

EVERGREEN MULTI-SECTOR INCOME FUND  
Form N-CSRS  
July 01, 2010

OMB APPROVAL  
OMB Number: 3235-0570

Expires: September 30, 2007

Estimated average burden  
hours per response: 19.4

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT  
COMPANIES**

Investment Company Act file number 811-21331

Evergreen Multi-Sector Income Fund

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(Exact name of registrant as specified in charter)

200 Berkeley Street

Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.

200 Berkeley Street

Boston, Massachusetts 02116

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(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 210-3200

Date of fiscal year end: October 31

Date of reporting period: April 30, 2010

**Item 1 Reports to Stockholders.**

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**Evergreen Multi-Sector Income Fund**

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The fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q will be available on the SEC's Web site at <http://www.sec.gov>. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330.

A description of the fund's proxy voting policies and procedures, as well as information regarding how the fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by visiting our Web site at [EvergreenInvestments.com](http://EvergreenInvestments.com) or by visiting the SEC's Web site at <http://www.sec.gov>. The fund's proxy voting policies and procedures are also available without charge, upon request, by calling 800.343.2898.

**This closed-end fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request.**

Mutual Funds:

NOT FDIC INSURED   MAY LOSE VALUE   NOT BANK GUARANTEED

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Evergreen Investment Management Company, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. Evergreen open-end mutual funds are distributed by **Wells Fargo Funds Distributor, LLC**, Member FINRA/SIPC, an affiliate of Wells Fargo & Company.

## LETTER TO SHAREHOLDERS

June 2010

### **W. Douglas Munn**

President and Chief Executive Officer

#### **Dear Valued Shareholder:**

We are pleased to provide you with this semiannual report for Evergreen Multi-Sector Income Fund for the six-month period that ended April 30, 2010 (the period).

Leading up to the beginning of the period, a series of extraordinary financial and economic events affected the financial markets in the United States and throughout the world. After a prolonged period of uncertainty and falling share prices worldwide, stock markets staged a remarkable rally in 2009 that continued through the end of the year. In January 2010, concerns about the sustainability of the economic recovery led to a partial correction, but the markets quickly rebounded and ended the reporting period approximately where they began in 2010.

In the United States, employment data turned positive during the period, a welcome sign that the economic recovery appeared to be moving toward self-sustainability. U.S. employers added 162,000 jobs in March 2010, the most in three years. The unemployment rate edged down to 9.9% at the end of the period, after having peaked at 10.1% in October 2009 its highest level in more than 25 years. Still, more than 8 million jobs were lost during the recession and the number of long-term unemployed those out of work for 27 weeks or longer continued to increase, ending the period at 6.7 million.

Investors were encouraged by continued economic growth in both developed and emerging markets and were placing greater interest in underlying fundamentals, in sharp contrast to their wild pursuit of low-quality stocks just one year ago. However, this sentiment was tempered by concerns over the growing sovereign debt problems in Europe, the impact of Chinese policy tightening, and fears over U.S. bank regulation. A rally in the U.S. dollar and a decline in commodity prices also had an impact.

Investors appeared caught between increasing signs of a cyclical upturn and the fear of lingering systematic risks in the wake of the 2008 crisis, with the resulting market volatility. For instance, as the period drew to a close, investors became increasingly nervous about the European Union's willingness and ability to bail out Greece, while Fitch Ratings downgraded Portugal's sovereign debt and Spain moved onto investors' worry radar. As a result, the euro sold off almost 1.5% in a two-day time period, extending its four-month, 11% drop versus the dollar. During that time, investors largely ignored concurrent data that showed U.S. durable goods orders climbing for three months in a row, and business confidence in Germany reached its highest level.



**LETTER TO SHAREHOLDERS** continued

since June 2008. It was difficult to shake the feeling that the recovery in the West rested on a weak foundation.

In Asia, the situation was much different. Starting in the second half of 2009, Asia began to show signs of a sustained recovery, well ahead of the rest of the world. Without the structural balance sheet issues faced by Western economies, Asian credit growth picked up far earlier, particularly in China and more recently in India. In sharp contrast to Europe and the United States, where a fear of debt-deflation spiral hung over the market near the end of the period, investors in Asia were increasingly worried about rising inflation. Currently, the major risk we see is that Asian central banks will begin to tighten credit and choke off growth in the region. Notably, in March of 2010, India became the first major emerging market to raise interest rates in response to rapidly increasing inflation.

During this period, management of Evergreen Multi-Sector Income Fund maintained a strategy seeking a high level of income with limited exposure to the risks from changing interest rates. Assets of this closed-end fund were allocated among sleeves of U.S. high yield, corporate bonds, investment-grade foreign debt securities and U.S. adjustable-rate, mortgage-backed securities.

We believe the changing conditions in the investment environment over the period have underscored the value of a well-diversified, long-term investment strategy to help soften the effects of volatility in any one market or asset class. As always, we encourage investors to maintain diversified investment portfolios in pursuit of their long-term investment goals.

Please visit us at **EvergreenInvestments.com** for more information about our funds and other investment products available to you. Thank you for your continued support of Evergreen Investments.

Sincerely,

**W. Douglas Munn**

President and Chief Executive Officer

Evergreen Funds

**LETTER TO SHAREHOLDERS** continued

**Notice to Shareholders:**

At meetings held on May 11 and June 9-10, 2010, the Board of Trustees of Evergreen Multi-Sector Income Fund (the Fund ) unanimously approved a new advisory contract with Wells Fargo Funds Management, LLC, a new sub-advisory contract with Wells Capital Management Incorporated and a new sub-advisory contract with the Fund s current sub-advisor, First International Advisors, LLC (the Agreements ). Shareholders are being asked to approve the Agreements at a meeting to be held on July 9, 2010. Following approval of the Agreements, Phil Susser and Niklas Nordenfelt of Wells Capital Management Incorporated are expected to assume portfolio management responsibilities for the high-yield portion of the Fund, Tony Norris and Peter Wilson of First International Advisors, LLC are expected to continue to manage the foreign debt securities portion of the Fund (with Norris continuing to provide asset allocation services to the Fund) and Richard Applebach and Christopher Kauffman of Wells Capital Management Incorporated will continue to manage the adjustable rate mortgage portion of the Fund. Applebach and Kauffman currently provide such services to the Fund as portfolio managers at Tattersall Advisory Group, Inc., a current sub-advisor to the Fund. In addition, the Fund will be renamed the Wells Fargo Advantage Multi-Sector Income Fund.

At the May 11 meeting, the Board also nominated seven persons for election to the Fund s Board as new Trustees, and nominated two current Trustees for re-election to the Fund s Board. Shareholders are being asked to elect these nominees at the July 9 meeting.

A Proxy Statement containing additional information about the Agreements and the nominees was provided to shareholders of record as of May 18, 2010.



**FINANCIAL HIGHLIGHTS**

(For a share outstanding throughout each period)

	Six Months Ended April 30, 2010 (unaudited)	Year Ended October 31,				
		2009	2008	2007	2006	2005
<b>Net asset value, beginning of period</b>	\$15.61	\$13.47	\$18.74	\$18.55	\$18.91	\$20.19
<b>Income from investment operations</b>						
Net investment income	0.65	1.33	1.68	1.73	1.60	1.49
Net realized and unrealized gains or losses on investments	0.51	3.26	(5.35)	0.29	(0.06)	(1.06)
Distributions to preferred shareholders from <sup>1</sup>						
Net investment income	(0.01)	(0.03)	(0.30)	(0.51)	(0.45)	(0.28)
Net realized gains	0	0	0	0	0	0
Total from investment operations	1.15	4.56	(3.97)	1.51	1.09	0.15
<b>Distributions to shareholders from</b>						
Net investment income	(0.65)	(2.20)	(1.30)	(1.29)	(1.34)	(1.43)
Net realized gains	0	0	0	0	(0.01)	0
Tax basis return of capital	0	(0.22)	0	(0.03)	(0.10)	0
Total distributions to common shareholders	(0.65)	(2.42)	(1.30)	(1.32)	(1.45)	(1.43)
<b>Offering costs charged to capital for</b>						
Preferred shares	0	0	0	0	0	0
<b>Net asset value, end of period</b>	\$16.11	\$15.61	\$13.47	\$18.74	\$18.55	\$18.91
<b>Market value, end of period</b>	\$15.55	\$13.73	\$11.68	\$16.22	\$17.07	\$16.42
	18.35	% 44.93	% (21.43)	% 2.64	% 13.46	% (3.77)

**Total return based on market value<sup>3</sup>****Ratios and****supplemental data**

Net assets of common shareholders, end of period (thousands)	\$677,419		\$656,404		\$566,515		\$787,919		\$780,321		\$795,244	
Liquidation value of Preferred Shares, end of period (thousands)	\$80,035		\$80,035		\$80,108		\$400,475		\$400,402		\$400,309	
Asset coverage ratio, end of period	394	%	385	%	249	%	296	%	299	%	299	%
<b>Ratios to average net assets applicable to common shareholders</b>												
Expenses including waivers/reimbursements and interest expense but excluding expense reductions	1.12	% <sup>4</sup>	1.62	%	1.90	%	1.15	%	1.15	%	1.11	%
Expenses including interest expense but excluding waivers/reimbursements and expense reductions	1.93	% <sup>4</sup>	3.07	%	1.95	%	1.15	%	1.15	%	1.11	%
Expenses including waivers/reimbursements but excluding expense reductions and interest expense	1.05	% <sup>4</sup>	1.15	%	1.36	%	1.13	%	1.14	%	1.11	%
Interest expense <sup>5</sup>	0.07	% <sup>4</sup>	0.47	%	0.54	%	0.02	%	0.01	%	0.00	%
Net investment income <sup>6</sup>	8.06	% <sup>4</sup>	9.65	%	7.85	%	6.54	%	6.18	%	6.08	%
Portfolio turnover rate	39	%	93	%	92	%	95	%	62	%	80	%

1 Calculated based on average common shares outstanding during the period.

2 Amount represents less than \$0.005 per share.

3 Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.

4 Annualized

5 Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.

