting period, the Russell 3000 Index, a broad measure of US stock market performance, increased 12.99%; the Russell 1000 Value Index, a measure of large-cap value-style stocks, rose 12.93%; and the Russell 1000 Growth Index, a measure of growth style stocks, advanced 14.59%. Convertible securities, as reflected by the BofA Merrill Lynch All Convertibles Index, returned 6.77%.

Turning to the US economy, 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, contracted at an annual pace of 2.1% during the first quarter of 2014. However, the economy quickly regained its footing, as GDP grew at an annual pace of 4.6% and 5.0% during the second and third quarters, respectively. Economic growth then moderated, as the US Commerce Department s second estimate for fourth quarter GDP was a 2.2% annualized expansion.

While the Federal Reserve (the Fed ) maintained an accommodative monetary policy during the reporting period, it started to take actions to transition to a more normalized stance. As telegraphed by the Fed, in October 2014 the central bank announced that its asset purchase program had concluded. At its meeting in January 2015, the Fed said Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy.



**Outlook**

The headwinds facing the US economy during the first part of 2014 have lifted and data generally points to solid growth. Unemployment at the end of the fiscal reporting period was sharply lower than when it began and recent job reports showed that the quality of jobs is improving. Looking ahead, we believe that improvements in wage growth and job quality should continue. Numerous companies are also reporting increased productivity, which typically pushes them to boost spending. Furthermore, we believe lower oil prices will be a net positive for the US economy.

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[us.allianzgi.com/edelivery](http://us.allianzgi.com/edelivery).

Still, there are several potential issues worth noting, including the impact of the rising dollar for US manufacturing and exports. We are also keeping a watchful eye on the potential impact of slowing global growth, especially in China. We will continue to closely monitor how economic progress unfolds in 2015. In the meantime, we expect to see periods of market volatility as investors react to data and expectations on when Fed tightening will begin.

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](http://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*

Julian Sluyters  
*President & Chief Executive Officer*

## Fund Insights

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

January 31, 2015 (unaudited)

### AllianzGI NFJ Dividend, Interest & Premium Strategy Fund Fund Insights

*For the period of February 1, 2014 through January 31, 2015 as provided by Ben Fischer, CFA, Portfolio Manager.*

For the twelve month period ended January 31, 2015, AllianzGI NFJ Dividend, Interest & Premium Strategy Fund (the Fund) returned 2.78% on Net Asset Value (NAV) and -1.75% on market price.

## Market Environment

US equity investors experienced a period of double-digit returns for the one-year period ended January 31, 2015 as record cash flow, positive earnings and low interest rates helped support stocks. The stock market rebounded sharply in October after falling over 7% during a stretch of apprehensiveness which included an Ebola outbreak. The October employment report helped jolt the rebound as unemployment fell to 5.8%, the lowest level in five years. Within the Russell family of indices, results were positive across the market capitalization spectrums. However, larger capitalization stocks outperformed smaller capitalization names, with the Russell 1000 Index climbing 13.8% while the Russell 2000 Index gained just 4.4%. Within the Russell 1000 Value, dividend-paying securities fell behind non-dividend payers by over four percentage points for the trailing twelve-month period. The benchmark's strong absolute return over the period was marked by high dispersion among sector returns. Divergent market performance over the period was tied, in part, to a sizeable drop in oil prices. At the biannual meeting of OPEC nations on November 27, cartel members voted against production cuts despite a worsening supply glut and weakening demand. The move sent US crude oil to a five-year low of \$53/barrel, down 46% for the year. Companies in the Russell 1000 Value Energy sector participated in the sell-off dipping -6%, while the Utilities, Health Care and Information Technology sectors appreciated 23% or more over the period.

Several factors influenced the convertible market in the reporting period, including falling oil prices, economic data, increased market volatility and the Fed outlook.

One of the most influential factors impacting the convertible market was the drop in oil prices. Energy captured the attention of all investors in the second half of reporting period, and it constitutes approximately 7% of the convertible market as of year-end. Investors sold energy-related issuers with little regard to quality. Despite the move lower in energy-related issuers, the overall convertible market held up well during the period.

