EATON VANCE LIMITED DURATION INCOME FUND
Form N-CSR
July 09, 2004

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: 811-21323

Eaton Vance Limited Duration Income Fund
(Exact Name of registrant as Specified in Charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109
(Address of Principal Executive Offices)

Alan R. Dynner
The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109
(Name and Address of Agent for Services)

(617) 482-8260
(registrant's Telephone Number)

April 30
Date of Fiscal Year End

April 30, 2004
Date of Reporting Period

ITEM 1. REPORTS TO STOCKHOLDERS

[EATON VANCE(R) MANAGEMENT INVESTMENTS LOGO]

[GRAPHIC]

ANNUAL REPORT APRIL 30, 2004

[GRAPHIC]

EATON VANCE LIMITED DURATION INCOME FUND

[GRAPHIC]

EATON VANCE FUNDS
EATON VANCE MANAGEMENT
BOSTON MANAGEMENT AND RESEARCH
EATON VANCE DISTRIBUTORS, INC.

PRIVACY NOTICE

The Eaton Vance organization is committed to ensuring your financial privacy. This notice is being sent to comply with privacy regulations of the Securities and Exchange Commission. Each of the above financial institutions has in effect the following policy with respect to nonpublic personal information about its customers:

- Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected.

- None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account).

- Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

For more information about Eaton Vance's privacy policies, call: 1-800-262-1122

IMPORTANT NOTICE
REGARDING DELIVERY OF
SHAREHOLDER DOCUMENTS

The Securities and Exchange Commission permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called "householding" and it helps eliminate duplicate mailings to shareholders.

EATON VANCE, OR YOUR FINANCIAL ADVISER, MAY HOUSEHOLD THE MAILING OF YOUR DOCUMENTS INDEFINITELY UNLESS YOU INSTRUCT EATON VANCE, OR YOUR FINANCIAL ADVISER, OTHERWISE.

If you would prefer that your Eaton Vance documents not be householded, please contact Eaton Vance at 1-800-262-1122, or contact your financial adviser.

Your instructions that householding not apply to delivery of your Eaton Vance documents will be effective within 30 days of receipt by Eaton Vance or your financial adviser.

From time to time, funds are required to vote proxies related to the securities held by the funds. The Eaton Vance Funds or their underlying Portfolios vote proxies according to a set of policies and procedures approved by the Funds' and Portfolios' Boards. You may obtain a description of these policies and procedures without charge, upon request, by calling 1-800-262-1122. This description is also available on the Securities and Exchange Commission's website at http://www.sec.gov.

EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004

LETTER TO SHAREHOLDERS

[PHOTO OF THOMAS E. FAUST JR.]
Thomas E. Faust Jr.
President

We are pleased to welcome shareholders of Eaton Vance Limited Duration Income Fund with this initial annual shareholder report. Based on share price (traded on the American Stock Exchange), the Fund had a total return of 0.13% for the period from inception on May 30, 2003 through April 30, 2004. That return was the result of a decrease in share price to $17.81 on April 30, 2004 from $19.10 on May 30, 2003, and the reinvestment of $1.345 in regular monthly dividends.(1)

Based on net asset value, the Fund had a total return of 7.22% for the same period. That return was the result of a decrease in net asset value per share to $19.07 on April 30, 2004 from $19.10 on May 30, 2003, and the reinvestment of all distributions.(1)

Based on the most recent dividend and a share price of $17.81, the Fund had a market yield of 9.06% at April 30, 2004.(2) On April 30, 2004, the Fund's share price on the American Stock Exchange traded at a 6.6% discount to its underlying net asset value.

THE FINANCIAL MARKETS RESPONDED TO SIGNS OF AN ECONOMIC RECOVERY...

The Fund made its debut during a year that provided investors with a host of challenges and opportunities, as the financial markets responded to growing economic momentum, rising inflation and ongoing geo-political concerns. The Fund's primary goal is to provide a high level of current income. The Fund typically expects to maintain a duration of between two and four years and invests primarily in three market segments: mortgage-backed securities, senior floating-rate loans, and non-investment-grade corporate bonds. At April 30, 2004, the Fund's investments (as a percentage of net assets) - including the effect of leverage were invested 50.6% in mortgage-backed securities (MBS), 48.8% in non-investment grade corporate bonds and 46.8% in senior floating-rate loans.(3)

The Fund's investment areas each made steps toward recovery during the period. The loan market recovered from its previous sharp declines. The MBS market stabilized following the dramatically lower interest rates and unusually high prepayment rates of 2003. And the non-investment grade bond market - so closely tied to economic activity - turned in a very strong performance.

THE FUND OFFERS A VERSATILE APPROACH...

A stronger economy can be a mixed blessing for fixed-income investors, as the potential for inflation and higher interest rates can pose a major threat. With its blend of asset classes - MBS, floating-rate loans and non-investment grade bonds - we believe that the Fund offers a versatile fixed-income approach in a period of economic growth. In the following pages, Scott Page, Payson Swaffield, Susan Schiff and Michael Weilheimer review the Fund's activities in its first year of operation.

Sincerely,

/s/ Thomas E. Faust Jr.
Thomas E. Faust Jr.
President
June 9, 2004

FUND INFORMATION
as of April 30, 2004

PERFORMANCE(1)

| | |
|---|---|
| Average Annual Total Return (by share price, American Stock Exchange) | |
| Life of Fund (5/30/03) | 0.13% |
| Average Annual Total Return (by net asset value) | |
| Life of Fund (5/30/03) | 7.22% |

(1) RETURNS ARE HISTORICAL AND ARE CALCULATED BY DETERMINING THE PERCENTAGE CHANGE IN MARKET VALUE OR NET ASSET VALUE WITH ALL DISTRIBUTIONS REINVESTED. SHARE PRICE AND NET ASSET VALUE ON 5/30/03 ARE CALCULATED ASSUMING A PURCHASE PRICE OF $20.00 LESS THE SALES LOAD OF $0.90 PER SHARE PAID BY THE SHAREHOLDER. PERFORMANCE RESULTS REFLECT THE EFFECT OF LEVERAGE RESULTING FROM THE FUND'S ISSUANCE OF AUCTION PREFERRED SHARES. FOR PERFORMANCE AS OF THE MOST RECENT MONTH-END, PLEASE REFER TO www.eatonvance.com.

(2) THE FUND'S MARKET YIELD IS CALCULATED BY DIVIDING THE MOST RECENT DIVIDEND PER SHARE BY THE SHARE MARKET PRICE AT THE END OF THE PERIOD AND ANNUALIZING THE RESULT.

(3) IN THE EVENT OF A RISE IN LONG-TERM INTEREST RATES, THE VALUE OF THE FUND'S INVESTMENT PORTFOLIO COULD DECLINE, WHICH WOULD REDUCE THE ASSET COVERAGE FOR ITS AUCTION PREFERRED SHARES.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN SOLD, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. PERFORMANCE IS FOR THE STATED TIME PERIOD ONLY; DUE TO MARKET VOLATILITY, THE FUND'S CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE QUOTED RETURN.

SHARES ARE NOT INSURED BY THE FDIC AND ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, OR GUARANTEED BY, ANY DEPOSITORY INSTITUTION. SHARES ARE SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL INVESTED. YIELD WILL VARY.



EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004
MANAGEMENT DISCUSSION

AN INTERVIEW WITH SCOTT H. PAGE, PAYSON F. SWAFFIELD, SUSAN SCHIFF AND MICHAEL W. WEILHEIMER, VICE PRESIDENTS AND PORTFOLIO MANAGERS OF EATON VANCE LIMITED DURATION INCOME FUND.

[PHOTO OF SCOTT H. PAGE]

Scott H. Page

Q: SCOTT, HOW WOULD YOU CHARACTERIZE THE LOAN MARKET IN THE PERIOD SINCE THE FUND'S INCEPTION?

A: MR. PAGE: The loan market has responded well to signs of a stronger economy. That has been especially true of economically sensitive industrial and technology companies, which have seen a recovery in orders in response to increased capital spending. In addition, many companies are now reaping the benefits of having cut costs and restructured operations during the

economic downturn, moves that left them with leaner operations, stronger finances and globally more competitive. Moreover, the overall credit environment has improved in the course of the past year.

Meanwhile, there have been signs that inflation is increasing with the the stronger economy. Short-term interest rates, which have been near 45-year lows, have begun to move higher in recent months. The Federal Reserve, which has maintained a stable monetary policy in recent months, has recently suggested that it may raise rates if it detects a growing threat from inflation. An increase in rates should result in higher income returns for the loan market.

[PHOTO OF PAYSON F. SWAFFIELD]

Payson F. Swaffield

Q: PAYSON, HOW HAS INVESTOR SENTIMENT CHANGED WITHIN THE LOAN MARKET IN THE PAST YEAR?

A: MR. SWAFFIELD: One major change has been that, as the credit climate has improved, investor demand has exceeded supply. Investors have been attracted by loans' short re-set provisions, which provide higher interest income as short-term interest rates rise. As a result of stronger demand, credit spreads - the difference between loan interest rates and the London-Interbank Offered Rate (LIBOR) - have narrowed slightly.

THE VIEWS EXPRESSED IN THIS REPORT ARE THOSE OF THE PORTFOLIO MANAGERS AND ARE CURRENT ONLY THROUGH THE END OF THE PERIOD OF THE REPORT AS STATED ON THE COVER. THESE VIEWS ARE SUBJECT TO CHANGE AT ANY TIME BASED UPON MARKET OR OTHER CONDITIONS, AND EATON VANCE DISCLAIMS ANY RESPONSIBILITY TO UPDATE SUCH VIEWS. THESE VIEWS MAY NOT BE RELIED ON AS INVESTMENT ADVICE AND, BECAUSE INVESTMENT DECISIONS FOR AN EATON VANCE FUND ARE BASED ON MANY FACTORS, MAY NOT BE RELIED ON AS AN INDICATION OF TRADING INTENT ON BEHALF OF ANY EATON VANCE FUND.

[CHART]

FIVE LARGEST SECTOR WEIGHTINGS(1)
By total net assets

| | |
|---|---|
| Broadcasting & Entertainment | 9.3% |
| Health Care, Education & Childcare | 7.5% |
| Telecommunications | 6.7% |
| Leisure, Amusement & Entertainment | 5.5% |
| Hotels, Motels, Inns & Gaming | 5.2% |

(1) Five Largest Sector Weightings in aggregate account for 34.2% of the Fund's net assets, determined by dividing the total market value of the holdings by the total net assets of the Fund. Five Largest Sector Weightings refer only to senior floating-rate loan and corporate bond portions of the Fund and are subject to change.



Another change in the loan market in 2004 is that performance has been less

influenced by price movement and more so by interest payments. Following the recovery from its previous sharp declines, the loan market has generally improved, and many credits previously priced below par have returned to or near par. That has kept investors focused on the income potential of the loan market.

Q: HOW HAVE YOU POSITIONED THE FUND'S LOAN INVESTMENTS?

A: MR. PAGE: We've created a diversified portfolio of loan investments, including economically sensitive industrial sectors. These companies have fared very well in the economic recovery. However, we are not market or credit cycle timers. Therefore, our investments also included defensive sectors, such as beverages, foods and healthcare. Broadly diversifying on a sector basis helped to mitigate overall risk.

Our conservative credit approach led us to underweight the telecom sector, in general, even though this area was among the market's stronger performers during the past year. While the short-term performance of the group was impressive, we maintained very strict credit criteria and, therefore, continue to be very selective within the telecom sector.

[PHOTO OF SUSAN SCHIFF]
Susan Schiff

Q: SUSAN, HOW HAVE INTEREST RATES IMPACTED THE MORTGAGE-BACKED SECURITIES MARKET IN THE PAST YEAR?

A: MS. SCHIFF: The MBS market has fluctuated widely over the past year. 2003 was one of the worst-performing years on record for the market, due to the record number of re-financings on the part of homeowners. As homeowners refinanced to lock in low interest rates, prepayment rates for mortgages rose to record levels. Soaring prepayment rates caused larger-than-expected principal losses.

In 2004, the MBS market has stabilized somewhat. With a stronger economy, interest rates have been rising for the last few months and may quite possibly head higher in coming months. With a changed interest rate environment, the wave of refinancings has slowed, resulting in lower prepayment rates. MBS spreads over Treasury bonds have narrowed in recent months, a sign of a healthier market. Thus, while the market has seen some volatility, the trend has improved in 2004.

Q: WHERE IN THE MBS MARKET HAVE YOU FOCUSED THE FUND'S INVESTMENTS?

A: MS. SCHIFF: We have focused the Fund's MBS investments on the seasoned segment of the market. Last year's spike notwithstanding, seasoned MBS have had more stable historical prepayment rates, which have contributed to more attractive performance characteristics. In addition, seasoned MBS have continued to maintain an attractive yield advantage over Treasury bonds.

Q: WAS LAST YEAR'S PERFORMANCE BY SEASONED MBS A DEPARTURE FROM HISTORICAL NORMS?