6 The net investment income ratio reflects distributions paid to preferred shareholders.

See Notes to Financial Statements



**SCHEDULE OF INVESTMENTS**

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>AGENCY MORTGAGE-BACKED COLLATERALIZED MORTGAGE OBLIGATIONS 2.3%</b>		
<b>FIXED-RATE 0.1%</b>		
FNMA:		
Ser. 2001-25, Class Z, 6.00%, 06/25/2031	\$867,665	\$950,550
Ser. 2001-51, Class P, 6.00%, 08/25/2030	34,359	34,355
		<hr/> 984,905 <hr/>
<b>FLOATING-RATE 2.2%</b>		
FHLMC:		
Ser. 0196, Class A, 1.11%, 12/15/2021	113,718	113,764
Ser. 2390, Class FD, 0.70%, 12/15/2031	114,847	115,139
Ser. 2411, Class F, 0.80%, 02/15/2032	146,601	147,346
Ser. 2431, Class F, 0.75%, 03/15/2032	5,092,262	5,112,259
Ser. 2567, Class FH, 0.65%, 02/15/2033	262,661	262,752
FNMA:		
Ser. 1996-46, Class FA, 0.78%, 08/25/2021	67,729	67,843
Ser. 2001-35, Class F, 0.86%, 07/25/2031	42,759	43,188
Ser. 2001-57, Class F, 0.76%, 06/25/2031	43,049	43,311
Ser. 2002-77, Class FH, 0.66%, 12/18/2032	264,381	265,623
Ser. 2002-95, Class FK, 0.76%, 01/25/2033	6,510,990	6,549,177
Ser. 2002-97, Class FR, 0.81%, 01/25/2033	97,963	98,445
Ser. 2003-W8, Class 3F2, 0.61%, 05/25/2042	1,499,661	1,447,026
Ser. G91-16, Class F, 0.73%, 06/25/2021	79,967	80,109
Ser. G92-17, Class F, 1.33%, 03/25/2022	151,127	154,119
GNMA, Ser. 2001-61, Class FA, 0.76%, 09/20/2030	44,123	44,134
		<hr/> 14,544,235 <hr/>
<i>Total Agency Mortgage-Backed Collateralized Mortgage Obligations (cost \$15,493,742)</i>		<hr/> 15,529,140 <hr/>
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES 28.2%</b>		
<b>FIXED-RATE 0.4%</b>		
FHLMC, 8.50%, 04/01/2015-07/01/2028	266,800	300,894
FNMA:		
6.00%, 04/01/2033	199,410	216,125
6.50%, 11/01/2032	68,548	75,629
7.50%, 07/01/2017-07/01/2032	712,049	792,699

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8.00%, 12/01/2024-06/01/2030	162,290	182,451
12.00%, 01/01/2016	30,412	33,825
GNMA:		
6.50%, 06/15/2028	85,844	95,174
7.25%, 07/15/2017-05/15/2018	682,289	743,614
		<hr/>
		2,440,411
		<hr/>

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES</b> continued		
<b>FLOATING-RATE 27.8%</b>		
FHLB:		
3.00%, 12/01/2034 $\mu$	\$8,425,894	\$8,844,324
3.01%, 06/01/2035 $\mu$	3,821,449	4,012,154
3.09%, 11/01/2030	578,834	604,735
3.77%, 07/01/2033	299,851	309,291
FHLMC:		
2.81%, 09/01/2035	6,393,767	6,706,750
2.86%, 04/01/2034 $\mu$	16,818,484	17,650,112
3.01%, 10/01/2033	216,973	227,036
3.02%, 09/01/2032	598,985	626,635
3.07%, 10/01/2030	389,231	409,097
3.27%, 08/01/2030	478,843	498,341
3.42%, 10/01/2030	23,057	23,771
3.44%, 12/01/2026	94,601	96,639
3.50%, 10/01/2024	50,625	52,303
3.52%, 09/01/2038	8,776,693	8,960,869
3.59%, 10/01/2022	80,249	83,031
3.62%, 07/01/2032	467,008	482,413
3.85%, 06/01/2033	248,639	255,705
4.07%, 05/01/2019	4,682	4,780
4.24%, 10/01/2037	3,421,769	3,512,089
4.74%, 06/01/2018	62,404	62,959
5.05%, 07/01/2035	577,358	608,036
5.05%, 12/01/2035 $\mu$	3,892,389	4,046,853
5.78%, 01/01/2027	209,434	221,427
8.50%, 03/01/2030	106,315	117,999
FNMA:		
1.35%, 04/01/2028	112,840	116,057
1.69%, 10/01/2034	300,525	296,780
2.125%, 04/01/2019	9,587	9,656
2.41%, 10/01/2035	3,014,079	3,081,594
2.42%, 12/01/2035 $\mu$	4,231,159	4,328,010
2.52%, 03/01/2035	7,397,653	7,728,901
2.60%, 04/01/2034 $\mu$	5,547,708	5,843,904
2.62%, 12/01/2028	46,439	47,570
2.64%, 12/01/2031	72,899	76,234
2.65%, 06/01/2029	370,723	386,666
2.70%, 07/01/2038	269,515	281,322
2.71%, 08/01/2036 $\mu$	5,293,248	5,384,715

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2.73%, 05/01/2030-03/01/2033	416,869	433,954
2.74%, 06/01/2024-01/01/2036	3,570,112	3,717,510
2.82%, 06/01/2031	103,709	107,556
2.83%, 12/01/2026	122,989	129,769
2.83%, 07/01/2038	3,040,726	3,173,441
See Notes to Financial Statements		

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES</b> continued		
<b>FLOATING-RATE</b> continued		
FNMA:		
2.86%, 09/01/2032	\$206,790	\$214,071
2.88%, 01/01/2026-02/01/2035	822,194	862,333
2.92%, 04/01/2036 $\mu$	4,048,634	4,144,150
2.93%, 10/01/2034-07/01/2036 $\mu$	18,445,456	19,218,804
2.94%, 02/01/2038	375,505	392,293
2.97%, 12/01/2017-12/01/2029	858,514	892,996
2.98%, 05/01/2035 $\mu$	4,459,854	4,721,174
3.02%, 08/01/2030	258,688	269,727
3.02%, 01/01/2038 $\mu$	4,274,941	4,336,255
3.06%, 07/01/2026	38,940	40,879
3.10%, 04/01/2017	2,236,372	2,321,902
3.16%, 09/01/2027-02/01/2035	1,316,515	1,357,714
3.19%, 05/01/2036	12,796,419	13,359,707
3.24%, 02/01/2017	1,885,443	1,956,550
3.25%, 01/01/2017	53,735	54,923
3.32%, 08/01/2039	7,215,800	7,493,819
3.42%, 07/01/2030	108,319	112,773
3.55%, 04/01/2033	150,186	157,066
3.60%, 03/01/2034	671,350	698,427
3.62%, 08/01/2028	77,270	79,564
3.65%, 01/01/2015	32,682	33,879
3.75%, 12/01/2016	10,143	10,286
3.81%, 01/01/2030	72,615	74,440
3.81%, 08/01/2035 #	4,158,927	4,329,312
3.90%, 10/01/2029	117,434	119,917
3.93%, 07/01/2033	139,502	139,805
4.01%, 07/01/2038 $\mu$	2,977,350	3,059,342
4.40%, 02/01/2035 $\mu$	6,826,859	7,085,339
4.50%, 03/01/2034	24,363	25,355
4.61%, 04/01/2031	714,823	753,418
4.62%, 12/01/2036	52,902	55,505
4.83%, 12/01/2034	1,576,403	1,646,585
4.87%, 04/01/2034 $\mu$	3,739,382	3,860,373
4.95%, 01/01/2034	492,114	507,939
5.11%, 12/01/2022	14,435	15,190
5.26%, 04/01/2025	121,586	122,489
5.38%, 02/01/2036 $\mu$	2,363,436	2,475,878
5.48%, 11/01/2024	243,993	257,416



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5.64%, 08/01/2027	295,446	297,306
6.00%, 05/01/2021-08/01/2021	17,513	18,245
See Notes to Financial Statements		

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES</b> continued		
<b>FLOATING-RATE</b> continued		
FNMA:		
6.11%, 12/01/2013	\$311,735	\$317,594
6.14%, 12/01/2020	111,197	115,656
6.34%, 09/01/2037 $\mu$	3,211,026	3,437,190
6.57%, 09/01/2032	3,185,188	3,279,166
		<hr/>
		188,283,740
		<hr/>
<i>Total Agency Mortgage-Backed Pass Through Securities (cost \$187,985,999)</i>		190,724,151
		<hr/>
<b>AGENCY REPERFORMING MORTGAGE-BACKED PASS THROUGH SECURITIES</b> 0.5%		
<b>FIXED-RATE</b> 0.5%		
FHLMC, Ser. 1383, 5.85%, 02/01/2037	3,179,409	3,378,007
FNMA, Ser. 2001-T10, Class A2, 7.50%, 12/25/2041	305,968	348,134
		<hr/>
<i>Total Agency Reperforming Mortgage-Backed Pass Through Securities (cost \$3,541,899)</i>		3,726,141
		<hr/>
<b>COMMERCIAL MORTGAGE-BACKED SECURITIES</b> 0.2%		
<b>FLOATING-RATE</b> 0.2%		
Banc of America Comml. Mtge., Inc., Ser. 2006-03, Class AM, 6.01%, 07/10/2044	1,340,000	1,204,707
Morgan Stanley Capital I Trust, Ser. 2006-IQ11, Class AM, 5.94%, 10/15/2042	240,000	233,961
		<hr/>
<i>Total Commercial Mortgage-Backed Securities (cost \$1,307,700)</i>		1,438,668
		<hr/>
<b>CORPORATE BONDS</b> 52.9%		
<b>CONSUMER DISCRETIONARY</b> 9.2%		
<b>Auto Components</b> 1.2%		
Cooper Standard Automotive, Inc., 8.50%, 05/01/2018 144A #	465,000	475,463
Cooper Tire & Rubber Co., 7.625%, 03/15/2027	1,895,000	1,743,400
Goodyear Tire & Rubber Co.:		
7.86%, 08/15/2011	340,000	359,125
8.625%, 12/01/2011	690,000	720,187
8.75%, 08/15/2020	1,292,000	1,356,600

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9.00%, 07/01/2015	492,000	514,140
10.50%, 05/15/2016	2,415,000	2,689,706
Metaldyne Corp., FRN, 5.46%, 04/09/2014	506,870	458,778
		<hr/>
		8,317,399
		<hr/>
<b>Diversified Consumer Services 1.3%</b>		
Carriage Services, Inc., 7.875%, 01/15/2015	1,875,000	1,856,250
Service Corporation International:		
7.50%, 04/01/2027	3,965,000	3,737,013
8.00%, 11/15/2021	475,000	494,000
StoneMor Partners, LP, 10.25%, 12/01/2017 144A	2,570,000	2,704,925
		<hr/>
		8,792,188
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>CONSUMER DISCRETIONARY</b> continued		
<b>Hotels, Restaurants &amp; Leisure 1.6%</b>		
Boyd Gaming Corp., 7.75%, 12/15/2012	\$95,000	\$94,525
Harrahs Entertainment Corp.:		
10.00%, 12/15/2018	805,000	696,325
11.25%, 06/01/2017	1,210,000	1,318,900
12.75%, 04/15/2018 144A	500,000	492,500
Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010	910,000	447,038
MGM MIRAGE:		
6.625%, 07/15/2015	500,000	431,250
8.50%, 09/15/2010	780,000	785,850
11.375%, 03/01/2018 144A	1,865,000	1,916,287
Midwest Gaming Borrower, LLC, 11.625%, 04/15/2016 144A	375,000	385,781
Pinnacle Entertainment, Inc., 7.50%, 06/15/2015	1,250,000	1,203,125
Pokagon Gaming Authority, 10.375%, 06/15/2014 144A	280,000	294,000
Scientific Games Corp., 9.25%, 06/15/2019 144A	485,000	522,588
Seneca Gaming Corp., 7.25%, 05/01/2012	205,000	203,975
Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A	1,245,000	1,058,250
Speedway Motorsports, Inc., 8.75%, 06/01/2016	950,000	1,016,500
Trump Entertainment Resorts, Inc., 8.50%, 06/01/2015	2,709,000	13,545
Wynn Resorts, Ltd., 7.875%, 11/01/2017 144A	160,000	163,200
		<hr/> 11,043,639 <hr/>
<b>Household Durables 0.0%</b>		
Lennar Corp., 12.25%, 06/01/2017	60,000	72,900
Sealy Corp., 10.875%, 04/15/2016 144A	68,000	77,520
		<hr/> 150,420 <hr/>
<b>Internet &amp; Catalog Retail 0.2%</b>		
QVC, Inc.:		
7.375%, 10/15/2020 144A	730,000	740,950
7.50%, 10/01/2019 144A	390,000	399,750
Ticketmaster Entertainment, Inc., 10.75%, 08/01/2016	210,000	236,250
		<hr/> 1,376,950 <hr/>
<b>Media 3.7%</b>		
Cablevision Systems Corp.:		