Another factor that influenced convertible markets was the ongoing trend in economic statistics. Throughout the period, both current and expected statistics generally pointed to a US economy that is slowly grinding higher. While some of the data were mixed, many were positive, including employment and the





## Fund Insights

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

January 31, 2015 (unaudited)

ISM Manufacturing Index. In our view, these trends help confirm the prospects for the continued low default rate for convertible bonds.

Volatility appears to be a constant reminder of the changes in the market dynamics. Pressure on banks and market makers, both regulatory and by their own design, to reduce inventory risk has increased the impact of buying and selling interest on pricing. For managers, this added complexity to trading, resulting in more pressure on the market. Mutual fund flow data, news releases, external forces and equity volatility have all created more day-to-day volatility than typically seen historically, which can be unsettling for investors. However, absent a material change in the credit environment, this volatility also creates tremendous opportunity for investors.

Finally, global central banks have continued to be generally accommodative, and the US Fed governors' comments have maintained a dovish stance. The view of when the Fed will begin to tighten flip-flopped from sooner to later several times throughout 2014. Investors need to focus on the fact that the Fed will tighten only in response to a more robust economy that includes a more constructive outlook for corporate profits and low defaults.

New convertible issuance remained strong in 2014 at just under \$50 billion. This compares to roughly \$45 billion in redemptions. All told, 2014 was the first year the convertible market grew since 2007.

## Portfolio Specifics

In the equity sleeve, negative stock selection and sector allocation detracted from relative returns during the trailing twelve-month period. Selection was strong across the Industrials, Consumer Staples and Information Technology sectors. However, that positive impact was overwhelmed by poor selection in the Materials, Consumer Discretionary and Health Care sectors. Overweight positions in the Energy and Materials sectors, as well as an underweight in Consumer Staples, dampened performance over the reporting period. Within the Russell 1000 Value Index, Energy and Materials were the two weakest-performing sectors, down -6% and up +6%, respectively. Conversely, an underweight in Industrials and overweight positions in the Health Care and Information Technology sectors aided relative results. After Utilities, which posted a 27% gain, Health Care and Information Technology were the two best-performing sectors in the Russell 1000 Value Index.

In the convertibles sleeve, sector allocations that helped relative performance in the period included Industrials and Consumer Staples. In Industrials, an underweight and positive security selection benefited the Fund. Relative outperformance in Consumer Staples was a source of strength. In contrast, exposure to the Technology, Health Care and Materials sectors weighed on relative returns. All of the aforementioned sectors exhibited weaker issue-specific performance. In addition, an underweight in Health Care and an overweight in Materials detracted.



## Fund Insights

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

January 31, 2015 (unaudited)

In the equity option sleeve, calls written on the Financials sector aided the relative returns in the period. However, periods of strong, sustained equity performance like we've seen over the last year, particularly in the Information Technology and Consumer Discretionary sectors, made it difficult to retain option premium.

### AllianzGI Equity & Convertible Income Fund Fund Insights

*For the period February 1, 2014 through January 31, 2015 as provided by Doug Forsyth, CFA, Portfolio Manager.*

For the twelve month period ended January 31, 2015, AllianzGI Equity & Convertible Income Fund (the Fund) returned 7.59% on NAV and 14.07% on market price.

## Market Environment

Several factors influenced equities and convertible bonds in the reporting period, including falling oil prices, economic data, increased market volatility and the Fed outlook.

One of the most significant influential factors in the second half of 2014 was the drop in oil prices. Energy captured the attention of all investors, and it constitutes approximately 7% of the convertible market and 5% of the Russell 1000 Growth market as of year-end. Investors sold energy-related companies throughout the year with little regard to quality. Despite the move lower in energy stocks, the overall equity and convertible markets held up well.

Another factor that influenced the equity and convertible markets was the ongoing trend in economic statistics. In the reporting period, both current and expected statistics generally pointed to a US economy that is slowly grinding higher. While some of the data were mixed, many were positive, including employment and the ISM Manufacturing index.

Volatility appears to be a constant reminder of the changes in the market dynamics. Pressure on banks and market makers, both regulatory and by their own design, to reduce inventory risk has increased the impact of buying and selling interest on pricing. For managers, this added complexity to trading, resulting in more pressure on the market. Mutual fund flow data, news releases, external forces and equity volatility have all created more day-to-day volatility than typically seen historically, which can be unsettling for investors. However, absent a material change in the credit environment, this volatility also creates tremendous opportunity for investors.