A: MS. SCHIFF: Yes, especially for seasoned MBS. As a result of the sharp rise in prepayment rates, seasoned MBS ended the year valued at very cheap levels relative to Treasuries. That was out of line with historical patterns. So much so that, in my view, seasoned MBS still represent good value, as spreads remain attractive. While there is no guarantee that past trends will repeat, we believe it's probable that spreads for seasoned MBS will revert to their historical patterns and continue to narrow further, as they have in the first months of 2004. At a minimum, lower prepayment rates should help the seasoned portion of the market.

[PHOTO OF MICHAEL W. WEILHEIMER]

Michael W. Weilheimer

Q: MIKE, HOW HAS THE NON-INVESTMENT GRADE BOND MARKET RESPONDED TO THE IMPROVED ECONOMY?

A: MR. WEILHEIMER: The non-investment grade bond market saw significant gains in 2003. That momentum carried through February 2004 before giving up some ground. Corporate earnings have improved with the economic recovery. With stronger cash flow, companies have been able to reduce their debt burden and significantly improve their balance sheets. This trend has created a much healthier credit environment, as evidenced by the decline in default rates. Investors have demonstrated greater tolerance for risk and increasing confidence in the non-investment grade market. Record new issue volume has met strong demand from investors. In that climate, the high-yield market has posted impressive gains.

Q: WHERE HAVE YOU FOCUSED THE FUND'S NON-INVESTMENT GRADE INVESTMENTS?

A: MR. WEILHEIMER: We have focused on the B-rated portion of the market, which is highly sensitive to fluctuations in the economy. Many of these companies in the industrial and technology-related sectors have enjoyed stronger sales momentum. Earnings have been further helped by the cost cuts instituted by many companies in recent years. Not surprisingly, as economic activity has picked up, these lower-rated bonds have significantly outperformed their high-rated counterparts. The Fund's largest high-yield sector weight-ings were broadcasting and entertainment; telecommunications; hotels, motels, inns and gaming; healthcare, education and childcare; and utilities.

Q: WHAT HAS BEEN NOTABLE AMONG THE FUND'S NON-INVESTMENT GRADE BOND INVESTMENTS?

A: MR. WEILHEIMER: The Fund's utility bonds have been especially strong performers. As recently as 2002, the industry was faced with financial pressures and bankruptcies. Many companies have since taken steps to improve their financial footing. The Fund's utility investments included a mix of power generating companies and pipeline companies that have pared or restructured debt, issued equity and bought back their own bonds at a discount in the market. That has greatly improved the companies' balance sheets.

Increased merger and acquisition activity benefited some of the Fund's investments in the chemical, consumer product and retailing areas. These mergers included tenders for outstanding bonds by acquiring companies, resulting in significant gains for some bonds.

Defensive areas, such as beverages and food, were less robust performers. These companies' revenues are less tied to overall economic activity and, therefore, were less influenced by the economic recovery.



EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004

PORTFOLIO OF INVESTMENTS

SENIOR, FLOATING RATE INTERESTS -- 46.8%(1)

| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| | AEROSPACE & DEFENSE -- 0.4% | |
| | ALLIANT TECHSYSTEMS, INC. | |
| $ 3,750,000 | Term Loan, Maturing March 31, 2011 | $ |
| | UNITED DEFENSE INDUSTRIES, INC. | |
| 5,347,671 | Term Loan, Maturing October 6, 2005 | |
| | | $ |
| | AUTOMOBILE -- 2.5% | |
| | ACCURIDE CORP. | |
| $ 4,900,000 | Term Loan, Maturing June 13, 2007 | $ |
| | COLLINS & AIKMAN PRODUCTS CO. | |
| 942,239 | Term Loan, Maturing December 31, 2005 | |
| 807,018 | Revolving Loan, Maturing December 31, 2005 | |
| 1,492,982 | Term Loan, Maturing December 31, 2005 | |
| | EXIDE TECHNOLOGIES | |
| 4,071,741 | Term Loan, Maturing May 15, 2004 | |
| | FEDERAL MOGUL CORP. | |
| 2,000,000 | Term Loan, Maturing February 6, 2005 | |
| | FEDERAL-MOGUL CORP. | |
| 5,626,706 | Term Loan, Maturing February 24, 2005 | |
| | HLI OPERATING CO., INC. | |
| 5,741,667 | Term Loan, Maturing June 3, 2009 | |
| | J.L. FRENCH AUTOMOTIVE CASTINGS, INC. | |
| 1,836,600 | Term Loan, Maturing November 30, 2006 | |
| | METALDYNE, INC. | |
| 2,643,003 | Term Loan, Maturing December 31, 2009 | |
| | PLASTECH ENGINEERED PRODUCTS, INC. | |
| 900,000 | Term Loan, Maturing March 31, 2010 | |
| | TENNECO AUTOMOTIVE | |
| 2,104,839 | Term Loan, Maturing December 12, 2009 | |
| 949,552 | Term Loan, Maturing December 12, 2010 | |
| | THE GOODYEAR TIRE & RUBBER CO. | |
| 10,500,000 | Term Loan, Maturing March 31, 2006 | |
| | TRW AUTOMOTIVE, INC. | |
| 2,010,420 | Term Loan, Maturing February 27, 2009 | |
| 3,070,780 | Term Loan, Maturing February 27, 2011 | |
| | UNITED COMPONENTS, INC. | |
| 1,713,333 | Term Loan, Maturing June 30, 2010 | |
| | | $ |
| | BEVERAGE, FOOD AND TOBACCO -- 2.1% | |
| | AMERICAN SEAFOOD HOLDINGS, INC. | |
| $ 2,372,375 | Term Loan, Maturing March 31, 2009 | $ |
| | CONSTELLATION BRANDS, INC. | |
| 1,718,750 | Term Loan, Maturing November 30, 2008 | |
| | DEAN FOODS CO. | |
| 825,000 | Term Loan C, Maturing July 15, 2008 | |
| 2,249,998 | Term Loan B, Maturing July 15, 2008 | |
| | DEL MONTE CORP. | |
| 2,425,208 | Term Loan, Maturing December 20, 2010 | |
| | DR. PEPPER/SEVEN UP BOTTLING GROUP, INC. | |

| | | |
|---|---|---|
| 1,940,205 | Term Loan, Maturing December 19, 2010 | |
| DS WATERS ENTERPRISES, L.P. | | |
| 3,970,000 | Term Loan, Maturing November 7, 2009 | |
| INTERSTATE BRANDS CORP. | | |
| 859,375 | Term Loan, Maturing July 19, 2006 | |
| 1,217,880 | Term Loan B, Maturing July 19, 2007 | |
| 6,441,078 | Term Loan C, Maturing July 19, 2007 | |
| MERISANT CO. | | |
| 6,184,803 | Term Loan, Maturing January 31, 2010 | |
| MICHAEL FOODS, INC. | | |
| 2,000,000 | Term Loan, Maturing November 20, 2011 | |
| PINNACLE FOODS HOLDINGS CORP. | | |
| 800,734 | Term Loan, Maturing November 25, 2010 | |
| 3,119,266 | Term Loan, Maturing Nobember 25, 2010 | |
| REDDY ICE GROUP, INC. | | |
| 4,378,000 | Term Loan, Maturing July 31, 2009 | |
| SOUTHERN WINE & SPIRITS OF AMERICA, INC. | | |
| 4,385,669 | Term Loan, Maturing June 28, 2008 | |
| | | $ |
| BROADCASTING & ENTERTAINMENT -- 5.1% | | |
| ATLANTIC BROADBAND FINANCE, LLC | | |
| $ 435,000 | Term Loan, Maturing February 10, 2011 | $ |
| BRESNAN COMMUNICATIONS, LLC | | |
| 6,500,000 | Term Loan, Maturing September 30, 2010 | |
| CANWEST MEDIA, INC. | | |
| 5,223,077 | Term Loan, Maturing May 15, 2009 | |
| CEBRIDGE CONNECTIONS, INC. | | |
| 1,600,000 | Term Loan, Maturing February 23, 2010 | |
| CHARTER COMMUNICATIONS OPERATING, LLC | | |
| 15,275,000 | Term Loan, Maturing April 27, 2011 | |
| CSG SYSTEMS INTERNATIONAL, INC. | | |
| 3,299,136 | Term Loan, Maturing December 31, 2007 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| BROADCASTING & ENTERTAINMENT (CONTINUED) | | |
| CUMULUS MEDIA, INC. | | |
| $ 982,556 | Term Loan, Maturing March 28, 2010 | $ |
| DIRECTTV HOLDINGS, LLC | | |
| 14,866,531 | Term Loan, Maturing March 6, 2010 | |
| DISCOVERY COMMUNICATIONS, INC. | | |
| 11,212,121 | Revolving Loan, Maturing May 31, 2004 | |
| EMMIS COMMUNICATION CORP. | | |
| 3,731,250 | Term Loan, Maturing August 31, 2009 | |
| GRAY TELEVISION, INC. | | |
| 6,284,250 | Term Loan, Maturing December 31, 2010 | |
| INSIGHT MIDWEST HOLDINGS, LLC | | |
| 9,975,000 | Incremental Term Loan B, Maturing December 31, 2009 | |
| 1,496,250 | Term Loan B, Maturing December 31, 2009 | |
| LIONS GATE ENTERTAINMENT, INC. | | |

| | | |
|---|---|---|
| | 3,000,000 | Term Loan, Maturing December 31, 2008 |
| MCC IOWA, LLC | | |
| | 4,500,000 | Term Loan, Maturing September 30, 2010 |
| | 4,000,000 | Term Loan, Maturing March 31, 2010 |
| RAINBOW MEDIA HOLDINGS, LLC | | |
| | 1,994,984 | Term Loan, Maturing March 14, 2008 |
| SINCLAIR TELEVISION GROUP, INC. | | |
| | 2,357,998 | Incremental Term Loan, Maturing December 31, 2009 |
| | 2,304,500 | Term Loan, Maturing December 31, 2009 |
| SUSQUEHANNA MEDIA CO. | | |
| | 2,000,000 | Term Loan, Maturing March 31, 2012 |
| WMG ACQUISITION CORP. | | |
| | 6,650,000 | Term Loan, Maturing February 28, 2011 |
| | | $ |
| BUILDINGS AND REAL ESTATE -- 2.6% | | |
| AIMCO PROPERTIES, L.P. | | |
| $ | 5,000,000 | Term Loan, Maturing May 30, 2008 $ |
| | 3,915,084 | Term Loan, Maturing August 31, 2004 |
| BRE/HOMESTEAD, LLC | | |
| | 4,000,000 | Term Loan, Maturing January 11, 2006 |
| CORRECTIONS CORP. OF AMERICA | | |
| | 2,461,932 | Term Loan, Maturing March 31, 2008 |
| CROWN CASTLE OPERATING CO. | | |
| | 1,990,000 | Term Loan, Maturing September 15, 2007 |
| DMB/CHII, LLC | | |
| | 1,882,787 | Term Loan, Maturing March 3, 2009 |
| ISTAR FINANCIAL, INC. | | |
| | 7,000,000 | Term Loan, Maturing July 24, 2006 |
| LANDSOURCE COMMUNITIES DEVELOPMENT, LLC | | |
| $ | 1,002,000 | Term Loan, Maturing March 31, 2010 $ |
| LODGIAN CO. | | |
| | 1,000,000 | Term Loan, Maturing March 31, 2006 |
| NCI BUILDING SYSTEMS, INC. | | |
| | 1,927,500 | Term Loan, Maturing July 31, 2008 |
| NEWKIRK MASTER, L.P. | | |
| | 1,342,727 | Term Loan, Maturing November 24, 2006 |
| NEWKIRK TENDER HOLDINGS, LLC | | |
| | 5,333,333 | Term Loan A, Maturing May 25, 2006 |
| | 1,798,216 | Term Loan B, Maturing May 25, 2006 |
| PLY GEM INDUSTRIES, INC. | | |
| | 1,550,000 | Term Loan, Maturing February 12, 2011 |
| RLC INDUSTRIES CO. | | |
| | 1,795,500 | Term Loan, Maturing February 24, 2010 |
| ST. MARYS CEMENT, INC. | | |
| | 997,500 | Term Loan, Maturing December 4, 2010 |
| TOWER FINANCING I, LLC | | |
| | 2,750,000 | Term Loan, Maturing July 9, 2008 |
| WFP TOWER A CO. L.P. | | |
| | 4,500,000 | Term Loan, Maturing June 12, 2006 |
| WHITEHALL STREET REAL ESTATE L.P. XI & XII | | |
| | 4,000,000 | Term Loan, Maturing September 11, 2006 |
| | | $ |
| CARGO TRANSPORT -- 0.5% | | |
| QUALITY DISTRIBUTION, LLC | | |
| $ | 1,994,987 | Term Loan, Maturing November 13, 2009 $ |
| RAILAMERICA, INC. | | |
| | 6,135,424 | Term Loan, Maturing May 31, 2009 |
| SIRVA WORLDWIDE, INC. | | |