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7.75%, 04/15/2018	1,010,000	1,025,150
8.00%, 04/15/2020	1,625,000	1,653,437
8.625%, 09/15/2017 144A	95,000	100,225
CCH II, LLC, 13.50%, 11/30/2016	5,690,929	6,886,024
CCO Holdings, LLC, 8.125%, 04/30/2020 144A	500,000	511,250
Charter Communications, Inc., Step Bond:		
8.00%, 04/30/2012 144A	904,000	958,240
10.875%, 09/15/2014 144A	4,715,000	5,327,950
Clear Channel Communications, Inc., 9.25%, 12/15/2017 144A	340,000	364,225
DISH DBS, Corp., 7.875%, 09/01/2019	480,000	504,000
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>CONSUMER DISCRETIONARY</b> continued		
<b>Media</b> continued		
Lamar Media Corp.:		
6.625%, 08/15/2015	\$90,000	\$88,650
7.875%, 04/15/2018 144A	250,000	256,875
9.75%, 04/01/2014	60,000	66,750
New Communications Holdings:		
8.25%, 04/15/2017 144A	1,595,000	1,642,850
8.50%, 04/15/2020 144A	1,910,000	1,967,300
8.75%, 04/15/2022 144A	3,000,000	3,090,000
Salem Communications Corp., 9.625%, 12/15/2016	235,000	251,450
WMG Acquisition Corp., 9.50%, 06/15/2016 144A	60,000	64,800
XM Satellite Radio Holdings, Inc., 13.00%, 08/01/2013 144A	425,000	482,375
Young Broadcasting, Inc.:		
8.75%, 01/15/2014	1,526,000	3,510
10.00%, 03/01/2011	940,000	2,162
		<hr/> 25,247,223 <hr/>
<b>Multiline Retail 0.1%</b>		
Neiman Marcus Group, Inc., 9.75%, 10/15/2015 @	50,000	51,250
Saks, Inc., 9.875%, 10/01/2011	585,000	621,563
		<hr/> 672,813 <hr/>
<b>Specialty Retail 0.6%</b>		
American Achievement Corp.:		
8.25%, 04/01/2012 144A	3,175,000	3,167,062
Sr. Disc. Note, Step Bond, 10.25%, 10/01/2012	205,000	206,538
Limited Brands, Inc., 7.00%, 05/01/2020 #	250,000	255,000
		<hr/> 3,628,600 <hr/>
<b>Textiles, Apparel &amp; Luxury Goods 0.5%</b>		
Oxford Industries, Inc., 11.375%, 07/15/2015	1,600,000	1,792,000
Visant Corp., 7.625%, 10/01/2012	1,495,000	1,500,606
		<hr/> 3,292,606 <hr/>
<b>CONSUMER STAPLES 1.2%</b>		

**Beverages 0.4%**

Anheuser-Busch InBev, 6.875%, 11/15/2019 144A	2,000,000	2,315,980
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**Food Products 0.8%**

Del Monte Foods Co.:		
6.75%, 02/15/2015	25,000	25,719
7.50%, 10/15/2019 144A	610,000	644,312
Dole Food Company, Inc.:		
8.00%, 10/01/2016 144A	235,000	243,225
13.875%, 03/15/2014	1,256,000	1,519,760
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>CONSUMER STAPLES</b> continued		
<b>Food Products</b> continued		
Smithfield Foods, Inc.:		
7.00%, 08/01/2011	\$1,490,000	\$1,527,250
10.00%, 07/15/2014 144A	1,200,000	1,347,000
Tyson Foods, Inc.:		
7.85%, 04/01/2016	55,000	59,675
10.50%, 03/01/2014	60,000	71,175
Viskase, Inc., 9.875%, 01/15/2018 144A	115,000	117,300
		<hr/>
		5,555,416
		<hr/>
<b>ENERGY</b> 7.1%		
<b>Energy Equipment &amp; Services</b> 2.1%		
Bristow Group, Inc.:		
6.125%, 06/15/2013	110,000	109,863
7.50%, 09/15/2017	845,000	854,506
Cleaver-Brooks, Inc., 12.25%, 05/01/2016 # 144A	675,000	681,750
Forbes Energy Services, Ltd., 11.00%, 02/15/2015	2,535,000	2,363,887
GulfMark Offshore, Inc., 7.75%, 07/15/2014	1,500,000	1,492,500
Hercules Offshore, Inc., 10.50%, 10/15/2017 144A	1,490,000	1,534,700
Hornbeck Offshore Services, Inc., Ser. B:		
6.125%, 12/01/2014	2,125,000	2,111,719
8.00%, 09/01/2017	1,685,000	1,710,275
Parker Drilling Co., 9.125%, 04/01/2018 144A	460,000	470,350
PHI, Inc., 7.125%, 04/15/2013	2,800,000	2,779,000
		<hr/>
		14,108,550
		<hr/>
<b>Oil, Gas &amp; Consumable Fuels</b> 5.0%		
Alon Refining Krotz Springs, Inc., 13.50%, 10/15/2014	615,000	602,700
Atlas Energy Resources, LLC, 12.125%, 08/01/2017	555,000	639,637
Chesapeake Energy Corp.:		
6.875%, 01/15/2016	4,170,000	4,159,575
9.50%, 02/15/2015	1,545,000	1,693,706
Consol Energy, Inc.:		
8.00%, 04/01/2017 144A	1,285,000	1,357,281
8.25%, 04/01/2020 144A	900,000	958,500
El Paso Corp.:		
7.42%, 02/15/2037	1,670,000	1,524,458



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12.00%, 12/12/2013	445,000	529,580
Ferrellgas Partners, LP, 9.125%, 10/01/2017 144A	290,000	307,400
Forest Oil Corp.:		
7.25%, 06/15/2019	770,000	781,550
8.50%, 02/15/2014	535,000	568,438
General Maritime Corp., 12.00%, 11/15/2017 144A	685,000	743,225
Holly Corp., 9.875%, 06/15/2017 144A	1,945,000	2,022,800
Murray Energy Corp., 10.25%, 10/15/2015 144A	800,000	832,000
See Notes to Financial Statements		

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>ENERGY</b> continued		
<b>Oil, Gas &amp; Consumable Fuels</b> continued		
Peabody Energy Corp.:		
5.875%, 04/15/2016	\$215,000	\$213,925
7.875%, 11/01/2026	3,435,000	3,623,925
Petrohawk Energy Corp.:		
7.875%, 06/01/2015	790,000	815,675
10.50%, 08/01/2014	495,000	546,975
Pioneer Natural Resources Co., 7.50%, 01/15/2020	1,220,000	1,296,551
Plains Exploration & Production Co., 8.625%, 10/15/2019	2,515,000	2,659,612
Sabine Pass LNG, LP, 7.25%, 11/30/2013	2,220,000	2,133,975
SandRidge Energy, Inc.:		
8.00%, 06/01/2018 144A	55,000	54,038
8.75%, 01/15/2020 144A	1,875,000	1,884,375
Southwestern Energy Co., 7.50%, 02/01/2018	470,000	513,475
Stallion Oilfield Holdings, Inc., 10.50%, 02/15/2015 144A	650,000	650,000
Stone Energy Corp., 8.625%, 02/01/2017	395,000	390,063
Tesoro Corp.:		
6.50%, 06/01/2017	390,000	366,600
7.50%, 07/17/2012	990,000	941,728
9.75%, 06/01/2019	945,000	1,015,875
		<hr/> 33,827,642 <hr/>
<b>FINANCIALS 12.0%</b>		
<b>Capital Markets 0.7%</b>		
E*TRADE Financial Corp.:		
7.375%, 09/15/2013	800,000	776,000
12.50%, 11/30/2017 @	3,621,000	4,327,095
		<hr/> 5,103,095 <hr/>
<b>Commercial Banks 0.6%</b>		
CapitalSource, Inc., 12.75%, 07/15/2014 144A	1,735,000	2,008,262
Discover Bank:		
7.00%, 04/15/2020	490,000	503,709
8.70%, 11/18/2019	1,220,000	1,385,469
		<hr/> 3,897,440 <hr/>

**Consumer Finance 8.5%**

CIT Group, Inc.:		
7.00%, 05/01/2013	7,660,000	7,535,525
7.00%, 05/01/2014	1,245,000	1,201,425
Clearwire Communications Finance Corp., 12.00%, 12/01/2015 144A	2,545,000	2,645,912
Discover Financial Services, 10.25%, 07/15/2019	825,000	1,011,313
Ford Motor Credit Co., LLC:		
9.75%, 09/15/2010	2,718,000	2,782,716
9.875%, 08/10/2011	2,815,000	2,978,940
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>FINANCIALS</b> continued		
<b>Consumer Finance</b> continued		
GMAC, LLC:		
6.75%, 12/01/2014	\$1,298,000	\$1,294,755
6.875%, 09/15/2011	59,000	60,032
6.875%, 08/28/2012	1,244,000	1,267,325
7.50%, 12/31/2013	3,710,000	3,774,925
8.00%, 12/31/2018	2,545,000	2,535,456
8.00%, 03/15/2020 144A	1,575,000	1,626,187
8.00%, 11/01/2031	3,494,000	3,401,922
8.30%, 02/12/2015 144A	1,560,000	1,628,250
Homer City Funding, LLC, 8.73%, 10/01/2026	1,029,178	998,303
International Lease Finance Corp.:		
4.75%, 01/13/2012	840,000	824,425
5.30%, 05/01/2012	1,390,000	1,355,478
5.75%, 06/15/2011	705,000	703,511
6.375%, 03/25/2013	460,000	442,833
8.625%, 09/15/2015 144A	900,000	888,750
JBS USA Finance, Inc., 11.625%, 05/01/2014	3,170,000	3,653,425
LBI Escrow Corp., 8.00%, 11/01/2017 144A	2,895,000	2,999,944
Level 3 Financing, Inc., 10.00%, 02/01/2018 144A	2,070,000	2,038,950
Nielsen Financial LLC:		
11.50%, 05/01/2016	10,000	11,350
Sr. Disc. Note, Step Bond, 0.00%, 08/01/2016	55,000	53,350
Pinnacle Foods Finance, LLC:		
9.25%, 04/01/2015 144A	720,000	748,800
10.625%, 04/01/2017	450,000	483,750
Sprint Capital Corp.:		
6.875%, 11/15/2028	6,645,000	5,781,150
8.375%, 03/15/2012	2,420,000	2,553,100
		<hr/>
		57,281,802
		<hr/>
<b>Diversified Financial Services 0.4%</b>		
Leucadia National Corp., 8.125%, 09/15/2015	2,655,000	2,781,113
		<hr/>
<b>Real Estate Investment Trusts (REITs) 1.2%</b>		
Dupont Fabros Technology, Inc., 8.50%, 12/15/2017 144A	4,330,000	4,492,375
Host Marriott Corp., 9.00%, 05/15/2017 144A	235,000	256,150
Omega Healthcare Investors, Inc.:		