Finally, global central banks have continued to be generally accommodative, and the US Fed governors' comments have maintained a dovish stance. The view of when the Fed will begin to tighten flip-flopped from sooner to later several times in the period and throughout 2014. Investors need to focus on the fact that the Fed will tighten only in response to a more robust economy, and that includes a more constructive outlook for corporate profits and low defaults.

## **Fund Insights**

### **AllianzGI NFJ Dividend, Interest & Premium Strategy Fund/AllianzGI Equity & Convertible Income Fund**

January 31, 2015 (unaudited)

Against this backdrop, the Chicago Board Options Exchange Volatility Index (VIX) started the period at 18.4 and spiked to the year's high near 30.0 in mid-October. After grinding back to 12 at the beginning of December, volatility spiked and remained elevated concurrent with a fluctuating stock market, lower crude oil prices and overseas macro-related headlines.

## **Portfolio Specifics**

The Fund's overall return was consistent with the combined performance of the underlying asset classes.

In the equity sleeve, stock picking was strongest in Utilities, Consumer Staples and Consumer Discretionary followed by company specific outperformance in other sectors. Conversely, security selection in the Industrials, Materials and Health Care sectors hampered performance.

In the convertibles sleeve, the Fund benefited from stronger issuer-specific returns in Industrials, Consumer Staples and Energy followed by Financials. In contrast, an underweight in Health Care and an overweight in Energy in addition to weaker relative returns in Materials hindered relative performance.

Individual stock implied volatilities were generally higher than market and moved with the overall VIX trend line over the period. During the second half of the year, single stock option premia was retained on many of the open positions, while the higher equity prices forced in-the-money option positions to be actively managed to allow the underlying equity position to participate to higher levels.

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**Performance & Statistics**

**AllianzGI NFJ Dividend, Interest & Premium Strategy Fund**

January 31, 2015 (unaudited)

<b>Total Return(1)</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	-1.75%	2.78%
5 Year	11.77%	8.88%
Commencement of Operations (2/28/05) to 1/31/15	4.27%	4.99%

**Market Price/NAV Performance**

Commencement of Operations (2/28/05) to 1/31/15

NAV  
Market Price

**Market Price/NAV**

Market Price \$15.88  
 NAV \$16.95  
 Discount to NAV (6.31)%  
 Market Price Yield(2) 4.09%

**Performance & Statistics**

**AllianzGI Equity & Convertible Income Fund**

January 31, 2015 (unaudited)

<b>Total Return(1)</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	14.07%	7.59%
5 Year	11.98%	11.16%
Commencement of Operations (2/27/07) to 1/31/15	5.09%	6.33%

**Market Price/NAV Performance**

Commencement of Operations (2/27/07) to 1/31/15

NAV  
Market Price

**Market Price/NAV**

Market Price \$20.01  
 NAV \$22.13  
 Discount to NAV (9.58)%  
 Market Price Yield(2) 7.60%

(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 and includes the effect of any expense reductions, if any. 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.



## Edgar Filing: AllianzGI NFJ DIVIDEND, INTEREST & PREMIUM STRATEGY FUND - Form N-CSR

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 one-time 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 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, 2015.

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## Schedule of Investments

## AllianzGI NFJ Dividend, Interest &amp; Premium Strategy Fund

January 31, 2015

Shares		Value
<b>Common Stock</b>	<b>71.9%</b>	
	<b>Aerospace &amp; Defense</b>	<b>1.5%</b>
150,000	Northrop Grumman Corp. (a)	\$23,542,500
	<b>Automobiles</b>	<b>3.5%</b>
3,516,848	Ford Motor Co. (a)	51,732,834
144,179	General Motors Co.	4,703,119
		56,435,953
	<b>Banks</b>	<b>5.5%</b>
1,300,000	Fifth Third Bancorp	22,490,000
300,000	PNC Financial Services Group, Inc. (a)	25,362,000
767,000	Wells Fargo & Co. (a)	39,822,640
		87,674,640
	<b>Capital Markets</b>	<b>1.5%</b>
200,000	Ameriprise Financial, Inc. (a)	24,988,000