| | | |
|---|---|---|
| 2,441,176 | Term Loan, Maturing December 31, 2010 | |
| | | $ |
| CHEMICALS, PLASTICS AND RUBBER -- 1.8% | | |
| BRENNTAG AG | | |
| $ 2,475,000 | Term Loan, Maturing December 9, 2011 | $ |
| CP KELCO US, INC. | | |
| 1,297,175 | Term Loan, Maturing March 31, 2008 | |
| 424,442 | Term Loan, Maturing September 30, 2008 | |
| HERCULES, INC. | | |
| 840,000 | Term Loan, Maturing October 8, 2010 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| CHEMICALS, PLASTICS AND RUBBER (CONTINUED) | | |
| HUNTSMAN INTERNATIONAL | | |
| $ 4,507,084 | Term Loan, Maturing June 30, 2007 | $ |
| 4,507,325 | Term Loan, Maturing June 30, 2008 | |
| IMC GLOBAL, INC. | | |
| 4,721,798 | Term Loan, Maturing November 17, 2006 | |
| ISP CHEMCO, INC. | | |
| 1,500,000 | Term Loan, Maturing March 27, 2011 | |
| KRATON POLYMERS, LLC | | |
| 3,639,861 | Term Loan, Maturing December 5, 2008 | |
| NOVEON | | |
| 6,467,500 | Term Loan, Maturing December 31, 2009 | |
| ROCKWOOD SPECIALTIES GROUP, INC. | | |
| 3,980,000 | Term Loan, Maturing December 8, 2010 | |
| WELLMAN, INC. | | |
| 750,000 | Term Loan, Maturing February 10, 2009 | |
| WESTLAKE CHEMICAL CORP. | | |
| 2,977,500 | Term Loan, Maturing July 31, 2010 | |
| | | $ |
| CONTAINERS AND PACKAGING - PAPER -- 1.5% | | |
| GRAPHIC PACKAGING INTERNATIONAL, INC. | | |
| $ 17,412,500 | Term Loan, Maturing August 8, 2009 | $ |
| SOLO CUP CO. | | |
| 2,964,911 | Term Loan, Maturing February 27, 2011 | |
| STONE CONTAINER CORP. | | |
| 9,325,440 | Term Loan B, Maturing June 30, 2009 | |
| 1,849,354 | Term Loan C, Maturing June 30, 2009 | |
| | | $ |
| CONTAINERS AND PACKAGING - PLASTICS -- 0.4% | | |
| BERRY PLASTICS CORP. | | |
| $ 4,917,737 | Term Loan, Maturing July 22, 2010 | $ |
| CONSOLIDATED CONTAINER HOLDINGS, LLC | | |
| 3,734,617 | Term Loan, Maturing June 30, 2007 | |

| | | |
|---|---|---|
| | | $ |
| CONTAINERS, PACKAGING AND GLASS -- 1.3% | | |
| CROWN CORK & SEAL AMERICAS, INC. | | |
| $ 14,250,000 | Term Loan, Maturing September 15, 2008 | $ |
| GRAPHIC PACKAGING INTERNATIONAL, INC. | | |
| 1,950,000 | Term Loan, Maturing August 8, 2008 | |
| OWENS-ILLINOIS, INC. | | |
| $ 9,500,000 | Term Loan, Maturing April 1, 2007 | $ |
| SILGAN HOLDINGS, INC. | | |
| 1,467,638 | Term Loan, Maturing December 31, 2008 | |
| TEKNI-PLEX, INC. | | |
| 967,615 | Term Loan, Maturing March 31, 2006 | |
| | | $ |
| DIVERSIFIED NATURAL RESOURCES, PRECIOUS METALS AND MINERALS -- 0.2% | | |
| COMPASS MINERALS GROUP, INC. | | |
| $ 2,636,158 | Term Loan, Maturing November 28, 2009 | $ |
| PEABODY ENERGY CORP. | | |
| 990,000 | Term Loan, Maturing March 31, 2010 | |
| | | $ |
| DIVERSIFIED / CONGLOMERATE MANUFACTURING -- 1.9% | | |
| AMSTED INDUSTRIES, INC. | | |
| $ 6,451,250 | Term Loan, Maturing October 15, 2010 | $ |
| CHART INDUSTRIES, INC. | | |
| 905,322 | Term Loan, Maturing September 15, 2009 | |
| DOUGLAS DYNAMICS HOLDINGS, INC. | | |
| 300,000 | Term Loan, Maturing March 30, 2010 | |
| 400,000 | Term Loan, Maturing March 30, 2011 | |
| DRESSER, INC. | | |
| 1,185,035 | Term Loan, Maturing March 31, 2007 | |
| ENERSYS HOLDINGS, INC. | | |
| 1,160,000 | Term Loan, Maturing March 17, 2011 | |
| FLOWSERVE CORP. | | |
| 4,109,654 | Term Loan, Maturing June 30, 2009 | |
| JOHNSONDIVERSEY, INC. | | |
| 641,985 | Term Loan, Maturing November 30, 2008 | |
| 2,613,946 | Term Loan, Maturing November 30, 2009 | |
| MUELLER GROUP, INC. | | |
| 2,500,000 | Term Loan, Maturing April 23, 2011 | |
| NATIONAL WATERWORKS, INC. | | |
| 4,339,286 | Term Loan, Maturing November 22, 2009 | |
| PANOLAM INDUSTRIES, INC. | | |
| 500,000 | Term Loan, Maturing November 24, 2007 | |
| POLYPORE, INC. | | |
| 3,473,418 | Term Loan, Maturing December 31, 2007 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|

| | | | |
|---|---|---|---|
| DIVERSIFIED / CONGLOMERATE MANUFACTURING (CONTINUED) | | | |
| SPX CORP. | | | |
| $ | 923,077 | Term Loan, Maturing September 30, 2008 | $ |
| | 5,910,448 | Term Loan, Maturing September 30, 2009 | |
| THE MANITOWOC CO. | | | |
| | 174,927 | Term Loan, Maturing June 30, 2007 | |
| TRIMAS CORP. | | | |
| | 4,754,514 | Term Loan, Maturing December 31, 2009 | |
| | | | $ |
| DIVERSIFIED / CONGLOMERATE SERVICE -- 1.2% | | | |
| ADAMS OUTDOOR ADVERTISING, L.P. | | | |
| $ | 350,000 | Term Loan, Maturing April 15, 2012 | $ |
| ADVANSTAR COMMUNICATIONS, INC. | | | |
| | 359,177 | Term Loan, Maturing November 17, 2007 | |
| ALDERWOODS GROUP | | | |
| | 866,733 | Term Loan, Maturing September 28, 2008 | |
| COINMACH LAUNDRY CORP. | | | |
| | 4,666,000 | Term Loan, Maturing July 25, 2009 | |
| ENVIRONMENTAL SYSTEMS PRODUCTS HOLDINGS, INC. | | | |
| | 850,343 | Term Loan, Maturing December 12, 2008 | |
| | 1,000,000 | Term Loan, Maturing December 12, 2010 | |
| GATE GOURMET BORROWER, LLC | | | |
| | 1,000,000 | Term Loan, Maturing December 31, 2008 | |
| GENERAL BINDING CORP. | | | |
| | 1,200,000 | Term Loan, Maturing January 15, 2008 | |
| GEO GROUP | | | |
| | 2,887,500 | Term Loan, Maturing July 9, 2009 | |
| INTERLINE BRANDS, INC. | | | |
| | 4,331,250 | Term Loan, Maturing November 30, 2009 | |
| IRON MOUNTAIN, INC. | | | |
| | 1,684,519 | Term Loan, Maturing April 2, 2009 | |
| NALCO CO. | | | |
| | 3,851,538 | Term Loan, Maturing November 4, 2010 | |
| UNITED RENTALS, INC. | | | |
| | 231,667 | Term Loan B, Maturing February 14, 2011 | |
| | 1,158,333 | Term Loan, Maturing February 14, 2011 | |
| | | | $ |
| ECOLOGICAL -- 1.0% | | | |
| ALLIED WASTE INDUSTRIES, INC. | | | |
| $ | 8,570,711 | Term Loan, Maturing January 15, 2009 | $ |
| | 1,000,000 | Term Loan, Maturing January 15, 2010 | |
| | 6,710,229 | Term Loan, Maturing July 15, 2010 | |
| IESI CORP. | | | |
| | 1,990,000 | Term Loan, Maturing September 30, 2010 | |
| IONICS, INC. | | | |
| | 2,355,000 | Term Loan, Maturing February 13, 2011 | |
| | | | $ |
| ELECTRONICS -- 1.1% | | | |
| AMPHENOL CORP. | | | |
| $ | 3,874,737 | Term Loan, Maturing May 6, 2010 | $ |
| COMMUNICATIONS & POWER INDUSTRIES, INC. | | | |
| | 2,000,000 | Term Loan, Maturing July 23, 2010 | |
| FAIRCHILD SEMICONDUCTOR CORP. | | | |
| | 7,691,875 | Term Loan, Maturing June 19, 2008 | |
| GLOBAL CASH ACCESS LLC | | | |

| | | |
|---|---|---|
| 675,000 | Term Loan, Maturing March 10, 2010 | |
| INVENSYS INTERNATIONAL HOLDINGS, LTD. | | |
| 3,100,000 | Term Loan, Maturing September 5, 2009 | |
| 750,000 | Term Loan, Maturing September 5, 2009 | |
| XEROX CORP. | | |
| 4,500,000 | Term Loan, Maturing September 30, 2008 | |
| | | $ |
| FARMING AND AGRICULTURE -- 0.1% | | |
| THE SCOTTS CO. | | |
| $ 1,498,500 | Term Loan, Maturing September 30, 2010 | $ |
| | | $ |
| GROCERY -- 0.1% | | |
| THE PANTRY, INC. | | |
| $ 2,337,681 | Term Loan, Maturing March 12, 2011 | $ |
| | | $ |
| HEALTH CARE - EQUIPMENT AND SUPPLIES -- 0.2% | | |
| ALARIS MEDICAL SYSTEMS, INC. | | |
| $ 4,228,906 | Term Loan, Maturing June 30, 2009 | $ |
| | | $ |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| HEALTHCARE, EDUCATION AND CHILDCARE -- 4.0% | | |
| ALLIANCE IMAGING, INC. | | |
| $ 2,500,000 | Term Loan, Maturing June 10, 2008 | $ |
| AMERISOURCE BERGEN CORP. | | |
| 1,276,471 | Term Loan, Maturing March 31, 2005 | |
| COMMUNITY HEALTH SYSTEMS, INC. | | |
| 3,980,000 | Incremental Term Loan, Maturing July 5, 2010 | |
| 4,929,950 | Term Loan, Maturing July 5, 2010 | |
| CONCENTRA OPERATING CORP. | | |
| 4,962,500 | Term Loan, Maturing June 30, 2009 | |
| CONMED CORP. | | |
| 3,013,642 | Term Loan, Maturing December 31, 2007 | |
| CROSS COUNTRY HEALTHCARE, INC. | | |
| 2,262,036 | Term Loan, Maturing June 5, 2009 | |
| DADE BEHRING HOLDINGS, INC. | | |
| 2,451,395 | Term Loan, Maturing October 3, 2008 | |
| 789,042 | Term Loan, Maturing October 3, 2008 | |
| DAVITA, INC. | | |
| 18,350,505 | Term Loan, Maturing March 31, 2009 | |
| DJ ORTHOPEDICS, INC. | | |
| 987,500 | Term Loan, Maturing May 15, 2009 | |
| EDUCATE OPERATING CO., LLC | | |

| | | |
|---|---|---|
| | 450,000 | Term Loan, Maturing March 31, 2011 |
| EMPI CORP. | | |
| | 997,500 | Term Loan, Maturing November 24, 2009 |
| FHC HEALTH SYSTEMS, INC. | | |
| | 1,300,000 | Term Loan, Maturing June 1, 2004 |
| | 1,857,143 | Term Loan, Maturing December 18, 2009 |
| FISHER SCIENTIFIC INTERNATIONAL, LLC | | |
| | 7,012,328 | Term Loan, Maturing March 31, 2010 |
| FRESENIUS MEDICAL CARE HOLDINGS, INC. | | |
| | 2,982,487 | Term Loan, Maturing February 21, 2010 |
| GLOBAL IMAGING SYSTEMS, INC. | | |
| | 1,985,000 | Term Loan, Maturing June 25, 2009 |
| KINETIC CONCEPTS, INC. | | |
| | 3,741,500 | Term Loan, Maturing October 3, 2009 |
| KNOWLEDGE LEARNING CORP. | | |
| | 1,967,253 | Term Loan, Maturing May 15, 2010 |
| LANGUAGE LINE, LLC | | |
| | 3,465,000 | Term Loan, Maturing December 31, 2008 |
| MAGELLAN HEALTH SERVICES, INC. | | |
| | 444,444 | Term Loan, Maturing August 15, 2008 |
| | 534,722 | Term Loan, Maturing August 15, 2008 |
| MULTIPLAN, INC. | | |
| $ | 535,000 | Term Loan, Maturing March 4, 2009 |
| QUINTILES TRANSNATIONAL CORP. | | |
| | 2,487,500 | Term Loan, Maturing September 25, 2009 |
| TEAM HEALTH | | |
| | 2,250,000 | Term Loan, Maturing March 23, 2011 |
| TRIAD HOSPITALS HOLDINGS, INC. | | |
| | 2,821,502 | Term Loan, Maturing March 31, 2008 |
| VWR INTERNATIONAL, INC. | | |
| | 1,300,000 | Term Loan, Maturing April 7, 2011 |
| WEEKLY READER CORP. | | |
| | 1,480,000 | Term Loan, Maturing March 18, 2009 |