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7.00%, 04/01/2014	965,000	971,031
7.00%, 01/15/2016	500,000	502,500
Ventas, Inc.:		
6.75%, 04/01/2017	953,000	980,399
9.00%, 05/01/2012	789,000	848,175
		<hr/>
		8,050,630
		<hr/>

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>FINANCIALS</b> continued		
<b>Real Estate Management &amp; Development</b> 0.1%		
Icahn Enterprises, LP, 7.75%, 01/15/2016 144A	\$520,000	\$505,700
<b>Thriffs &amp; Mortgage Finance</b> 0.5%		
Provident Funding Associates, LP, 10.25%, 04/15/2017 144A	1,740,000	1,800,900
Residential Capital, LLC, 8.50%, 05/15/2010	1,935,000	1,922,906
		<u>3,723,806</u>
<b>HEALTH CARE</b> 1.7%		
<b>Biotechnology</b> 0.1%		
Talecris Biotherapeutics Holdings Corp., 7.75%, 11/15/2016 144A	520,000	525,200
<b>Health Care Equipment &amp; Supplies</b> 0.2%		
Biomet, Inc.:		
10.375%, 10/15/2017 @	310,000	341,000
11.625%, 10/15/2017	315,000	352,800
Boston Scientific Corp., 6.00%, 01/15/2020	485,000	479,317
		<u>1,173,117</u>
<b>Health Care Providers &amp; Services</b> 1.1%		
American Renal Holdings, Inc., 8.375%, 05/15/2018 144A	375,000	377,813
Apria Healthcare Group, 11.25%, 11/01/2014 144A	835,000	917,456
HCA, Inc.:		
7.875%, 02/01/2011	820,000	841,525
9.25%, 11/15/2016	2,750,000	2,973,437
9.625%, 11/15/2016 @	1,331,000	1,447,463
Prospect Medical Holdings, Inc., 12.75%, 07/15/2014	605,000	656,425
Symbion, Inc., 11.75%, 08/23/2015 @	383,602	341,406
		<u>7,555,525</u>
<b>Life Sciences Tools &amp; Services</b> 0.2%		
Bio-Rad Laboratories, Inc., 8.00%, 09/15/2016	1,175,000	1,254,312
<b>Pharmaceuticals</b> 0.1%		
Pfizer, Inc., 5.35%, 03/15/2015	900,000	1,000,998

**INDUSTRIALS 4.5%**

**Aerospace & Defense 1.8%**

Alliant Techsystems, Inc., 6.75%, 04/01/2016	1,640,000	1,676,900
DAE Aviation Holdings, Inc., 11.25%, 08/01/2015 144A	490,000	488,775
GenCorp, Inc., 9.50%, 08/15/2013	475,000	485,094
GeoEye, Inc., 9.625%, 10/01/2015 144A	425,000	442,531
Hexcel Corp., 6.75%, 02/01/2015	1,465,000	1,457,675
L-3 Communications Holdings, Inc.:		
5.875%, 01/15/2015	2,580,000	2,618,700
6.375%, 10/15/2015	2,394,000	2,450,857
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>INDUSTRIALS</b> continued		
<b>Aerospace &amp; Defense</b> continued		
Spirit AeroSystems Holdings, Inc., 7.50%, 10/01/2017 144A	\$440,000	\$449,900
TransDigm Group, Inc., 7.75%, 07/15/2014 144A	445,000	453,900
Wyle Services Corp., 10.50%, 04/01/2018 144A	1,390,000	1,452,550
		<hr/> 11,976,882 <hr/>
<b>Airlines</b> 0.1%		
Delta Air Lines, Inc., 12.25%, 03/15/2015 144A	75,000	81,000
United Airlines, Inc., 10.40%, 05/01/2018	520,000	564,200
		<hr/> 645,200 <hr/>
<b>Building Products</b> 0.0%		
American Residential Services, Inc., 12.00%, 04/15/2015 144A	250,000	254,688
<b>Commercial Services &amp; Supplies</b> 1.4%		
Casella Waste Systems, Inc., 11.00%, 07/15/2014 144A	1,945,000	2,110,325
Cornell Companies, Inc., 10.75%, 07/01/2012	160,000	162,800
Corrections Corporation of America: 6.25%, 03/15/2013	1,125,000	1,141,875
7.75%, 06/01/2017	1,395,000	1,478,700
DigitalGlobe, Inc., 10.50%, 05/01/2014 144A	300,000	328,500
Geo Group, Inc., 7.75%, 10/15/2017 144A	1,105,000	1,129,863
Interface, Inc., Class A, 11.375%, 11/01/2013	295,000	337,775
Iron Mountain, Inc.: 6.625%, 01/01/2016	45,000	45,056
7.75%, 01/15/2015	150,000	151,688
8.375%, 08/15/2021	1,385,000	1,462,906
SGS International, Inc., 12.00%, 12/15/2013	1,355,000	1,419,362
		<hr/> 9,768,850 <hr/>
<b>Industrial Conglomerates</b> 0.3%		
Otter Tail Corp., 9.00%, 12/15/2016	1,835,000	2,018,500
<b>Machinery</b> 0.6%		
Commercial Vehicle Group, Inc.: 8.00%, 07/01/2013	500,000	413,750



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13.00%, 02/15/2013 144A @	1,951,000	1,990,020
CPM Holdings, Inc., 10.625%, 09/01/2014 144A	1,315,000	1,407,050
		<hr/>
		3,810,820
		<hr/>

**Road & Rail 0.2%**

Amsted Industries, Inc., 8.125%, 03/15/2018 144A	460,000	460,000
Kansas City Southern:		
8.00%, 06/01/2015	55,000	58,163
13.00%, 12/15/2013	445,000	531,775
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>INDUSTRIALS</b> continued		
<b>Road &amp; Rail</b> continued		
Swift Transportation Co., Inc.:		
12.50%, 05/15/2017 144A	\$260,000	\$261,625
FRN, 8.00%, 05/15/2015 144A	105,000	98,831
		<hr/>
		1,410,394
		<hr/>
<b>Transportation Infrastructure</b> 0.1%		
United Maritime Group, 11.75%, 06/15/2015 144A	650,000	676,000
Western Express, Inc., 12.50%, 04/15/2015 144A	250,000	245,000
		<hr/>
		921,000
		<hr/>
<b>INFORMATION TECHNOLOGY</b> 4.0%		
<b>Communications Equipment</b> 0.2%		
Lucent Technologies, Inc., 6.45%, 03/15/2029	2,460,000	1,801,950
		<hr/>
<b>Computers &amp; Peripherals</b> 0.0%		
Stratus Technologies, Inc., 12.00%, 03/29/2015 144A	250,000	242,500
		<hr/>
<b>Electronic Equipment, Instruments &amp; Components</b> 2.0%		
Da-Lite Screen Co., Inc., 12.50%, 04/01/2015 144A	2,675,000	2,675,000
Intcomex, Inc., 13.25%, 12/15/2014 144A	1,350,000	1,366,875
Jabil Circuit, Inc., 8.25%, 03/15/2018	5,275,000	5,710,187
Kemet Corp., 10.50%, 05/01/2018 144A	1,195,000	1,178,569
Sanmina-SCI Corp., 8.125%, 03/01/2016	905,000	916,313
Viasystem Group, Inc., 12.00%, 01/15/2015 144A	1,370,000	1,503,575
		<hr/>
		13,350,519
		<hr/>
<b>Internet Software &amp; Services</b> 0.4%		
Equinix, Inc., 8.125%, 03/01/2018	1,030,000	1,072,487
Terremark Worldwide, Inc., 12.25%, 06/15/2017 144A	1,390,000	1,598,500
		<hr/>
		2,670,987
		<hr/>
<b>IT Services</b> 1.3%		
First Data Corp.:		
9.875%, 09/24/2015	670,000	613,050

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10.55%, 09/24/2015 @	5,794,903	5,128,489
iPayment, Inc., 9.75%, 05/15/2014	1,230,000	1,134,675
Unisys Corp.:		
12.50%, 01/15/2016	460,000	514,050
12.75%, 10/15/2014 144A	650,000	763,750
14.25%, 09/15/2015 144A	510,000	615,825
		<hr/>
		8,769,839
		<hr/>
<b>Semiconductors &amp; Semiconductor Equipment 0.1%</b>		
Advanced Micro Devices, Inc., 5.75%, 08/15/2012	550,000	552,750
		<hr/>

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>MATERIALS 3.9%</b>		
<b>Chemicals 1.6%</b>		
Huntsman International, LLC, 5.50%, 06/30/2016 144A	\$890,000	\$809,900
Lyondell Chemical Co., 11.00%, 05/01/2018	9,263,821	9,871,806
MacDermid, Inc., 9.50%, 04/15/2017 144A	228,000	235,410
		<hr/> 10,917,116 <hr/>
<b>Construction Materials 0.6%</b>		
CPG International, Inc.:		
10.50%, 07/01/2013	1,755,000	1,772,550
FRN, 7.18%, 07/01/2012	550,000	528,000
Headwaters, Inc., 11.375%, 11/01/2014	950,000	1,004,625
Texas Industries, Inc., 7.25%, 07/15/2013	995,000	991,269
		<hr/> 4,296,444 <hr/>
<b>Containers &amp; Packaging 0.7%</b>		
Berry Plastics Corp., 9.50%, 05/15/2018 144A	625,000	619,531
Exopack Holding Corp., 11.25%, 02/01/2014	2,475,000	2,604,937
Graham Packaging Co., 8.25%, 01/01/2017 144A	1,105,000	1,117,431
Silgan Holdings, Inc., 7.25%, 08/15/2016	105,000	109,463
		<hr/> 4,451,362 <hr/>
<b>Metals &amp; Mining 0.7%</b>		
AK Steel Holding Corp., 7.625%, 05/15/2020 #	495,000	509,850
California Steel Industries, Inc., 6.125%, 03/15/2014	790,000	758,400
Edgen Murray Corp., 12.25%, 01/15/2015 144A	905,000	895,950
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 04/01/2017	2,485,000	2,786,306
Indalex Holdings Corp., 11.50%, 02/01/2014	3,170,000	35,663
		<hr/> 4,986,169 <hr/>
<b>Paper &amp; Forest Products 0.3%</b>		
Clearwater Paper Corp., 10.625%, 06/15/2016 144A	545,000	605,631
Georgia Pacific Corp.:		
8.25%, 05/01/2016 144A	60,000	65,700
8.875%, 05/15/2031	960,000	1,065,600