| | | | |
|---|---|---|---|
| | | | $ |
| HOME AND OFFICE FURNISHINGS, HOUSEWARES AND DURABLE CONSUMER GOODS -- 0.5% | | | |
| HOME INTERIORS & GIFTS, INC. | | | |
| $ | 900,000 | Term Loan, Maturing March 31, 2011 | $ |
| SEALY MATTRESS CO. | | | |
| | 2,496,228 | Term Loan, Maturing April 6, 2012 | |
| SIMMONS CO. | | | |
| | 979,259 | Term Loan, Maturing December 19, 2011 | |
| TEMPUR-PEDIC, INC. | | | |
| | 4,962,500 | Term Loan, Maturing June 30, 2009 | |
| WERNER HOLDING CO. | | | |
| | 1,000,000 | Term Loan, Maturing June 11, 2009 | |

| | | | |
|---|---|---|---|
| | | | $ |
| HOTELS, MOTELS, INNS AND GAMING -- 2.0% | | | |
| ALLIANCE GAMING CORP. | | | |
| $ | 7,650,000 | Term Loan, Maturing September 5, 2009 | $ |
| AMERISTAR CASINOS, INC. | | | |
| | 3,317,304 | Term Loan, Maturing December 31, 2006 | |
| ARGOSY GAMING CO. | | | |
| | 992,347 | Term Loan, Maturing June 30, 2008 | |
| CNL HOSPITALITY PARTNERS, L.P. | | | |
| | 5,000,000 | Term Loan, Maturing April 2, 2005 | |
| EXTENDED STAY AMERICA | | | |
| | 2,969,697 | Term Loan, Maturing December 31, 2007 | |
| ISLE OF CAPRI CASINOS | | | |

| | | |
|---|---|---|
| 2,017,215 | Term Loan, Maturing April 25, 2008 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| | HOTELS, MOTELS, INNS AND GAMING (CONTINUED) | |
| | MARINA DISTRICT FINANCE CO. | |
| $ 6,926,516 | Term Loan, Maturing December 31, 2007 | $ |
| | PENN NATIONAL GAMING, INC. | |
| 2,535,208 | Term Loan, Maturing July 31, 2006 | |
| | PINNACLE ENTERTAINMENT, INC. | |
| 1,306,667 | Term Loan, Maturing December 18, 2009 | |
| | VAIL RESORTS, INC. | |
| 3,960,000 | Term Loan, Maturing December 10, 2008 | |
| | VENETIAN CASINO RESORT, LLC/LAS VEGAS SANDS, INC. | |
| 1,965,000 | Term Loan, Maturing June 4, 2008 | |
| | WYNDHAM INTERNATIONAL, INC. | |
| 2,489,681 | Term Loan, Maturing June 30, 2004 | |
| | | $ |
| | INSURANCE -- 0.4% | |
| | HILB, ROGAL & HOBBS CO. | |
| $ 1,984,848 | Term Loan, Maturing June 30, 2007 | $ |
| | U.S.I. HOLDINGS CORP. | |
| 5,955,000 | Term Loan, Maturing August 11, 2008 | |
| | | $ |
| | LEISURE, AMUSEMENT, ENTERTAINMENT -- 3.1% | |
| | AMF BOWLING WORLDWIDE, INC. | |
| $ 2,750,000 | Term Loan, Maturing August 27, 2009 | $ |
| | AMFAC RESORTS, INC. | |
| 2,329,622 | Term Loan, Maturing September 30, 2004 | |
| 2,329,622 | Term Loan, Maturing September 30, 2005 | |
| | BOMBARDIER RECREATIONAL PRODUCTS, INC. | |
| 2,100,000 | Term Loan, Maturing December 18, 2010 | |
| 900,000 | Term Loan, Maturing December 18, 2010 | |
| | CINEMARK, INC. | |
| 2,000,000 | Term Loan, Maturing March 31, 2011 | |
| | HOLLYWOOD ENTERTAINMENT CORP. | |
| 2,462,121 | Term Loan, Maturing March 31, 2008 | |
| | LOEWS CINEPLEX ENTERTAINMENT CORP. | |
| 12,750,458 | Term Loan, Maturing September 30, 2006 | |
| | NEW ENGLAND SPORTS VENTURES, LLC | |
| 3,000,000 | Term Loan, Maturing February 28, 2005 | |
| | REGAL CINEMAS, INC. | |
| 12,952,288 | Term Loan, Maturing June 30, 2009 | |
| | SIX FLAGS THEME PARKS, INC. | |
| 6,338,099 | Term Loan, Maturing June 30, 2009 | |
| | UNIVERSAL CITY DEVELOPMENT PARTNERS, L.P. | |
| $ 7,269,851 | Term Loan, Maturing June 30, 2007 | $ |
| | VIVENDI UNIVERSAL ENTERTAINMENT, LLP | |

| | | |
|---|---|---|
| | 7,500,000 | Term Loan, Maturing June 30, 2008 |
| | | $ |
| MACHINERY (NON-AGRICULTURAL, NON-CONSTRUCTION, NON-ELECTRONIC) -- 0.2% | | |
| COLFAX CORP. | | |
| $ | 2,088,047 | Term Loan, Maturing May 30, 2009 $ |
| REXNORD CORP. | | |
| | 1,828,571 | Term Loan, Maturing November 30, 2009 |
| | | $ |
| OIL AND GAS -- 2.0% | | |
| CITGO PETROLEUM CO. | | |
| $ | 5,000,000 | Term Loan, Maturing February 27, 2006 $ |
| COLUMBIA NATURAL RESOURCES, LLC | | |
| | 4,125,000 | Revolving Loan, Maturing August 28, 2008 |
| CUMBERLAND FARMS, INC. | | |
| | 2,299,387 | Term Loan A, Maturing September 8, 2008 |
| | 4,435,204 | Term Loan B, Maturing September 8, 2008 |
| LA GRANGE ACQUISITION, L.P. | | |
| | 1,000,000 | Term Loan, Maturing January 18, 2008 |
| MAGELLAN MIDSTREAM HOLDINGS | | |
| | 3,639,742 | Term Loan, Maturing June 17, 2008 |
| MAGELLAN MIDSTREAM PARTNERS, L.P. | | |
| | 1,500,000 | Term Loan, Maturing August 6, 2008 |
| SPRAGUE ENERGY CORP. | | |
| | 1,713,115 | Revolving Loan, Maturing August 10, 2007 |
| WILLIAMS PRODUCTION RMT CO. | | |
| | 18,361,481 | Term Loan, Maturing May 30, 2007 |
| | | $ |
| PERSONAL AND NON-DURABLE CONSUMER PRODUCTS (MANUFACTURING ONLY) -- 0.6% | | |
| ARMKEL, LLC | | |
| $ | 407,189 | Term Loan, Maturing March 31, 2009 $ |
| CHURCH & DWIGHT CO., INC. | | |
| | 1,672,350 | Term Loan, Maturing September 30, 2007 |
| MARY KAY COSMETICS, INC. | | |
| | 2,637,998 | Term Loan, Maturing September 30, 2007 |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| PERSONAL AND NON-DURABLE CONSUMER PRODUCTS (MANUFACTURING ONLY) (CONTINUED) | | |
| PRESTIGE BRANDS, INC. | | |
| $ 1,775,000 | Term Loan B, Maturing April 7, 2011 | $ |
| 2,000,000 | Term Loan C, Maturing April 7, 2011 | |
| RAYOVAC CORP. | | |
| 4,290,739 | Term Loan, Maturing September 30, 2009 | |
| | | $ |

| | | |
|---|---|---|
| PERSONAL TRANSPORTATION -- 0.5% | | |
| LAIDLAW INTERNATIONAL, INC. | | |
| $ 8,673,639 | Term Loan, Maturing June 19, 2009 | $ |
| NFIL HOLDINGS CORP. | | |
| 535,714 | Term Loan, Maturing February 27, 2010 | |
| 1,714,286 | Term Loan, Maturing February 27, 2010 | |
| | | $ |
| PERSONAL, FOOD AND MISCELLANEOUS -- 0.8% | | |
| AFC ENTERPRISES, INC. | | |
| $ 1,485,765 | Term Loan, Maturing May 23, 2009 | $ |
| ATKINS NUTRITIONALS, INC. | | |
| 1,965,000 | Term Loan, Maturing November 26, 2009 | |
| BUFFETS, INC. | | |
| 418,182 | Term Loan, Maturing June 28, 2009 | |
| 4,171,364 | Term Loan, Maturing June 28, 2009 | |
| CKE RESTAURANTS, INC. | | |
| 405,477 | Term Loan, Maturing April 1, 2008 | |
| DOMINO'S, INC. | | |
| 7,790,353 | Term Loan, Maturing June 25, 2010 | |
| JACK IN THE BOX, INC. | | |
| 1,496,250 | Term Loan, Maturing January 8, 2011 | |
| | | $ |
| PRINTING AND PUBLISHING -- 2.9% | | |
| AMERICAN ACHIEVEMENT CORP. | | |
| $ 700,000 | Term Loan, Maturing March 25, 2011 | $ |
| AMERICAN MEDIA OPERATIONS, INC. | | |
| 2,360,799 | Term Loan, Maturing April 1, 2007 | |
| CBD MEDIA, LLC | | |
| 918,750 | Term Loan, Maturing December 31, 2009 | |
| DEX MEDIA EAST, LLC | | |
| 875,589 | Term Loan, Maturing November 8, 2008 | |
| 5,331,019 | Term Loan, Maturing May 8, 2009 | |
| DEX MEDIA WEST, LLC | | |
| $ 2,447,904 | Term Loan, Maturing September 9, 2009 | $ |
| 9,486,817 | Term Loan, Maturing March 9, 2010 | |
| HOLLINGER INTERNATIONAL PUBLISHING, INC. | | |
| 2,938,905 | Term Loan, Maturing September 30, 2009 | |
| JOSTENS, INC. | | |
| 3,791,103 | Term Loan, Maturing July 15, 2010 | |
| JOURNAL REGISTER CO. | | |
| 1,917,590 | Term Loan, Maturing September 30, 2006 | |
| LIBERTY GROUP OPERATING, INC. | | |
| 4,996,923 | Term Loan, Maturing April 30, 2007 | |
| MERRILL CORP. | | |
| 2,451,595 | Term Loan, Maturing November 15, 2007 | |
| MORRIS PUBLISHING GROUP, LLC | | |
| 7,500,000 | Term Loan, Maturing March 31, 2011 | |
| NEBRASKA BOOK CO. | | |
| 960,000 | Term Loan, Maturing March 4, 2011 | |
| R.H. DONNELLEY, INC. | | |
| 4,950,741 | Term Loan, Maturing June 30, 2010 | |
| SUN MEDIA CORP. | | |
| 2,818,680 | Term Loan, Maturing February 7, 2009 | |
| THE READER'S DIGEST ASSOCIATION, INC. | | |
| 3,661,035 | Term Loan, Maturing May 20, 2008 | |
| TRANSWESTERN PUBLISHING COMPANY, LLC | | |
| 925,000 | Term Loan B, Maturing February 25, 2011 | |
| 1,600,000 | Term Loan, Maturing February 25, 2011 | |

| | | |
|---|---|---|
| | | $ |
| RETAIL - FOOD AND DRUG -- 0.1% | | |
| GENERAL NUTRITION CENTERS, INC. | | |
| $ 1,995,000 | Term Loan, Maturing December 5, 2009 | $ |
| | | $ |
| RETAIL STORES -- 1.3% | | |
| CSK AUTO, INC. | | |
| $ 4,000,000 | Term Loan, Maturing June 20, 2009 | $ |
| FTD, INC. | | |
| 1,000,000 | Term Loan, Maturing February 28, 2011 | |
| ORIENTAL TRADING CO. | | |
| 5,534,572 | Term Loan, Maturing August 4, 2010 | |
| PETCO ANIMAL SUPPLIES, INC. | | |
| 992,474 | Term Loan, Maturing October 2, 2008 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | V |
|---|---|---|
| RETAIL STORES (CONTINUED) | | |
| RENT-A-CENTER, INC. | | |
| $ 2,977,500 | Term Loan, Maturing May 28, 2009 | $ |
| RITE AID CORP. | | |
| 12,650,000 | Term Loan, Maturing April 30, 2008 | |
| | | $ |
| TELECOMMUNICATIONS -- 2.6% | | |
| CENTENNIAL CELLULAR OPERATING CO., LLC | | |
| $ 2,850,000 | Term Loan, Maturing February 9, 2011 | $ |
| CINCINNATI BELL, INC. | | |
| 10,015,024 | Term Loan, Maturing June 30, 2008 | |
| CONSOLIDATED COMMUNICATIONS, INC. | | |
| 2,125,000 | Term Loan, Maturing October 14, 2011 | |
| DOBSON CELLULAR SYSTEMS, INC. | | |
| 995,000 | Term Loan, Maturing March 31, 2010 | |
| NEXTEL FINANCE CO. | | |
| 12,460,041 | Term Loan, Maturing December 15, 2010 | |
| QWEST CORP. | | |
| 17,500,000 | Term Loan, Maturing June 4, 2007 | |
| SPECTRASITE COMMUNICATIONS, INC. | | |
| 2,288,452 | Term Loan, Maturing June 30, 2006 | |
| WESTERN WIRELESS CORP. | | |
| 6,333,592 | Term Loan, Maturing September 30, 2008 | |
| | | $ |
| TELECOMMUNICATIONS - WIRELESS -- 0.3% | | |
| AMERICAN TOWER, L.P. | | |
| $ 4,816,770 | Term Loan, Maturing December 31, 2007 | $ |