1,736,931

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**TELECOMMUNICATION SERVICES 4.3%**

**Diversified Telecommunication Services 2.7%**

Cincinnati Bell, Inc.:		
8.25%, 10/15/2017	1,410,000	1,431,150
8.75%, 03/15/2018	515,000	521,438
Citizens Communications Co., 7.875%, 01/15/2027	4,155,000	3,884,925
Frontier Communications Corp.:		
8.125%, 10/01/2018	2,025,000	2,075,625
8.25%, 05/01/2014	200,000	213,000
Global Crossing, Ltd., 12.00%, 09/15/2015 144A	410,000	460,225
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>TELECOMMUNICATION SERVICES</b> continued		
<b>Diversified Telecommunication Services</b> continued		
Qwest Corp.:		
6.875%, 07/15/2028	\$300,000	\$276,000
7.125%, 11/15/2043	795,000	735,375
7.25%, 09/15/2025	1,040,000	1,055,600
7.50%, 06/15/2023	1,370,000	1,376,850
7.625%, 08/03/2021	230,000	228,850
8.875%, 03/15/2012	2,875,000	3,140,937
SBA Telecommunications, Inc., 8.00%, 08/15/2016 144A	605,000	638,275
West Corp., 9.50%, 10/15/2014	65,000	67,275
Windstream Corp., 7.875%, 11/01/2017	2,330,000	2,312,525
		18,418,050
<b>Wireless Telecommunication Services</b> 1.6%		
Cricket Communications, Inc.:		
7.75%, 05/15/2016	405,000	420,188
9.375%, 11/01/2014	910,000	940,713
Crown Castle International Corp., 7.125%, 11/01/2019	75,000	75,375
iPCS, Inc., FRN, 5.00%, 05/01/2014 @	1,357,019	1,268,813
MetroPCS Communications, Inc., 9.25%, 11/01/2014	1,495,000	1,551,062
Sprint Nextel Corp.:		
6.90%, 05/01/2019	425,000	402,156
Ser. D, 7.375%, 08/01/2015	3,420,000	3,330,225
Ser. F, 5.95%, 03/15/2014	2,695,000	2,573,725
		10,562,257
<b>UTILITIES</b> 5.0%		
<b>Electric Utilities</b> 3.5%		
Aquila, Inc., Step Bond, 11.875%, 07/01/2012	6,545,000	7,683,810
CMS Energy Corp.:		
8.50%, 04/15/2011	355,000	373,423
8.75%, 06/15/2019	55,000	62,950
Edison Mission Energy:		
7.00%, 05/15/2017	60,000	43,725
7.20%, 05/15/2019	1,260,000	900,900
Energy Future Holdings Corp., FRN, 12.00%, 11/01/2017 @	3,440,818	2,494,593
Mirant Mid-Atlantic, LLC, Ser. C, 10.06%, 12/30/2028	3,614,632	3,930,913

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Mirant North America, LLC, 7.375%, 12/31/2013	1,920,000	1,972,800
NRG Energy, Inc.:		
7.25%, 02/01/2014	490,000	496,738
8.50%, 06/15/2019	1,430,000	1,453,237
Orion Power Holdings, Inc., 12.00%, 05/01/2010	3,780,000	3,780,000
Public Service Company of New Mexico, 7.95%, 05/15/2018	280,000	298,752
		<hr/>
		23,491,841
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>UTILITIES</b> continued		
<b>Independent Power Producers &amp; Energy Traders</b> 1.5%		
AES Corp., 8.875%, 02/15/2011	\$1,145,000	\$1,185,075
Dynegy Holdings, Inc.:		
6.875%, 04/01/2011	1,035,000	1,054,406
7.625%, 10/15/2026	2,415,000	1,666,350
Reliant Energy, Inc.:		
6.75%, 12/15/2014	3,309,000	3,404,134
7.625%, 06/15/2014	1,055,000	1,048,406
9.24%, 07/02/2017	1,173,658	1,214,854
9.68%, 07/02/2026	410,000	440,750
		<hr/> 10,013,975 <hr/>
<b>Multi-Utilities</b> 0.0%		
PNM Resources, Inc., 9.25%, 05/15/2015	200,000	215,250
		<hr/> 358,466,438 <hr/>
<i>Total Corporate Bonds (cost \$337,647,981)</i>		
<b>FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED)</b> 11.9%		
<b>CONSUMER DISCRETIONARY</b> 0.5%		
<b>Media</b> 0.4%		
Central European Media Enterprises, Ltd.:		
11.625%, 09/15/2016 EUR	450,000	650,080
FRN, 2.62%, 05/15/2014 EUR	250,000	279,605
UPC Holding BV, 9.625%, 12/01/2019 EUR	700,000	997,256
Ziggo Bond Co. BV, 8.00%, 05/15/2018 EUR	400,000	531,472
		<hr/> 2,458,413 <hr/>
<b>Multiline Retail</b> 0.1%		
Marks & Spencer Group plc, 6.375%, 11/07/2011 GBP	500,000	805,536
<b>CONSUMER STAPLES</b> 0.4%		
<b>Tobacco</b> 0.4%		
Imperial Tobacco Group plc, 8.375%, 02/17/2016 EUR	1,700,000	2,813,070
<b>FINANCIALS</b> 7.1%		
<b>Capital Markets</b> 0.1%		



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Morgan Stanley, 5.375%, 11/14/2013 GBP	560,000	899,045
<b>Commercial Banks 3.4%</b>		
Eurofima, 6.25%, 12/28/2018 AUD	2,450,000	2,207,843
European Investment Bank:		
3.125%, 04/15/2014 EUR	1,900,000	2,643,070
4.25%, 10/15/2014 EUR	2,300,000	3,338,505
6.125%, 01/23/2017 AUD	8,530,000	7,795,353
Instituto de Credito Oficial, 4.375%, 05/23/2012 EUR	1,800,000	2,497,500
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued</b>		
<b>FINANCIALS continued</b>		
<b>Commercial Banks continued</b>		
International Bank for Reconstruction & Development, 5.75%, 02/17/2015 AUD	950,000	\$870,697
Kreditanstalt fur Wiederaufbau, 6.375%, 02/17/2015 NZD	4,139,000	3,118,314
Rabobank Australia, Ltd., 6.25%, 11/22/2011 NZD	725,000	541,291
		<hr/> 23,012,573 <hr/>
<b>Consumer Finance 1.2%</b>		
British American Tobacco Finance plc, 5.375%, 06/29/2017 EUR	2,100,000	3,099,899
Cemex Finance, LLC: 4.75%, 03/05/2014 EUR	350,000	411,252
9.625%, 12/14/2017 EUR	335,000	460,532
HSBC Finance Corp., 7.00%, 03/27/2012 GBP	370,000	606,151
ISS Financing plc, 11.00%, 06/15/2014 EUR	450,000	662,064
Smurfit Kappa Funding plc, 7.25%, 11/15/2017 EUR	700,000	964,635
Virgin Media Finance plc: 8.75%, 04/15/2014 EUR	197,562	270,277
8.875%, 10/15/2019 GBP	300,000	493,487
Wind Acquisition Finance SpA: 9.75%, 12/01/2015 EUR	300,000	423,401
11.75%, 07/15/2017 EUR	350,000	517,268
		<hr/> 7,908,966 <hr/>
<b>Diversified Financial Services 0.9%</b>		
Bank of America Corp., 7.00%, 06/15/2016 EUR	1,350,000	2,051,402
CEDC Financial Corporation International, Inc., 8.875%, 12/01/2016 EUR	400,000	569,860
FMG Finance Property, Ltd., 9.75%, 09/01/2013 EUR	1,330,000	1,965,619
General Electric Capital Corp., 7.625%, 12/10/2014 NZD	2,000,000	1,533,562
		<hr/> 6,120,443 <hr/>
<b>Thriffs &amp; Mortgage Finance 1.5%</b>		
Nationwide Building Society, FRN, 3.75%, 01/20/2015 EUR	700,000	929,170
Realkredit Danmark, 2.00%, 01/01/2013 DKK	51,020,000	9,042,981

		9,972,151
		<hr/>
<b>HEALTH CARE 0.3%</b>		
<b>Pharmaceuticals 0.3%</b>		
Pfizer, Inc., 4.75%, 06/03/2016 EUR	1,200,000	1,752,915
		<hr/>
<b>INDUSTRIALS 0.9%</b>		
<b>Aerospace &amp; Defense 0.3%</b>		
Bombardier, Inc., 7.25%, 11/15/2016 EUR	1,430,000	1,999,172
		<hr/>
<b>Building Products 0.1%</b>		
HeidelbergCement AG, 8.00%, 01/31/2017 EUR	700,000	965,800
		<hr/>
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued</b>		
<b>INDUSTRIALS continued</b>		
<b>Commercial Services &amp; Supplies 0.1%</b>		
Iron Mountain, Inc., 6.75%, 10/15/2018 EUR	600,000	\$790,881
<b>Machinery 0.3%</b>		
Harsco Corp., 7.25%, 10/27/2010 GBP	1,000,000	1,555,083
Savcio Holdings, Ltd., 8.00%, 02/15/2013 EUR	250,000	331,198
		1,886,281
<b>Trading Companies &amp; Distributors 0.1%</b>		
Rexel SA, 8.25%, 12/15/2016 EUR	400,000	559,209
<b>MATERIALS 0.7%</b>		
<b>Chemicals 0.3%</b>		
Kerling plc, 10.625%, 01/28/2017 EUR	600,000	850,797
Rockwood Specialties Group, Inc., 7.625%, 11/15/2014 EUR	800,000	1,081,137
		1,931,934
<b>Containers &amp; Packaging 0.2%</b>		
Owens-Illinois European Group BV, 6.875%, 03/31/2017 EUR	900,000	1,216,279
Pregis Corp., FRN, 5.64%, 04/15/2013 EUR	300,000	359,492
		1,575,771
<b>Metals &amp; Mining 0.2%</b>		
New World Resources NV, 7.375%, 05/15/2015 EUR	1,000,000	1,291,506
<b>TELECOMMUNICATION SERVICES 0.8%</b>		
<b>Diversified Telecommunication Services 0.8%</b>		
France Telecom: 4.75%, 02/21/2017 EUR	2,000,000	2,898,087
7.25%, 01/28/2013 EUR	1,850,000	2,792,812
		5,690,899
<b>UTILITIES 1.2%</b>		
<b>Independent Power Producers &amp; Energy Traders 0.2%</b>		

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Infinis plc, 9.125%, 12/15/2014 GBP	645,000	1,021,424
<b>Multi-Utilities 1.0%</b>		
National Grid plc, 4.375%, 03/10/2020 EUR	3,000,000	4,077,112
Veolia Environnement SA, 4.00%, 02/12/2016 EUR	2,000,000	2,761,406
		<u>6,838,518</u>
<i>Total Foreign Bonds Corporate (Principal Amount Denominated in Currency Indicated) (cost \$79,629,589)</i>		<u>80,294,507</u>
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>FOREIGN BONDS GOVERNMENT (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 17.7%</b>		
Australia:		
Ser. 124, 5.75%, 05/15/2021 AUD	3,900,000	\$3,608,560
Ser. 25CI, 3.00%, 09/20/2025 AUD	6,650,000	6,408,048
Brazil, 12.50%, 01/05/2022 BRL	8,500,000	5,629,584
Denmark, 4.00%, 11/15/2015 DKK	7,125,000	1,369,550
France:		
2.25%, 07/25/2020 EUR	6,519,838	9,561,074
3.50%, 04/25/2020 EUR	2,675,000	3,622,211
Germany:		
3.25%, 01/04/2020 EUR	6,000,000	8,178,830
4.25%, 07/04/2039 EUR	2,505,000	3,673,012
Hungary, 6.75%, 02/24/2017 HUF	1,229,400,000	6,239,738
Korea:		
5.25%, 09/10/2015 KRW	2,850,000,000	2,679,363
5.25%, 03/10/2027 KRW	4,635,000,000	4,283,090
Malaysia, 3.84%, 08/12/2015 MYR	20,250,000	6,409,823
Mexico, 9.50%, 12/18/2014 MXN	73,625,000	6,663,310
Netherlands:		
3.75%, 01/15/2023 EUR	1,475,000	2,024,003
4.00%, 01/15/2037 EUR	4,350,000	5,973,959
New Zealand, 6.00%, 12/15/2017 NZD	7,205,000	5,337,450
Norway, 4.25%, 05/19/2017 NOK	58,000,000	10,405,165
Poland, 5.25%, 04/25/2013 PLN	16,970,000	5,851,690
Slovenia, 4.625%, 09/09/2024 EUR	1,425,000	1,967,972
Sweden:		
3.75%, 08/12/2017 SEK	70,385,000	10,288,773
4.25%, 03/12/2019 SEK	63,370,000	9,694,651
<i>Total Foreign Bonds Government (Principal Amount Denominated in Currency Indicated) (cost \$118,939,007)</i>		119,869,856
<b>WHOLE LOAN MORTGAGE-BACKED PASS THROUGH SECURITIES 2.7%</b>		
<b>FIXED-RATE 1.7%</b>		
Bear Stearns Comml. Mtge. Securities Trust, Ser. 2007-T28, Class AM, 5.84%, 09/11/2042	\$1,215,000	1,155,146
Bear Stearns Securities Trust, Ser. 2007, Class AM, 5.92%, 06/11/2050	2,290,000	2,105,073
	1,150,000	1,056,158

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Citigroup/Deutsche Bank Comml. Mtge. Trust, Ser. 206-CD3, Class AM, 5.65%, 10/15/2048		
Credit Suisse Comml. Mtge. Trust, Ser. 2007-C5, Class A4, 5.70%, 09/15/2040	4,060,000	3,863,505
Morgan Stanley Capital I Trust, Ser. 2006-IQ12: Class AM, 5.37%, 12/15/2043	1,010,000	909,436
Class AMFX, 5.37%, 12/15/2043	810,000	729,350
Wachovia Bank Comml. Mtge. Trust, Ser. 2006-C23, Class AM, 5.47%, 01/15/2045	1,415,000	1,336,167
		<hr/>
		11,154,835
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>WHOLE LOAN MORTGAGE-BACKED PASS THROUGH SECURITIES continued</b>		
<b>FLOATING-RATE 1.0%</b>		
American Home Mtge. Assets, Ser. 2006-2, Class 1A1, 1.42%, 09/25/2046	\$5,062,356	\$2,773,182
Greenwich Capital Comml. Funding Corp., Ser. 2006-GG7, Class AM, 6.08%, 07/10/2038	1,820,000	1,677,027
GSR Mtge. Loan Trust, Ser. 2007-AR1, Class 2A1, 5.85%, 03/25/2037	1,539,599	1,194,244
Lehman XS Trust, Ser. 2006-18N, Class A5A, 0.43%, 12/25/2036	4,135,000	1,373,741
		<hr/> 7,018,194 <hr/>
<i>Total Whole Loan Mortgage-Backed Pass Through Securities (cost \$18,071,853)</i>		<hr/> 18,173,029 <hr/>
<b>YANKEE OBLIGATIONS CORPORATE 10.2%</b>		
<b>CONSUMER DISCRETIONARY 0.2%</b>		
<b>Hotels, Restaurants &amp; Leisure 0.0%</b>		
Norwegian Cruise Line, Ltd., 11.75%, 11/15/2016 144A	60,000	66,600
		<hr/>
<b>Household Durables 0.2%</b>		
Desarrolladora Homex SAB de CV, 9.50%, 12/11/2019 144A	1,090,000	1,158,125
		<hr/>
<b>Media 0.0%</b>		
Videotron, Ltd., 9.125%, 04/15/2018	135,000	149,850
		<hr/>
<b>ENERGY 2.4%</b>		
<b>Oil, Gas &amp; Consumable Fuels 2.4%</b>		
Connacher Oil & Gas, Ltd.:		
10.25%, 12/15/2015 144A	2,415,000	2,487,450
11.75%, 07/15/2014 144A	625,000	687,500
Griffin Coal Mining Co., Ltd., 0.00%, 12/01/2016 144A	5,375,000	3,528,757
Mexichem SAB de CV, 8.75%, 11/06/2019 144A	665,000	738,150
OPTI Canada, Inc.:		
7.875%, 12/15/2014	2,420,000	2,305,050
8.25%, 12/15/2014	1,120,000	1,075,200
9.00%, 12/15/2012 144A	855,000	876,375
P2021 Rig Co., 13.50%, 12/15/2013 144A	1,395,000	1,440,337
RDS Ultra-Deepwater, Ltd., 11.875%, 03/15/2017 144A	1,215,000	1,263,600
Star Energy Group, 11.50%, 02/12/2015 144A	735,000	789,170



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Teekay Corp., 8.50%, 01/15/2020	985,000	1,039,175
		<hr/>
		16,230,764
		<hr/>
<b>FINANCIALS 2.5%</b>		
<b>Commercial Banks 0.3%</b>		
KfW Bankengruppe, 4.875%, 06/17/2019	2,000,000	2,154,526
		<hr/>
<b>Consumer Finance 1.1%</b>		
NXP Funding, LLC:		
7.875%, 10/15/2014	190,000	187,150
9.50%, 10/15/2015	685,000	673,012
Petroplus Finance, Ltd., 5.75%, 01/20/2020	2,150,000	2,183,678
Sable International Finance, Ltd., 7.75%, 02/15/2017 144A	350,000	363,125
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>YANKEE OBLIGATIONS CORPORATE continued</b>		
<b>FINANCIALS continued</b>		
<b>Consumer Finance continued</b>		
Virgin Media Finance plc, 9.125%, 08/15/2016	\$100,000	\$106,750
Wind Acquisition Finance SA, 11.75%, 07/15/2017 144A	3,690,000	4,105,125
		<hr/> 7,618,840 <hr/>
<b>Diversified Financial Services 1.1%</b>		
FMG Finance Property, Ltd., 10.625%, 09/01/2016 144A	3,085,000	3,624,875
Preferred Term Securities XII, Ltd., FRN, 0.96%, 12/24/2033 +	635,000	3,975
Ship Finance International, Ltd., 8.50%, 12/15/2013	3,465,000	3,465,000
		<hr/> 7,093,850 <hr/>
<b>INDUSTRIALS 2.0%</b>		
<b>Road &amp; Rail 2.0%</b>		
Kansas City Southern de Mexico:		
7.375%, 06/01/2014	5,355,000	5,462,100
8.00%, 02/01/2018 144A	6,660,000	6,943,050
12.50%, 04/01/2016	625,000	739,062
		<hr/> 13,144,212 <hr/>
<b>Transportation Infrastructure 0.0%</b>		
Navios Maritime Holdings, Inc., 8.875%, 11/01/2017 144A	145,000	151,525
<b>MATERIALS 1.9%</b>		
<b>Chemicals 0.2%</b>		
NOVA Chemicals Corp.:		
8.375%, 11/01/2016 144A	475,000	492,813
8.625%, 11/01/2019 144A	675,000	705,375
		<hr/> 1,198,188 <hr/>
<b>Metals &amp; Mining 0.8%</b>		
Novelis, Inc., 7.25%, 02/15/2015	1,105,000	1,088,425
Teck Resources, Ltd.:		
9.75%, 05/15/2014	660,000	801,900
10.75%, 05/15/2019	2,050,000	2,552,250
Vedanta Resources plc, 9.50%, 07/18/2018 144A	985,000	1,078,575

		<u>5,521,150</u>
<b>Paper &amp; Forest Products 0.9%</b>		
PE Paper Escrow GmbH, 12.00%, 08/01/2014 144A	895,000	1,020,300
Sappi, Ltd.:		
6.75%, 06/15/2012 144A	1,675,000	1,675,000
7.50%, 06/15/2032 144A	4,445,000	3,489,325
		<u>6,184,625</u>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Principal Amount	Value
<b>YANKEE OBLIGATIONS CORPORATE continued</b>		
<b>TELECOMMUNICATION SERVICES 1.1%</b>		
<b>Wireless Telecommunication Services 1.1%</b>		
Digicel Group, Ltd.:		
8.25%, 09/01/2017 144A	\$1,455,000	\$1,487,738
12.00%, 04/01/2014 144A	945,000	1,082,025
Intelsat, Ltd.:		
8.50%, 01/15/2013	2,495,000	2,538,662
8.50%, 11/01/2019 144A	850,000	894,625
8.875%, 01/15/2015 144A	105,000	108,675
8.875%, 01/15/2015	234,000	243,360
11.25%, 06/15/2016	275,000	297,688
Telesat Canada, Inc., 11.00%, 11/01/2015	905,000	1,013,600
		<u>7,666,373</u>
<b>UTILITIES 0.1%</b>		
<b>Electric Utilities 0.1%</b>		
E.ON AG, 5.80%, 04/30/2018	1,000,000	1,083,608
<i>Total Yankee Obligations Corporate (cost \$61,881,295)</i>		<u>69,422,236</u>
	<b>Shares</b>	<b>Value</b>
<b>COMMON STOCKS 0.1%</b>		
<b>MATERIALS 0.1%</b>		
<b>Chemicals 0.1%</b>		
LyondellBasell (cost \$477,174)	54,694	1,002,920
<b>PREFERRED STOCKS 0.1%</b>		
<b>FINANCIALS 0.1%</b>		
<b>Consumer Finance 0.1%</b>		
GMAC, LLC, 7.00% (cost \$470,400)	560	475,598
	<b>Principal Amount</b>	<b>Value</b>

**CONVERTIBLE DEBENTURES 0.1%**

**INFORMATION TECHNOLOGY 0.1%**

**Communications Equipment 0.1%**

Lucent Technologies, Inc., 2.875%, 06/15/2025 (cost \$776,007)	\$1,145,000	1,009,031
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**LOANS 3.9%**