SBA SENIOR FINANCE, INC.
1,518,314 Term Loan, Maturing October 31, 2008

TEXTILES AND LEATHER -- 0.1%
ST. JOHN KNITS INTERNATIONAL, INC.
$ 2,928,270 Term Loan, Maturing July 31, 2007

UTILITIES -- 1.4%
ALLEGHENY ENERGY SUPPLY CO., LLC
$ 4,600,000 Term Loan, Maturing March 8, 2011
CALPINE GENERATING CO., LLC
2,500,000 Term Loan, Maturing April 1, 2009
CENTERPOINT ENERGY, INC.
$ 7,683,243 Term Loan, Maturing October 7, 2006
COGENTRIX DELAWARE HOLDINGS, INC.
1,750,000 Term Loan, Maturing February 26, 2009
NRG ENERGY, INC.
1,692,839 Term Loan, Maturing June 23, 2010
3,011,620 Term Loan, Maturing June 23, 2010
NUI UTILITIES, INC.
2,437,500 Term Loan, Maturing November 24, 2004
PACIFIC ENERGY GROUP, LLC
3,000,000 Term Loan, Maturing July 26, 2009
TETON POWER FUNDING, LLC
1,500,000 Term Loan, Maturing March 12, 2011

TOTAL SENIOR, FLOATING RATE INTERESTS
(IDENTIFIED COST $981,728,214)

MORTGAGE PASS-THROUGHS -- 50.6%

| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | V |
|---|---|---|
| | FEDERAL HOME LOAN MORTGAGE CORP.: | |
| $ 1,796 | 6.00%, with maturity at 2026 | $ |
| 42,402 | 6.50%, with various maturities to 2025 | |
| 37,071 | 7.00%, with various maturities to 2027 | |
| 2,216 | 7.13%, with maturity at 2023 | |
| 79,280 | 7.50%, with various maturities to 2028 | |
| 3,189 | 7.65%, with maturity at 2022 | |
| 760 | 7.70%, with maturity at 2022 | |
| 41,216 | 8.00%, with various maturities to 2030 | |
| 15,309 | 8.50%, with various maturities to 2024 | |
| 464 | 8.75%, with maturity at 2010 | |
| 10,837 | 9.00%, with various maturities to 2023 | |
| 13,482 | 9.50%, with various maturities to 2025 | |
| 6,362 | 10.00%, with various maturities to 2022 | |
| 2,673 | 10.50%, with various maturities to 2021 | |
| 251 | 11.00%, with maturity at 2015 | |
| 448 | 11.50%, with various maturities to 2020 | |

| | | |
|---|---|---|
| | 290 | 12.00%, with maturity at 2019 |
| | 1,566 | 12.50%, with various maturities to 2015 |
| | 701 | 13.00%, with maturity at 2015 |
| | 66 | 13.50%, with maturity at 2014 |
| | 218 | 14.00%, with maturity at 2014 |
| | | $ |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | V |
|---|---|---|
| | FEDERAL NATIONAL MORTGAGE ASSN.: | |
| $ 1,840 | 6.00%, with maturity at 2023 | $ |
| 128,257 | 6.50%, with various maturities to 2029(2) | |
| 1,571 | 6.75%, with maturity at 2023 | |
| 87,667 | 7.00%, with various maturities to 2028 | |
| 17,250 | 7.50%, with various maturities to 2026 | |
| 32,631 | 8.00%, with various maturities to 2028 | |
| 302 | 8.25%, with maturity at 2018 | |
| 20,364 | 8.50%, with various maturities to 2027 | |
| 3,290 | 8.616%, with maturity at 2029 | |
| 30,175 | 9.00%, with various maturities to 2026 | |
| 1,966 | 9.176%, with maturity at 2024 | |
| 13,262 | 9.50%, with various maturities to 2030 | |
| 6,505 | 10.00%, with various maturities to 2021 | |
| 5,695 | 10.233%, with maturity at 2019 | |
| 2,907 | 10.50%, with various maturities to 2025 | |
| 2,502 | 11.00%, with various maturities to 2020 | |
| 276 | 11.25%, with maturity at 2016 | |
| 6,431 | 11.50%, with various maturities to 2021 | |
| 46 | 11.75%, with maturity at 2014 | |
| 941 | 12.00%, with various maturities to 2016 | |
| 753 | 12.50%, with various maturities to 2015 | |
| 815 | 13.00%, with various maturities to 2015 | |
| 318 | 13.50%, with various maturities to 2017 | |
| 102 | 14.50%, with maturity at 2014 | |
| | | $ |
| | GOVERNMENT NATIONAL MORTGAGE ASSN.: | |
| $ 11,445 | 6.00%, with maturity at 2024 | $ |
| 107,521 | 6.50%, with various maturities to 2024(2) | |
| 20,298 | 7.00%, with various maturities to 2024 | |
| 21,429 | 8.00%, with various maturities to 2025 | |
| 5,798 | 8.50%, with various maturities to 2022 | |
| 25,633 | 9.00%, with various maturities to 2025 | |
| 37,350 | 9.50%, with various maturities to 2026 | |
| 2,503 | 10.00%, with maturity at 2019 | |
| | | $ |
| | COLLATERALIZED MORTGAGE OBLIGATIONS: | |

| | | | |
|---|---|---|---|
| $ | 1,567 | Federal Home Loan Mortgage Corp., Series 1289, Class PV, 7.50%, 6/15/22 | $ |
| | 8,928 | Federal Home Loan Mortgage Corp., Series 1497, Class K, 7.00%, 4/15/23 | |
| | 13,779 | Federal Home Loan Mortgage Corp., Series 1529, Class Z, 7.00%, 6/15/23 | |
| $ | 19,933 | Federal Home Loan Mortgage Corp., Series 1730, Class Z, 7.00%, 5/15/24 | $ |
| | 1,613 | Federal National Mortgage Assn., Series 1988-14, Class I, 9.20%, 6/25/18 | |
| | 1,518 | Federal National Mortgage Assn., Series 1989-1, Class D, 10.30%, 1/25/19 | |
| | 3,216 | Federal National Mortgage Assn., Series 1989-34, Class Y, 9.85%, 7/25/19 | |
| | 3,635 | Federal National Mortgage Assn., Series 1990-43, Class Z, 9.50%, 4/25/20 | |
| | 1,221 | Federal National Mortgage Assn., Series 1991-98, Class J, 8.00%, 8/25/21 | |
| | 700 | Federal National Mortgage Assn., Series 1992-103, Class Z, 7.50%, 6/25/22 | |
| | 1,330 | Federal National Mortgage Assn., Series 1992-113, Class Z, 7.50%, 7/25/22 | |
| | 5,534 | Federal National Mortgage Assn., Series 1993-16, Class Z, 7.50%, 2/25/23 | |
| | 4,808 | Federal National Mortgage Assn., Series 1993-22, Class PM, 7.40%, 2/25/23 | |
| | 6,892 | Federal National Mortgage Assn., Series 1993-25, Class J, 7.50%, 3/25/23 | |
| | 16,166 | Federal National Mortgage Assn., Series 1993-30, Class PZ, 7.50%, 3/25/23 | |
| | 11,761 | Federal National Mortgage Assn., Series 1994-89, Class ZQ, 8.00%, 7/25/24 | |
| | 13,164 | Federal National Mortgage Assn., Series 2001-37, Class GA, 8.00%, 7/25/16 | |
| | 8,304 | Federal National Mortgage Assn., Series G93-29, Class Z, 7.00%, 8/25/23 | |
| | 9,000 | Government National Mortgage Assn., Series 2002-45, Class PG, 6.00%, 3/17/32 | |
| | 4,349 | Merrill Lynch Trust, Series 45, Class Z, 9.10%, 9/20/20 | |
| | | | $ |
| TOTAL MORTGAGE PASS-THROUGHS (IDENTIFIED COST $1,085,039,758) | | | $ |

CORPORATE BONDS & NOTES -- 48.8%

| PRINCIPAL AMOUNT (000'S OMITTED) | | SECURITY | V |
|---|---|---|---|
| AEROSPACE & DEFENSE -- 1.1% | | | |
| ARMOR HOLDINGS, INC., SR. SUB. NOTES | | | |
| $ | 1,895 | 8.25%, 8/15/13 | $ |

| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | V |
|---|---|---|
| | AEROSPACE & DEFENSE (CONTINUED) | |
| | BE AEROSPACE, SR. NOTES | |
| $ 1,045 | 8.50%, 10/1/10 | $ |
| | DUNLOP STAND AERO HOLDINGS, SR. NOTES | |
| 5,680 | 11.875%, 5/15/09 | |
| 1,700 | 11.875%, 5/15/09(3) | |
| | GENCORP, INC., SR. SUB. NOTES | |
| 3,000 | 9.50%, 8/15/13 | |
| | SEQUA CORP. | |
| 5,000 | 8.875%, 4/1/08 | |
| | TITAN CORP., SR. SUB. NOTES | |
| 2,000 | 8.00%, 5/15/11(3) | |
| | VOUGHT AIRCRAFT, INC., SR. NOTES | |
| 1,000 | 8.00%, 7/15/11(3) | |
| | | $ |
| | AIRLINES -- 0.8% | |
| | AMERICAN AIRLINES | |
| $ 3,000 | 7.80%, 10/1/06 | $ |
| 525 | 8.608%, 4/1/11 | |
| | AMR CORP., DEBS. | |
| 2,970 | 9.00%, 8/1/12 | |
| | CONTINENTAL AIRLINES | |
| 475 | 8.00%, 12/15/05 | |
| | DELTA AIR LINES | |
| 6,000 | 7.70%, 12/15/05 | |
| | DELTA AIR LINES, SERIES 00-1 | |
| 3,910 | 7.779%, 11/18/05 | |
| | DELTA AIR LINES, SERIES 02-1 | |
| 643 | 7.779%, 1/2/12 | |
| | NORTHWEST AIRLINES, INC., SR. NOTES | |
| 3,465 | 9.875%, 3/15/07 | |
| | | $ |
| | APPAREL -- 0.5% | |
| | J CREW OPERATING CORP., SR. SUB. NOTES | |
| $ 2,220 | 10.375%, 10/15/07 | $ |
| | PERRY ELLIS INTERNATIONAL, INC., SR. SUB. NOTES, SERIES B | |
| 3,795 | 8.875%, 9/15/13 | |
| | PHILLIPS VAN-HEUSEN, SR. NOTES | |
| 1,175 | 7.25%, 2/15/11(3) | |
| 2,500 | 8.125%, 5/1/13 | |
| | | $ |
| | AUTOMOBILE -- 1.9% | |
| | DANA CORP. | |
| $ 8,375 | 10.125%, 3/15/10 | $ |
| | KEYSTONE AUTOMOTIVE OPERATIONS, INC., SR. SUB. NOTES | |
| 1,020 | 9.75%, 11/1/13(3) | |

METALDYNE CORP.
2,855 11.00%, 6/15/12(3)
METALDYNE, INC., SR. NOTES
1,215 10.00%, 11/1/13(3)
SONIC AUTOMOTIVE, INC., SR. SUB. NOTES
1,600 8.625%, 8/15/13
TENNECO AUTOMOTIVE, GLOBAL SHARES, SERIES B
10,430 10.25%, 7/15/13
TENNECO AUTOMOTIVE, INC., SERIES B
2,470 11.625%, 10/15/09
TRW AUTOMOTIVE, INC., SR. NOTES
2,230 9.375%, 2/15/13
TRW AUTOMOTIVE, INC., SR. SUB. NOTES
3,900 11.00%, 2/15/13
UNITED COMPONENTS, INC., SR. SUB. NOTES
990 9.375%, 6/15/13