**CONSUMER DISCRETIONARY 1.3%**

Metaldyne Corp., FRN, 13.00%, 04/09/2014	3,113,737	3,221,472
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Newsday, LLC, 10.50%, 07/15/2013	2,755,000	3,003,722
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Sugarhouse HSP Gaming Properties, LP, FRN, 11.25%, 09/11/2014	1,215,000	1,203,968
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Tower Automotive Holdings, FRN, 4.56%, 07/31/2013	391,975	233,225
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Universal City Development, Ltd, FRN, 7.75%, 10/29/2014	1,211,963	1,230,578
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8,892,965

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See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>LOANS continued</b>		
<b>CONSUMER STAPLES 0.4%</b>		
Merisant Co., FRN, 7.75%, 01/08/2014	\$3,162,860	\$3,055,702
<b>ENERGY 0.9%</b>		
Saint Acquisition Corp., FRN, 6.31%, 06/05/2014	2,848,489	2,778,501
Semgroup Energy Partners, FRN, 8.25%, 07/20/2012	3,491,133	3,484,326
		6,262,827
<b>FINANCIALS 0.2%</b>		
Realogy Corp., FRN: 3.29%, 09/01/2014	1,038,927	945,829
3.375%, 09/01/2014	279,711	254,646
		1,200,475
<b>INDUSTRIALS 0.1%</b>		
Neff Corp., FRN, 3.76%, 05/31/2013	613,750	523,302
<b>INFORMATION TECHNOLOGY 0.1%</b>		
Spansion, Inc., N/A, 01/08/2015 <	650,000	660,042
<b>MATERIALS 0.2%</b>		
LyondellBasell, FRN: 3.75%, 12/20/2013 <	508,483	305,578
4.00%, 12/22/2014 <	310,689	186,768
7.00%, 12/20/2013 <	1,348,164	810,435
		1,302,781
<b>TELECOMMUNICATION SERVICES 0.4%</b>		
FairPoint Communications, Inc., FRN, 3.25%, 03/08/2015 <	3,200,398	2,660,363
<b>UTILITIES 0.3%</b>		
Scorpion Holding Co., Ltd., FRN, 7.75%, 05/08/2014	1,730,000	1,706,039
<i>Total Loans (cost \$24,181,087)</i>		26,264,496

	<b>Shares</b>	<b>Value</b>
<b>CLOSED END MUTUAL FUND SHARES 0.4%</b>		
Dreyfus High Yield Strategies Fund, Inc.	165,077	714,784
Eaton Vance Limited Duration Income Trust	53,764	891,945
LMP Corporate Loan Fund, Inc.	16,391	199,642
New America High Income Fund, Inc.	90,309	876,900
		<hr/>
<i>Total Closed End Mutual Fund Shares (cost \$1,408,818)</i>		2,683,271
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

	Shares	Value
<b>SHORT-TERM INVESTMENTS</b> 1.9%		
<b>MUTUAL FUND SHARES</b> 1.9%		
Evergreen Institutional Money Market Fund, Class I, 0.02% q ø ## (cost \$12,734,074)	12,734,074	\$12,734,074
<b>Total Investments (cost \$864,546,625)</b> 133.1%		901,813,556
<b>Other Assets and Liabilities and Preferred Shares</b> (33.1%)		(224,394,858 )
<b>Net Assets Applicable to Common Shareholders</b> 100.0%		\$677,418,698

μ All or a portion of this security has been segregated as collateral for reverse repurchase agreements.

# When-issued or delayed delivery security

144A Security that may be sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. This security has been determined to be liquid under guidelines established by the Board of Trustees, unless otherwise noted.

Security which has defaulted on payment of interest and/or principal. The Fund has stopped accruing interest on this security.

The rate shown is the stated rate at the current period end.

@ Security is currently paying interest in-kind.

Security initially issued in zero coupon form which converts to coupon form at a specified rate and date. An effective interest rate is applied to recognize interest income daily for the bond. This rate is based on total expected interest to be earned over the life of the bond which consists of the aggregate coupon-interest payments and discount at acquisition. The rate shown is the stated rate at the current period end.

+ Security is deemed illiquid.

< All or a portion of the position represents an unfunded loan commitment.

q Rate shown is the 7-day annualized yield at period end.

ø Evergreen Investment Management Company, LLC is the investment advisor to both the Fund and the money market fund.

## All or a portion of this security has been segregated for when-issued, delayed delivery securities and/or unfunded loans.

**Summary of Abbreviations**

AUD Australian Dollar

BRL Brazil Real

DKK Danish Krone

EUR Euro

FHLB Federal Home Loan Bank



FHLMC Federal Home Loan Mortgage Corporation  
FNMA Federal National Mortgage Association  
FRN Floating Rate Note  
GBP Great British Pound  
GNMA Government National Mortgage Association  
HUF Hungarian Forint  
KRW Republic of Korea Won  
MXN Mexican Peso  
MYR Malaysian Ringgit  
NOK Norwegian Krone  
NZD New Zealand Dollar  
PLN Polish Zloty  
SEK Swedish Krona  
See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

April 30, 2010 (unaudited)

The following table shows the percentage of total long-term investments by geographic location as of April 30, 2010:

United States	71.7	%
France	2.5	%
Mexico	2.4	%
Luxembourg	2.3	%
Sweden	2.2	%
Germany	2.1	%
United Kingdom	1.8	%
Australia	1.8	%
Netherlands	1.6	%
Canada	1.5	%
Bermuda	1.3	%
Denmark	1.2	%
Norway	1.2	%
South Korea	0.8	%
Malaysia	0.7	%
Hungary	0.7	%
Austria	0.7	%
Poland	0.7	%
Brazil	0.6	%
New Zealand	0.6	%
Cayman Islands	0.6	%
Spain	0.3	%
Switzerland	0.2	%
Slovenia	0.2	%
Marshall Islands	0.1	%
Ireland	0.1	%
British Virgin Islands	0.1	%
	<hr/>	
	100.0	%
	<hr/>	

The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of April 30, 2010:

AAA	39.8	%
AA	1.0	%
A	4.3	%
BBB	7.1	%
BB	19.5	%
B	24.7	%
CCC	2.5	%

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Less than CCC	0.5	%
NR	0.6	%
	<u>        </u>	
	100.0	%

The following table shows the percent of total bonds based on effective maturity as of April 30, 2010:

Less than 1 year	3.4	%
1 to 3 year(s)	13.4	%
3 to 5 years	34.1	%
5 to 10 years	36.7	%
10 to 20 years	8.6	%
20 to 30 years	3.8	%
	<u>        </u>	
	100.0	%

See Notes to Financial Statements

**STATEMENT OF ASSETS AND LIABILITIES**

April 30, 2010 (unaudited)

**Assets**

Investments in unaffiliated issuers, at value (cost \$851,812,551)	\$889,079,482
Investments in affiliated issuers, at value (cost \$12,734,074)	12,734,074

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Total investments	901,813,556
Cash	3,141,613
Foreign currency, at value (cost \$2,931,245)	2,917,687
Receivable for securities sold	6,057,386
Principal paydown receivable	1,687,868
Dividends and interest receivable	14,827,320
Unrealized gains on forward foreign currency exchange contracts	64,501

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Total assets	930,509,931
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**Liabilities**

Dividends payable applicable to common shareholders	4,554,707
Payable for securities purchased	15,681,754
Unrealized losses on forward foreign currency exchange contracts	2,319,431
Payable for reverse repurchase agreements	100,263,780
Secured borrowing payable	50,002,958
Advisory fee payable	40,972
Due to other related parties	3,725
Accrued expenses and other liabilities	188,462

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Total liabilities	173,055,789
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**Preferred shares at redemption value**

\$25,000 liquidation value per share applicable to 3,200 shares, including dividends payable of \$35,444	80,035,444
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<b>Net assets applicable to common shareholders</b>	<b>\$677,418,698</b>
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**Net assets applicable to common shareholders represented by**

Paid-in capital	\$780,363,049
Overdistributed net investment income	(5,261,675 )
Accumulated net realized losses on investments	(132,618,964)
Net unrealized gains on investments	34,936,288

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<b>Net assets applicable to common shareholders</b>	<b>\$677,418,698</b>
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**Net asset value per share applicable to common shareholders**

Based on \$677,418,698 divided by 42,055,000 common shares issued and outstanding (100,000,000 common shares authorized)	\$16.11
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See Notes to Financial Statements

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**STATEMENT OF OPERATIONS**

Six Months Ended April 30, 2010 (unaudited)

**Investment income**

Interest (net of foreign withholding taxes of \$11,051)	\$30,831,177
Dividends	147,727
Income from affiliated issuers	3,350
<hr/>	
Total investment income	30,982,254

**Expenses**

Advisory fee	2,451,893
Administrative services fee	222,899
Transfer agent fees	12,902
Trustees' fees and expenses	14,519
Printing and postage expenses	71,100
Custodian and accounting fees	150,904
Professional fees	54,202
Secured borrowing fees	3,017,611
Auction agent fees	115,307
Interest expense	240,577
Other	22,934
<hr/>	
Total expenses	6,374,848
Less: Expense reductions	(48 )
Fee waivers and expense reimbursements	(2,676,565 )
<hr/>	
Net expenses	3,698,235

<b>Net investment income</b>	<b>27,284,019</b>
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**Net realized and unrealized gains or losses on investments**

Net realized gains on:	
Securities in unaffiliated issuers	17,382,227
Foreign currency related transactions	2,649,363
Credit default swap transactions	73,079
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Net realized gains on investments	20,104,669
<hr/>	
Net change in unrealized gains or losses on:	
Securities in unaffiliated issuers	5,068,465
Foreign currency related transactions	(3,555,571 )
Credit default swap transactions	37,432
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Net change in unrealized gains or losses on investments	1,550,326
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Net realized and unrealized gains or losses on investments	21,654,995

Dividends to preferred shareholders from net investment income	(597,008 )
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Net increase in net assets applicable to common shareholders resulting from operations	\$48,342,006
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See Notes to Financial Statements

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**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>Six Months Ended April 30, 2010 (unaudited)</b>	<b>Year Ended October 31, 2009</b>
<b>Operations</b>		
Net investment income	\$27,284,019	\$56,065,790
Net realized gains or losses on investments	20,104,669	(82,729,783 )
Net change in unrealized gains or losses on investments	1,550,326	219,707,920
Dividends to preferred shareholders from net investment income	(597,008 )	(1,398,858 )
Net increase in net assets resulting from operations	48,342,006	191,645,069
<b>Distributions to common shareholders from</b>		
Net investment income	(27,327,339 )	(92,405,516 )
Tax basis return of capital	0	(9,350,761 )
Total distributions to common shareholders	(27,327,339 )	(101,756,277 )
Total increase in net assets applicable to common shareholders	21,014,667	89,888,792
<b>Net assets applicable to common shareholders</b>		
Beginning of period	656,404,031	566,515,239
End of period	\$677,418,698	\$656,404,031
Overdistributed net investment income	\$(5,261,675 )	\$(4,621,347 )

See Notes to Financial Statements



**STATEMENT OF CASH FLOWS**

April 30, 2010 (unaudited)