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BEVERAGE, FOOD AND TOBACCO -- 1.0%
MERISANT CO., SR. NOTES
$ 5,815 9.50%, 7/15/13(3) $
MICHAEL FOODS, SR. SUB. NOTES
3,030 8.00%, 11/15/13(3)
PINNACLE FOODS HOLDINGS CORP., SR. SUB. NOTES
1,250 8.25%, 12/1/13(3)
2,585 8.25%, 12/1/13(3)
REDDY ICE GROUP, INC., SR. SUB. NOTES
2,535 8.875%, 8/1/11
TABLETOP HOLDINGS, INC., SR. SUB. NOTES, (0% UNTIL 2008)
3,655 0.00%, 5/15/14(3)
WH HOLDINGS LTD. AND WH CAPITAL CORP., SR. NOTES
1,635 9.50%, 4/1/11(3)

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BROADCASTING & ENTERTAINMENT -- 4.2%
CABLEVISION SYSTEMS CORP., SR. NOTES
$ 5,840 8.00%, 4/15/12(3) $
CANWEST MEDIA, INC., SR. SUB. NOTES
11,000 10.625%, 5/15/11

SEE NOTES TO FINANCIAL STATEMENTS



PRINCIPAL AMOUNT
(000'S OMITTED) SECURITY V

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BROADCASTING & ENTERTAINMENT (CONTINUED)
CHARTER COMMUNICATION HOLDINGS, SR. DISC. NOTES
$ 2,540 13.50%, 1/15/11 $
CHARTER COMMUNICATIONS HOLDINGS, LLC, SR. NOTES
2,520 10.25%, 1/15/10
CORUS ENTERTAINMENT, INC., SR. SUB. NOTES
880 8.75%, 3/1/12
CSC HOLDINGS, INC., SR. NOTES

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         2,970    7.875%, 12/15/07
         5,000    8.125%, 7/15/09
CSC HOLDINGS, INC., SR. SUB. NOTES
         6,605    10.50%, 5/15/16
ECHOSTAR DBS CORP., SR. NOTES
        10,000    4.41%, 10/1/08(3)
INSIGHT COMMUNICATIONS, SR. DISC. NOTES
         5,830    12.25%, 2/15/11
INSIGHT MIDWEST HOLDINGS, LLC, SR. NOTES
         8,240    10.50%, 11/1/10
MUZAK HOLDINGS LLC
         1,310    9.875%, 3/15/09
MUZAK LLC/MUZAK FINANCE, SR. NOTES
         7,365    10.00%, 2/15/09
NEXSTAR FINANCE HOLDINGS LLC, INC.
           330    12.00%, 4/1/08
NEXSTAR FINANCE HOLDINGS LLC, INC., SR. DISC. NOTES
         3,450    11.375%, 4/1/13
PAXSON COMMUNICATIONS CORP.
         7,110    10.75%, 7/15/08
         3,000    3.89%, 1/15/10(3)
PEGASUS COMMUNICATIONS CORP., SR. NOTES
         1,515    11.25%, 1/15/10(3)
PEGASUS SATELLITE
         2,000    12.375%, 8/1/06
-------------------------------------------------------------------------------------------------
                                                                                                $
-------------------------------------------------------------------------------------------------
BUILDING AND CONSTRUCTION -- 0.9%
DAYTON SUPERIOR CORP., SR. NOTES
$        7,000    10.75%, 9/15/08                                                              $
KOPPERS, INC., SR. NOTES
         1,835    9.875%, 10/15/13(3)
PLY GEM INDUSTRIES, INC., SR. SUB. NOTES
         2,625    9.00%, 2/15/12(3)
WCI COMMUNITIES, INC., SR. SUB. NOTES
         6,000    7.875%, 10/1/13
-------------------------------------------------------------------------------------------------
                                                                                                $
-------------------------------------------------------------------------------------------------
BUILDING MATERIALS -- 0.2%
NORTEK HOLDINGS, INC., SR. NOTES, (0% UNTIL 2007)
$        4,145    10.00%, 5/15/11(3)                                                           $
US CONCRETE, INC., SR. SUB. NOTES
         1,675    8.375%, 4/1/14(3)
-------------------------------------------------------------------------------------------------
                                                                                                $
-------------------------------------------------------------------------------------------------
BUILDINGS AND REAL ESTATE -- 0.1%
CB RICHARD ELLIS SERVICES, INC., SR. SUB. NOTES
$        2,600    11.25%, 6/15/11                                                              $
-------------------------------------------------------------------------------------------------
                                                                                                $
-------------------------------------------------------------------------------------------------
BUSINESS SERVICES -- 0.8%
AFFINITY GROUP, INC., SR. SUB. NOTES
$        3,450    9.00%, 2/15/12(3)                                                            $
MOBILE MINI, INC.
         2,925    9.50%, 7/1/13
NORCROSS SAFETY PRODUCTS LLC/NORCROSS CAPITAL CORP., SR. SUB. NOTES, SERIES B
         4,660    9.875%, 8/15/11
WILLIAMS SCOTSMAN, INC.
```

| | | | |
|---|---|---|---|
| | 3,000 | 9.875%, 6/1/07 | |
| WILLIAMS SCOTSMAN, INC., SR. NOTES | | | |
| | 1,375 | 10.00%, 8/15/08 | |
| | | | $ |
| CARGO TRANSPORT -- 0.1% | | | |
| QUALITY DISTRIBUTION LLC/QD CAPITAL CORP. | | | |
| $ | 1,045 | 9.00%, 11/15/10(3) | $ |
| | | | $ |
| CHEMICALS, PLASTICS AND RUBBER -- 2.8% | | | |
| ACETEX CORP., SR. NOTES | | | |
| $ | 3,000 | 10.875%, 8/1/09 | $ |
| AVECIA INVESTMENTS LTD. | | | |
| | 1,212 | 11.00%, 7/1/09 | |
| EQUISTAR CHEMICAL, SR. NOTES | | | |
| | 7,000 | 10.625%, 5/1/11 | |
| HUNTSMAN ADVENTURE MATERIALS, SR. NOTES | | | |
| | 905 | 11.00%, 7/15/10(3) | |
| HUNTSMAN INTERNATIONAL | | | |
| | 6,000 | 9.875%, 3/1/09 | |
| HUNTSMAN LLC | | | |
| | 5,000 | 11.625%, 10/15/10 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | | V |
|---|---|---|---|
| CHEMICALS, PLASTICS AND RUBBER (CONTINUED) | | | |
| IMC GLOBAL, INC. | | | |
| $ | 6,775 | 11.25%, 6/1/11 | $ |
| LYONDELL CHEMICAL CO. | | | |
| | 5,000 | 9.50%, 12/15/08 | |
| | 4,790 | 9.50%, 12/15/08 | |
| LYONDELL CHEMICAL CO., SERIES B | | | |
| | 2,680 | 9.875%, 5/1/07 | |
| OM GROUP, INC. | | | |
| | 11,025 | 9.25%, 12/15/11 | |
| ROCKWOOD SPECIALTIES GROUP, SR. SUB. NOTES | | | |
| | 1,185 | 10.625%, 5/15/11 | |
| | | | $ |
| COMPUTER SERVICES -- 0.3% | | | |
| DIGITALNET, INC., SR. NOTES | | | |
| $ | 5,178 | 9.00%, 7/15/10 | $ |
| | | | $ |
| COMPUTERS - INTEGRATED SYSTEMS -- 0.0% | | | |
| ACTIVANT SOLUTIONS, INC., SR. NOTES | | | |
| $ | 1,000 | 10.50%, 6/15/11 | $ |

| | | | |
|---|---|---|---|
| | | | $ |
| CONSUMER PRODUCTS -- 0.5% | | | |
| AMERICAN ACHIEVEMENT CORP., SR. SUB. NOTES | | | |
| $ | 720 | 8.25%, 4/1/12(3) | $ |
| AMSCAN HOLDINGS, INC., SR. SUB. NOTES | | | |
| | 6,820 | 9.875%, 12/15/07 | |
| FEDDERS NORTH AMERICA, INC., SR. NOTES | | | |
| | 2,360 | 9.875%, 3/1/14(3) | |
| JOSTENS HOLDING CORP., SR. DISC. NOTES | | | |
| | 1,250 | 10.25%, 12/1/13 | |
| | | | $ |
| CONTAINERS, PACKAGING AND GLASS -- 1.9% | | | |
| ANCHOR GLASS CONTAINER CORP. | | | |
| $ | 5,000 | 11.00%, 2/15/13 | $ |
| CROWN EURO HOLDINGS SA | | | |
| | 20,495 | 10.875%, 3/1/13 | |
| GRAPHIC PACKAGING INTERNATIONAL CORP., SR. SUB. NOTES | | | |
| | 3,265 | 9.50%, 8/15/13 | |
| PLIANT CORP., SR. DISC. NOTES | | | |
| $ | 2,775 | 11.125%, 6/15/09(3) | $ |
| SOLO CUP CO., SR. SUB. NOTES | | | |
| | 2,725 | 8.50%, 2/15/14(3) | |
| US CAN CORP., SR. NOTES | | | |
| | 1,230 | 10.875%, 7/15/10 | |
| | | | $ |
| DIVERSIFIED / CONGLOMERATE MANUFACTURING -- 0.9% | | | |
| AMSTED INDUSTRIES, INC., SR. NOTES | | | |
| $ | 7,150 | 10.25%, 10/15/11(3) | $ |
| DRESSER, INC. | | | |
| | 9,200 | 9.375%, 4/15/11 | |
| NATIONAL WATERWORKS, INC., SERIES B | | | |
| | 1,500 | 10.50%, 12/1/12 | |
| | | | $ |
| DIVERSIFIED / CONGLOMERATE SERVICE -- 1.1% | | | |
| ADVANSTAR COMMUNICATIONS, INC. | | | |
| $ | 6,468 | 8.68%, 8/15/08 | $ |
| | 6,980 | 10.75%, 8/15/10 | |
| NALCO CO., SR. NOTES | | | |
| | 3,150 | 7.75%, 11/15/11(3) | |
| NALCO CO., SR. SUB. NOTES | | | |
| | 2,960 | 8.875%, 11/15/13(3) | |
| NALCO FINANCE HOLDINGS, INC., SR. NOTES, (0% UNTIL 2009) | | | |
| | 3,750 | 0.00%, 2/1/14(3) | |
| | | | $ |
| ELECTRONICS -- 1.1% | | | |
| DANKA BUSINESS SYSTEMS, SR. NOTES | | | |
| $ | 2,350 | 11.00%, 6/15/10 | $ |
| HEXCEL CORP. | | | |
| | 1,520 | 9.875%, 10/1/08 | |
| HEXCEL CORP., SR. SUB. NOTES | | | |
| | 525 | 9.75%, 1/15/09 | |
| SANMINA-SCI CORP., SR. NOTES | | | |

| | | |
|---|---|---|
| | 5,000 | 10.375%, 1/15/10 |
| WESCO DISTRIBUTION INC. | | |
| | 5,000 | 9.125%, 6/1/08 |
| XEROX CORP. | | |
| | 3,000 | 9.75%, 1/15/09 |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | V |
|---|---|---|
| ELECTRONICS (CONTINUED) | | |
| XEROX CORP., SR. NOTES | | |
| $ 1,855 | 7.125%, 6/15/10 | $ |
| 1,485 | 7.625%, 6/15/13 | |
| | | $ |
| FINANCIAL SERVICES -- 0.1% | | |
| POSTER FINANCIAL GROUP, INC. | | |
| $ 1,510 | 8.75%, 12/1/11(3) | $ |
| | | $ |
| FOODS -- 0.5% | | |
| B&G FOODS, INC. | | |
| $ 4,000 | 9.625%, 8/1/07 | $ |
| BURNS PHILIP CAPITAL PROPERTY LTD. | | |
| 2,000 | 9.50%, 11/15/10 | |
| UAP HOLDING CORP., SR. DISC. NOTES, (0% UNTIL 2008) | | |
| 5,535 | 0.00%, 7/15/12(3) | |
| | | $ |
| GAMING -- 0.0% | | |
| GLOBAL CASH ACCESS LLC/GLOBAL CASH FINANCE CORP., SR. SUB. NOTES | | |
| $ 700 | 8.75%, 3/15/12(3) | $ |
| | | $ |
| HEALTHCARE, EDUCATION AND CHILDCARE -- 3.5% | | |
| ALARIS MEDICAL SYSTEMS, INC., SR. SUB. NOTES | | |
| $ 645 | 7.25%, 7/1/11 | $ |
| ARDENT HEALTH SERVICES, SR. SUB. NOTES | | |
| 6,995 | 10.00%, 8/15/13 | |
| CONCENTRA OPERATING CORP., SR. NOTES | | |
| 7,000 | 9.50%, 8/15/10 | |
| MEDQUEST, INC. | | |
| 6,000 | 11.875%, 8/15/12 | |
| NATIONAL NEPHROLOGY ASSOCIATION, SR. SUB. NOTES | | |
| 2,000 | 9.00%, 11/1/11(3) | |
| PACIFICARE HEALTH SYSTEM | | |
| 7,017 | 10.75%, 6/1/09 | |
| QUINTILES TRANSNATIONAL CORP., SR.SUB. NOTES | | |
| 9,690 | 10.00%, 10/1/13(3) | |

| | | | |
|---|---|---|---|
| ROTECH HEALTHCARE, INC. | | | |
| | 7,105 | 9.50%, 4/1/12 | |
| TENET HEALTHCARE CORP. | | | |
| $ | 7,365 | 7.375%, 2/1/13 | $ |
| VANGUARD HEALTH SYSTEMS | | | |
| | 10,000 | 9.75%, 8/1/11 | |
| VWR INTERNATIONAL, INC., SR. NOTES | | | |
| | 1,400 | 6.875%, 4/15/12(3) | |
| VWR INTERNATIONAL, INC., SR. SUB. NOTES | | | |
| | 3,270 | 8.00%, 4/15/14(3) | |
| | | | $ |
| HOTELS, MOTELS, INNS AND GAMING -- 3.2% | | | |
| CHUKCHANSI EDA, SR. NOTES | | | |
| $ | 800 | 14.50%, 6/15/09(3) | $ |
| EXTENDED STAY AMERICA, SR. SUB. NOTES | | | |
| | 2,000 | 9.15%, 3/15/08 | |
| FELCOR LODGING | | | |
| | 6,300 | 10.00%, 9/15/08 | |
| HOST MARRIOTT L.P., SERIES I | | | |
| | 7,000 | 9.50%, 1/15/07 | |
| INN OF THE MOUNTAIN GODS, SR. NOTES | | | |
| | 5,230 | 12.00%, 11/15/10(3) | |
| JOHN Q HAMONS HOTELS/FINANCE, SERIES B | | | |
| | 3,500 | 8.875%, 5/15/12 | |
| MAJESTIC STAR CASINO LLC | | | |
| | 5,975 | 9.50%, 10/15/10 | |
| MTR GAMING GROUP, SERIES B | | | |
| | 2,500 | 9.75%, 4/1/10 | |
| OED CORP./DIAMOND JO LLC | | | |
| | 3,830 | 8.75%, 4/15/12(3) | |
| PENN NATIONAL GAMING, INC. | | | |
| | 945 | 11.125%, 3/1/08 | |
| SUN INTERNATIONAL HOTELS, SR. SUB. NOTES | | | |
| | 4,000 | 8.875%, 8/15/11 | |
| TRUMP HOLDINGS AND FUNDING, SR. NOTES | | | |
| | 4,660 | 11.625%, 3/15/10 | |
| VENETIAN CASINO RESORT, LLC/LAS VEGAS SANDS, INC. | | | |
| | 5,995 | 11.00%, 6/15/10 | |
| WATERFORD GAMING LLC, SR. NOTES | | | |
| | 9,406 | 8.625%, 9/15/12(3) | |
| | | | $ |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | | V |
|---|---|---|---|
| INFORMATION TECHNOLOGY -- 0.4% | | | |
| NEW ASAT (FINANCE) LTD., SR. NOTES | | | |
| $ | 2,490 | 9.25%, 2/1/113 | $ |
| STRATUS TECHNOLOGIES, INC., SR. NOTES | | | |

| | | | |
|---|---|---|---|
| | 5,060 | 10.375%, 12/1/08(3) | |
| | | | $ |
| LEISURE, AMUSEMENT, ENTERTAINMENT -- 2.4% | | | |
| AMF BOWLING WORLDWIDE, SR. SUB. NOTES | | | |
| $ | 1,865 | 10.00%, 3/1/10(3) | $ |
| INTRAWEST CORP., SR. NOTES | | | |
| | 3,910 | 7.50%, 10/15/13 | |
| PREMIER ENTERTAINMENT BILOXI LLC/PREMIER FINANCE BILOXI CORP. | | | |
| | 475 | 10.75%, 2/1/12(3) | |
| ROYAL CARIBBEAN CRUISES, DEBS. | | | |
| | 4,605 | 7.50%, 10/15/27 | |
| ROYAL CARIBBEAN CRUISES, SR. NOTES | | | |
| | 12,195 | 8.75%, 2/2/11 | |
| SIX FLAGS THEME PARKS, INC., SR. NOTES | | | |
| | 1,000 | 8.875%, 2/1/10 | |
| | 5,920 | 9.75%, 4/15/13 | |
| SIX FLAGS, INC., SR. NOTES | | | |
| | 3,755 | 9.625%, 6/1/14(3) | |
| TRUE TEMPER SPORTS, INC., SR. SUB. NOTES | | | |
| | 700 | 8.375%, 9/15/11(3) | |
| UNIVERSAL CITY DEVELOPMENT, SR. NOTES | | | |
| | 12,500 | 11.75%, 4/1/10 | |
| | | | $ |
| MACHINERY -- 1.1% | | | |
| CASE NEW HOLLAND, INC., SR. NOTES | | | |
| $ | 7,135 | 9.25%, 8/1/11(3) | $ |
| MANITOWOC CO., INC. (THE) | | | |
| | 1,500 | 10.50%, 8/1/12 | |
| TEREX CORP. | | | |
| | 8,645 | 10.375%, 4/1/11 | |
| THERMADYNE HOLDINGS CORP., SR. SUB. NOTES | | | |
| | 4,575 | 9.25%, 2/1/14(3) | |
| | | | $ |
| MANUFACTURING -- 0.9% | | | |
| AEARO CO. I, SR. SUB. NOTES | | | |
| $ | 1,665 | 8.25%, 4/15/12(3) | $ |
| AVONDALE MILLS, INC., SR. SUB. NOTES | | | |
| $ | 3,700 | 10.25%, 7/1/13 | $ |
| GENERAL CABLE CORP., SR. NOTES | | | |
| | 1,510 | 9.50%, 11/15/10(3) | |
| OXFORD INDUSTRIES, INC., SR. NOTES | | | |
| | 9,500 | 8.875%, 6/1/11(3) | |
| TEKNI-PLEX, INC., SR. NOTES | | | |
| | 1,755 | 8.75%, 11/15/13(3) | |
| TRINITY INDUSTRIES, INC., SR. NOTES | | | |
| | 2,380 | 6.50%, 3/15/14(3) | |
| | | | $ |
| MEDICAL PRODUCTS -- 0.1% | | | |
| INVERNESS MEDICAL INNOVATIONS, INC., SR. SUB. NOTES | | | |
| $ | 2,520 | 8.75%, 2/15/12(3) | $ |
| | | | $ |
| METALS - INDUSTRIAL -- 0.3% | | | |

| | | | |
|---|---|---|---|
| AK STEEL CORP. | | | |
| $ | 2,000 | 7.75%, 6/15/12 | $ |
| INTERNATIONAL STEEL GROUP, INC., SR. NOTES | | | |
| | 465 | 6.50%, 4/15/14(3) | |
| ISPAT INLAND ULC, SR. NOTES | | | |
| | 2,380 | 9.75%, 4/1/14(3) | |
| MUELLER GROUP, INC., SR. SUB. NOTES | | | |
| | 2,325 | 10.00%, 5/1/12(3) | |
| | | | $ |
| OIL AND GAS -- 1.6% | | | |
| CONTINENTAL RESOURCES | | | |
| $ | 2,770 | 10.25%, 8/1/08 | $ |