**Cash flows from operating activities:**

Net increase in net assets resulting from operations	\$48,342,006
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities	(444,323,690)
Proceeds from sales of securities	388,673,754
Paydowns	26,455,059
Amortization	(3,060,499 )
Swap payments received	73,079
Preferred Share distributions	597,008
Sale of short-term investment securities, net	30,920,539
Increase in dividends and interest receivable	(299,718 )
Decrease in receivable for securities sold	1,846,476
Increase in principal paydown receivable	(872,367 )
Decrease in premiums paid on credit default swap transactions	176,147
Amortization of prepaid structuring fee	1,656,989
Decrease in segregated cash	1,070,000
Decrease in payable for securities purchased	(3,652,720 )
Decrease in premiums received on credit default swaps transactions	(1,020,610 )
Decrease in advisory fee payable	(82,863 )
Decrease in due to other related parties	(27,693 )
Decrease in accrued expenses and other liabilities	(421,403 )
Unrealized appreciation on securities	5,068,465
Unrealized appreciation on credit default swap transactions	37,432
Unrealized appreciation on foreign currency related transactions	(3,555,571 )
Net realized gains on credit default swap transactions	(73,079 )
Net realized gains on investments	(17,382,227 )
<hr/>	
Net cash provided by operating activities	30,144,514
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**Cash flows from financing activities:**

Cash distributions paid on preferred shares	(596,622 )
Cash distributions paid on common shares	(27,327,339 )
Decrease in reverse repurchase agreements	(17,002 )
Decrease in payable to investment advisor for structuring fee	(1,600,000 )
Increase in secured borrowing	24,348
<hr/>	
Net cash used in financing activities	(29,516,615 )
<hr/>	
Net increase in cash	627,899
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**Cash (including foreign currency):**

Beginning of period	\$5,431,401
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End of period	\$6,059,300
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**Supplemental cash disclosure:**

Cash paid for interest	\$254,621
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See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS (unaudited)

### 1. ORGANIZATION

Evergreen Multi-Sector Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income consistent with its overall exposure to domestic interest rate risk.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from these estimates. Management has considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the balance sheet date through the date the financial statements are issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

#### a. Valuation of investments

Portfolio debt securities acquired with more than 60 days to maturity are fair valued using matrix pricing methods determined by an independent pricing service which takes into consideration such factors as similar security prices, yields, maturities, liquidity and ratings. Securities for which valuations are not readily available from an independent pricing service may be valued by brokers which use prices provided by market makers or estimates of fair market value obtained from yield data relating to investments or securities with similar characteristics.

Listed equity securities are usually valued at the last sales price or official closing price on the national securities exchange where the securities are principally traded. If there has been no sale, the securities are valued at the mean between bid and asked prices. Non-listed preferred securities are valued using evaluated prices determined by an independent pricing service which takes into consideration such factors as similar security prices, spreads, liquidity, benchmark quotes and market conditions. Securities for which valuations are not readily available from an independent pricing service may be valued by brokers who use prices provided by market makers or estimates of market value obtained from yield data relating to investments or securities with similar characteristics.

In January 2010, the Fund changed its pricing for all evaluated prices for taxable fixed income securities and non-listed preferred stocks from mean to bid prices. The change was the result of the investment advisor's analysis of which price estimate (mean or bid) provided the better estimate of value. The estimated impact on the Fund's net asset value (NAV) per share on the day of the change was a decrease of approximately \$0.06.

**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued

Short-term securities of sufficient credit quality with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates fair value.

Investments in open-end mutual funds are valued at net asset value. Securities for which market quotations are not readily available or not reflective of current fair value are valued at fair value as determined by the investment advisor in good faith, according to procedures approved by the Board of Trustees.

The valuation techniques used by the Fund to measure fair value are consistent with the market approach, income approach and/or cost approach, where applicable, for each security type.

**b. Reverse repurchase agreements**

To obtain short-term financing, the Fund may enter into reverse repurchase agreements with banks and other financial institutions, which are deemed by the investment advisor to be creditworthy. At the time the Fund enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing qualified assets having a value not less than the repurchase price, including accrued interest. If the counterparty to the transaction is rendered insolvent, the Fund may be delayed or limited in the repurchase of the collateral securities.

**c. Foreign currency translation**

All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for that portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses on investments.

**d. Futures contracts**

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund may buy and sell futures contracts in order to gain exposure to, or protect against changes in, security values. The primary risks associated with the use of futures contracts are the imperfect correlation between changes in market values of securities held by the Fund and the prices of futures contracts, and the possibility of an illiquid market.

Futures contracts are valued based upon their quoted daily settlement prices. The aggregate principal amounts of the contracts are not recorded in the financial statements. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities as an asset or liability and in the Statement of Operations as unrealized gains or losses until the contracts are closed, at which point they are recorded as net realized gains or losses on futures contracts. With futures contracts, there is minimal counterparty risk

**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued

to the Fund since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

**e. Forward foreign currency contracts**

The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. A forward foreign currency contract is an agreement between two parties to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate transactions in foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market daily. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on foreign currency related transactions. The Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably. The Fund's maximum risk of loss from counterparty credit risk is the unrealized gains or losses on the contracts. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty.

**f. When-issued and delayed delivery transactions**

The Fund records when-issued or delayed delivery securities as of trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked-to-market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

**g. Loans**

The Fund may purchase loans through an agent, by assignment from another holder of the loan or as a participation interest in another holder's portion of the loan. Loans are purchased on a when-issued or delayed delivery basis. Interest income is accrued based on the terms of the securities. Fees earned on loan purchasing activities are recorded as income when earned. Loans involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

**h. Securities lending**

The Fund may lend its securities to certain qualified brokers in order to earn additional income. The Fund receives compensation in the form of fees or interest earned on the investment of any cash collateral received. The Fund also continues to receive interest and dividends on the securities loaned. The Fund receives collateral in the form of cash or securities with a market value at least equal to the market value of the securities on loan, including accrued interest. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the loaned securities or in gaining

**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued

access to the collateral. In addition, the investment of any cash collateral received may lose all or part of its value. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

**i. Dollar roll transactions**

The Fund may enter into dollar roll transactions with respect to mortgage-backed securities. In a dollar roll transaction, the Fund sells mortgage-backed securities to financial institutions and simultaneously agrees to accept substantially similar (same type, coupon and maturity) securities at a later date at an agreed upon price. The Fund will use the proceeds generated from the transactions to invest in short-term investments, which may enhance the Fund's current yield and total return. The Fund accounts for dollar roll transactions as purchases and sales. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform under the terms of the agreement, if the Fund receives inferior securities in comparison to what was sold to the counterparty at redelivery or if there are variances in paydown speed between the mortgage-related pools.

**j. Interest rate swaps**

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund may enter into interest rate swap contracts for hedging purposes to manage the Fund's exposure to interest rates. Interest rate swaps involve the exchange between the Fund and another party of their commitments to pay or receive interest based on a notional principal amount.

The value of the swap contract is marked-to-market daily based upon quotations from brokers which use prices provided by market makers and any change in value is recorded as an unrealized gain or loss. Payments made or received are recorded as realized gains or losses. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform or if there are unfavorable changes in the fluctuation of interest rates. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

**k. Credit default swaps**

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts for hedging or speculative purposes to provide or receive a measure of protection against default on a referenced entity, obligation or index. Credit default swaps involve an exchange of a stream of payments for protection against the loss in value of an underlying security or index. Under the terms of the swap, one party acts as a guarantor (referred to as the seller of protection) and receives a periodic stream of payments, provided that there is no credit event, from another party (referred to as the buyer of protection) that is a fixed percentage applied to a notional principal amount over the term of the swap. An index credit default swap references

**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued

all the names in the index, and if a credit event is triggered, the credit event is settled based on that name's weight in the index. A credit event includes bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring. The Fund may enter into credit default swaps as either the seller of protection or the buyer of protection. As the seller of protection, the Fund is subject to investment exposure on the notional amount of the swap and has assumed the risk of default of the underlying security or index. As the buyer of protection, the Fund could be exposed to risks if the seller of the protection defaults on its obligation to perform, or if there are unfavorable changes in the fluctuation of interest rates. The maximum potential amount of future payments (undiscounted) that the Fund as the seller of protection could be required to make under the credit default swap contract would be an amount equal to the notional amount of the swap contract. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

If the Fund is the seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of protection the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index. If the Fund is the buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will receive from the seller of protection the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index.

Any premiums paid or received on the transactions are recorded as an asset or liability on the Statement of Assets and Liabilities and amortized. The value of the swap contract is marked-to-market daily based on quotations from an independent pricing service or market makers and any change in value is recorded as an unrealized gain or loss. Periodic payments made or received are recorded as realized gains or losses. In addition, payments received or made as a result of a credit event or termination of the contract are recognized as realized gains or losses.

Certain credit default swap contracts entered into by the Fund provide for conditions that result in events of default or termination that enable the counterparty to the agreement to cause an early termination of the transactions under those agreements. Any election by the counterparty to terminate early may impact the amounts reported on the financial statements.

**I. Security transactions and investment income**

Security transactions are recorded on trade date. Realized gains and losses are computed using the specific cost of the security sold. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced

**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued

by writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. If the issuer subsequently resumes interest payments or when the collectibility of interest is reasonably assured, the debt obligation is removed from non-accrual status. Dividend income is recorded on the ex-dividend date. Foreign income and capital gains realized on some securities may be subject to foreign taxes, which are accrued as applicable.

**m. Federal and other taxes**

The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income, including any net capital gains (which have already been offset by available capital loss carryovers). Accordingly, no provision for federal taxes is required. The Fund's income and excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal, Massachusetts and Delaware revenue authorities.

**n. Distributions**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

**3. ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES**

Evergreen Investment Management Company, LLC ( EIMC ), a subsidiary of Wells Fargo & Company ( Wells Fargo ), is the investment advisor to the Fund and is paid an annual fee of 0.55% of the Fund's average daily total assets. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes. For the six months ended April 30, 2010, the advisory fee was equivalent to an annual rate of 0.74% of the Fund's average daily net assets applicable to common shareholders.

First International Advisors, LLC, an affiliate of EIMC and a majority-owned subsidiary of Wells Fargo, is the investment sub-advisor to the Fund and is paid by EIMC for its services to the Fund.

Tattersall Advisory Group, Inc., an affiliate of EIMC and an indirect, wholly-owned subsidiary of Wells Fargo, is also an investment sub-advisor to the Fund and is paid by EIMC for its services to the Fund.

From time to time, EIMC may voluntarily or contractually waive its fee and/or reimburse expenses in order to limit operating expenses. During the six months ended April 30, 2010, EIMC contractually waived its advisory fee in the amount of \$1,530,991. These contractual waivers were put in place to ensure the costs incurred by the Fund under the Facility (see Note 4), as a percentage of the average outstanding borrowings, would not exceed the costs that would have been incurred if the Preferred Shares had not been redeemed less 0.05%.



**NOTES TO FINANCIAL STATEMENTS** (unaudited) continued