| DYNEGY HOLDINGS, INC., SR. NOTES | | | |
| | 4,845 | 6.875%, 4/1/11 | |
| | 10,670 | 10.125%, 7/15/13(3) | |
| GULFTERRA ENERGY PARTNER, SERIES B | | | |
| | 1,233 | 8.50%, 6/1/10 | |
| SONAT, INC. | | | |
| | 5,000 | 7.625%, 7/15/11 | |
| WILLIAMS COS., INC., SR. NOTES | | | |
| | 8,575 | 8.625%, 6/1/10 | |
| | | | $ |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | | V |
|---|---|---|---|
| OIL AND GAS - EQUIPMENT AND SERVICES -- 0.6% | | | |
| DYNEGY HOLDINGS, INC., SR. NOTES | | | |
| $ | 380 | 8.75%, 2/15/12 | $ |
| HANOVER COMPRESSOR CO., SUB. NOTES | | | |
| | 4,650 | 0.00%, 3/31/07 | |
| PARKER DRILLING CO., SR. NOTES | | | |
| | 910 | 9.625%, 10/1/13 | |
| PETRO STOPPING CENTERS LP / PETRO FINANCIAL CORP., SR. NOTES | | | |
| | 1,795 | 9.00%, 2/15/12(3) | |
| PREMCOR REFINING GROUP, SR. SUB. NOTES | | | |
| | 1,265 | 7.75%, 2/1/12 | |
| TRANSMONTAIGNE, INC., SR. SUB. NOTES | | | |
| | 4,000 | 9.125%, 6/1/10(3) | |
| | | | $ |
| PAPER AND FOREST PRODUCTS -- 2.1% | | | |
| CARAUSTAR INDUSTRIES, INC., SR. SUB. NOTES | | | |
| $ | 230 | 9.875%, 4/1/11 | $ |
| GEORGIA-PACIFIC CORP. | | | |
| | 15,225 | 9.50%, 12/1/11 | |
| MDP ACQUISITIONS/JSG FUNDING PLC, SR. NOTES | | | |
| | 17,180 | 9.625%, 10/1/12 | |

| | | | |
|---|---|---|---|
| NEWARK GROUP, INC., SR. SUB. NOTES | | | |
| | 2,785 | 9.75%, 3/15/14(3) | |
| NORSKE SKOG CANADA LTD., SR. NOTES | | | |
| | 3,380 | 7.375%, 3/1/14(3) | |
| | | | $ |
| PERSONAL AND NON-DURABLE CONSUMER PRODUCTS (MANUFACTURING ONLY) -- 0.4% | | | |
| RAYOVAC CORP., SR. SUB. NOTES | | | |
| $ | 8,835 | 8.50%, 10/1/13 | $ |
| | | | $ |
| PRINTING AND PUBLISHING -- 1.6% | | | |
| AMERICAN COLOR GRAPHICS | | | |
| $ | 115 | 10.00%, 6/15/10 | $ |
| AMERICAN MEDIA OPERATIONS, INC. | | | |
| | 4,040 | 8.875%, 1/15/11 | |
| AMERICAN MEDIA, INC., SERIES B | | | |
| | 3,845 | 10.25%, 5/1/09 | |
| CBD MEDIA/CBD FINANCE | | | |
| | 4,200 | 8.625%, 6/1/11 | |
| DEX MEDIA WEST LLC, SR. NOTES | | | |
| $ | 1,835 | 8.50%, 8/15/10(3) | $ |
| DEX MEDIA WEST LLC, SR. SUB. NOTES | | | |
| | 7,705 | 9.875%, 8/15/13(3) | |
| HOLLINGER PARTICIPATION TRUST, SR. NOTES, (PIK) | | | |
| | 1,640 | 12.125%, 11/15/10(3) | |
| LIBERTY GROUP OPERATING, INC. | | | |
| | 1,380 | 9.375%, 2/1/08 | |
| R.H. DONNELLEY, INC., SR. SUB. NOTES | | | |
| | 6,120 | 10.875%, 12/15/12 | |
| | | | $ |
| REITS -- 0.2% | | | |
| CB RICHARD ELLIS SERVICES, INC., SR. NOTES | | | |
| $ | 2,640 | 9.75%, 5/15/10 | $ |
| OMEGA HEALTHCARE INVESTORS, INC., SR. NOTES | | | |
| | 1,165 | 7.00%, 4/1/14(3) | |
| | | | $ |
| RETAIL STORES -- 0.9% | | | |
| CSK AUTO, INC., SR. NOTES | | | |
| $ | 450 | 7.00%, 1/15/14(3) | $ |
| GENERAL NUTRITION CENTER, SR. SUB. NOTES | | | |
| | 1,250 | 8.50%, 12/1/10(3) | |
| HOME INTERIORS & GIFTS | | | |
| | 1,835 | 10.125%, 6/1/08 | |
| JO-ANN STORES, INC., SR. SUB. NOTES | | | |
| | 950 | 7.50%, 3/1/12(3) | |
| MOTHERS WORK, INC. | | | |
| | 1,100 | 11.25%, 8/1/10 | |
| PAYLESS SHOESOURCE, INC., SR. SUB. NOTES | | | |
| | 2,045 | 8.25%, 8/1/13 | |
| PCA LLC/PCA FINANCE CORP., SR. NOTES | | | |
| | 8,000 | 11.875%, 8/1/09 | |
| PENNY (JC) CO., INC. | | | |
| | 1,875 | 8.00%, 3/1/10 | |
| | | | $ |

| | | | |
|---|---|---|---|
| SEMICONDUCTORS -- 0.7% | | | |
| AMKOR TECHNOLOGIES, INC., SR. SUB. NOTES | | | |
| $ | 9,000 | 10.50%, 5/1/09 | $ |
| CHIPPAC INTERNATIONAL LTD. | | | |
| | 520 | 12.75%, 8/1/09 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | | V |
|---|---|---|---|
| SEMICONDUCTORS (CONTINUED) | | | |
| ON SEMICONDUCTOR CORP. | | | |
| $ | 1,300 | 13.00%, 5/15/08 | $ |
| ON SEMICONDUCTOR CORP., SR. NOTES | | | |
| | 2,601 | 12.00%, 3/15/10 | |
| | | | $ |
| SERVICES -- 0.3% | | | |
| KINDERCARE LEARNING CENTERS, INC., SR. SUB. NOTES | | | |
| $ | 5,375 | 9.50%, 2/15/09 | $ |
| | | | $ |
| TELECOMMUNICATIONS -- 3.8% | | | |
| ALAMOSA DELAWARE, INC., SR. NOTES | | | |
| $ | 1,690 | 8.50%, 1/31/12(3) | $ |
| ALASKA COMMUNICATIONS SYSTEMS HOLDINGS, INC. | | | |
| | 5,000 | 9.875%, 8/15/11 | |
| AMERICAN TOWER, L.P., SR. NOTES | | | |
| | 9,535 | 9.375%, 2/1/09 | |
| AVAYA, INC. | | | |
| | 1,300 | 11.125%, 4/1/09 | |
| CENTENNIAL CELLULAR OPERATING CO./CENTENNIAL COMMUNICATIONS CORP., SR. NOTES | | | |
| | 5,260 | 10.125%, 6/15/13 | |
| CINCINNATI BELL, INC., SR. SUB. NOTES | | | |
| | 1,885 | 8.375%, 1/15/14 | |
| CROWN CASTLE OPERATING CO., SR. NOTES | | | |
| | 5,000 | 10.75%, 8/1/11 | |
| DOBSON COMMUNICATIONS CORP., SR. NOTES | | | |
| | 3,995 | 10.875%, 7/1/10 | |
| INMARSAT FINANCE PLC | | | |
| | 1,395 | 7.625%, 6/30/12(3) | |
| MARCONI CORP. PLC, SERIES A | | | |
| | 2,656 | 8.00%, 4/30/08(3) | |
| NEXTEL COMMUNICATIONS, INC., SR. NOTES | | | |
| | 6,225 | 7.375%, 8/1/15 | |
| NEXTEL PARTNERS, INC., SR. NOTES | | | |
| | 1,918 | 12.50%, 11/15/09 | |
| | 1,805 | 11.00%, 3/15/10 | |
| | 2,250 | 8.125%, 7/1/11 | |
| NORTEL NETWORKS LTD. | | | |
| | 2,000 | 6.125%, 2/15/06 | |

| | | | |
|---|---|---|---|
| NTL CABLE PLC, SR. NOTES | | | |
| | 1,190 | 8.75%, 4/15/14(3) | |
| QWEST CAPITAL FUNDING | | | |
| $ | 3,405 | 7.90%, 8/15/10 | $ |
| QWEST CORP. | | | |
| | 10,635 | 13.50%, 12/15/10(3) | |
| | 2,000 | 8.875%, 3/15/12(3) | |
| TRITON PCS, INC. | | | |
| | 2,765 | 8.50%, 6/1/13 | |
| TSI TELECOMMUNICATION, SERIES B | | | |
| | 2,000 | 12.75%, 2/1/09 | |
| WESTERN WIRELESS, SR. NOTES | | | |
| | 2,285 | 9.25%, 7/15/13 | |
| | | | $ |
| TOBACCO -- 0.1% | | | |
| NORTH ATLANTIC TRADING CO., SR. NOTES | | | |
| $ | 2,450 | 9.25%, 3/1/12(3) | $ |
| | | | $ |
| TRANSPORTATION -- 0.1% | | | |
| OMI CORP., SR. NOTES | | | |
| $ | 2,995 | 7.625%, 12/1/13 | $ |
| | | | $ |
| UTILITIES -- 3.1% | | | |
| AES CORP., SR. NOTES | | | |
| $ | 4,500 | 8.75%, 6/15/08 | $ |
| | 6,000 | 9.50%, 6/1/09 | |
| | 6,965 | 8.75%, 5/15/13(3) | |
| | 945 | 9.00%, 5/15/15(3) | |
| CALPINE CORP., SR. NOTES | | | |
| | 3,450 | 8.25%, 8/15/05 | |
| | 1,830 | 7.625%, 4/15/06 | |
| | 1,020 | 10.50%, 5/15/06 | |
| | 13,145 | 8.50%, 7/15/10(3) | |
| EL PASO CORP., SR. NOTES | | | |
| | 990 | 7.00%, 5/15/11 | |
| ILLINOIS POWER | | | |
| | 2,430 | 7.50%, 6/15/09 | |
| NRG ENERGY, INC., SR. NOTES | | | |
| | 8,070 | 8.00%, 12/15/13(3) | |
| ORION POWER HOLDINGS, INC., SR. NOTES | | | |
| | 12,415 | 12.00%, 5/1/10 | |

SEE NOTES TO FINANCIAL STATEMENTS



| PRINCIPAL AMOUNT (000'S OMITTED) | SECURITY | V |
|---|---|---|
| UTILITIES (CONTINUED) | | |
| RELIANT ENERGY, INC. | | |

| | | | |
|---|---|---|---|
| $ | 1,770 | 9.25%, 7/15/10 | $ |
| | | | $ |
| WASTE MANAGEMENT -- 0.1% | | | |
| WASTE SERVICES, INC., SR. SUB. NOTES | | | |
| $ | 1,125 | 9.50%, 4/15/14(3) | $ |
| | | | $ |
| WIRELESS COMMUNICATION SERVICES -- 0.5% | | | |
| LCI INTERNATIONAL, INC., SR. NOTES | | | |
| $ | 3,150 | 7.25%, 6/15/07 | $ |
| LEVEL 3 FINANCING, INC., SR. NOTES | | | |
| | 35 | 10.75%, 10/15/11(3) | |
| ONO FINANCE PLC | | | |
| | 490 | 13.00%, 5/1/09 | |
| RURAL CELLULAR CORP. | | | |
| | 2,000 | 5.61%, 3/15/10(3) | |
| RURAL CELLULAR CORP., SR. NOTES | | | |
| | 2,095 | 8.25%, 3/15/12(3) | |
| TELEMIG CELULAR SA/AMAZONIA CELULAR SA | | | |
| | 1,755 | 8.75%, 1/20/09(3) | |
| UBIQUITEL OPERATING CO., SR. NOTES | | | |
| | 1,420 | 9.875%, 3/1/11(3) | |
| | | | $ |
| TOTAL CORPORATE BONDS & NOTES (IDENTIFIED COST $987,398,030) | | | $ |

SHORT-TERM INVESTMENTS -- 2.2%

| PRINCIPAL AMOUNT | MATURITY DATE | BORROWER | RATE | A |
|---|---|---|---|---|
| $ 47,211,000 | 05/03/04 | Investors Bank & Trust Company Time Deposit | 1.07% | $ |
| TOTAL SHORT-TERM INVESTMENTS (AT AMORTIZED COST) | | | | $ |
| TOTAL INVESTMENTS -- 148.4% (IDENTIFIED COST $3,101,377,002) | | | | $ |
| OTHER ASSETS, LESS LIABILITIES -- (3.6)% | | | | $ |
| AUCTION PREFERRED SHARES PLUS CUMULATIVE UNPAID DIVIDENDS -- (44.8)% | | | | $ |
| NET ASSETS APPLICABLE TO COMMON SHARES -- 100.0% | | | | $ |

(1) Senior floating-rate interests often require prepayments from excess cash

flows or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior floating-rate interests will have an expected average life of approximately two to four years.

(2) A portion of this security is on loan at April 30, 2004.

(3) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Note: At April 30, 2004, the Fund had unfunded commitments amounting to $11,499,612 under various credit agreements.

SEE NOTES TO FINANCIAL STATEMENTS



EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

AS OF APRIL 30, 2004

| | | |
|---|---|---|
| ASSETS | | |
| Investments, at value (identified cost, $3,101,377,002) | $ | 3,144,809,646 |
| Cash | | 8,149,393 |
| Receivable for investments sold | | 5,814,023 |
| Interest receivable | | 34,316,987 |
| Prepaid expenses | | 3,140 |
| TOTAL ASSETS | $ | 3,193,093,189 |
| LIABILITIES | | |
| Collateral for securities loaned | $ | 123,955,543 |
| Payable to affiliate for Trustees' fees | | 2,589 |
| Accrued expenses | | 176,689 |
| TOTAL LIABILITIES | $ | 124,134,821 |
| AUCTION PREFERRED SHARES (38,000 SHARES OUTSTANDING) AT LIQUIDATION VALUE PLUS CUMULATIVE UNPAID DIVIDENDS | | 950,049,307 |
| NET ASSETS APPLICABLE TO COMMON SHARES | $ | 2,118,909,061 |
| SOURCES OF NET ASSETS | | |
| Common Shares, $0.01 par value, unlimited number of shares authorized, 111,114,946 shares issued and outstanding | $ | 1,111,149 |
| Additional paid-in capital | | 2,110,540,040 |
| Accumulated distributions in excess of net realized gain (computed on the basis of identified cost) | | (46,996,625) |
| Accumulated undistributed net investment income | | 10,821,853 |

| | | |
|---|---|---|
| Net unrealized appreciation (computed on the basis of identified cost) | | 43,432,644 |
| NET ASSETS APPLICABLE TO COMMON SHARES | $ | 2,118,909,061 |
| NET ASSET VALUE PER COMMON SHARE ($2,118,909,061 DIVIDED BY 111,114,946 COMMON SHARES ISSUED AND OUTSTANDING) | $ | 19.07 |

STATEMENT OF OPERATIONS

FOR THE PERIOD ENDED
APRIL 30, 2004(1)

| | | |
|---|---|---|
| INVESTMENT INCOME | | |
| Interest | $ | 132,048,836 |
| Securities lending income, net | | 2,598,619 |
| TOTAL INVESTMENT INCOME | $ | 134,647,455 |
| EXPENSES | | |
| Investment adviser fee | $ | 20,499,825 |
| Trustees' fees and expenses | | 18,127 |
| Preferred shares remarketing agent fee | | 1,795,891 |
| Custodian fee | | 542,719 |
| Printing and postage | | 272,953 |
| Legal and accounting services | | 129,317 |
| Transfer and dividend disbursing agent fees | | 61,628 |
| Amortization of organization expenses | | 7,500 |
| Miscellaneous | | 136,906 |
| TOTAL EXPENSES | $ | 23,464,866 |
| Deduct -- | | |
| Reduction of investment adviser fee | $ | 5,474,120 |
| TOTAL EXPENSE REDUCTIONS | $ | 5,474,120 |
| NET EXPENSES | $ | 17,990,746 |
| NET INVESTMENT INCOME | $ | 116,656,709 |
| REALIZED AND UNREALIZED GAIN (LOSS) | | |
| Net realized gain (loss) -- | | |
| Investment transactions (identified cost basis) | $ | 4,765,139 |
| NET REALIZED GAIN | $ | 4,765,139 |
| Change in unrealized appreciation (depreciation) -- | | |
| Investments (identified cost basis) | $ | 43,432,644 |
| NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) | $ | 43,432,644 |
| NET REALIZED AND UNREALIZED GAIN | $ | 48,197,783 |

| | |
|---|---|
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS | $ (8,280,107) |
| NET INCREASE IN NET ASSETS FROM OPERATIONS | $ 156,574,385 |

(1) For the period from the start of business, May 30, 2003, to April 30, 2004.

SEE NOTES TO FINANCIAL STATEMENTS



STATEMENT OF CHANGES IN NET ASSETS

| INCREASE (DECREASE) IN NET ASSETS | PERIOD ENDED APRIL 30, 2004(1) |
|---|---|
| From operations -- | |
| Net investment income | $ 116,656,709 |
| Net realized gain | 4,765,139 |
| Net change in unrealized appreciation (depreciation) | 43,432,644 |
| Distributions to preferred shareholders | (8,280,107) |
| NET INCREASE IN NET ASSETS FROM OPERATIONS | $ 156,574,385 |
| Distributions to common shareholders -- | |
| From net investment income | $ (149,316,513) |
| TOTAL DISTRIBUTIONS TO COMMON SHAREHOLDERS | $ (149,316,513) |
| Capital share transactions -- | |
| Proceeds from sale of common shares(2) | $ 2,120,100,000 |
| Reinvestment of distributions to common shareholders | 2,116,452 |
| Offering costs and preferred shares underwriting discounts | (10,665,263) |
| NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS | $ 2,111,551,189 |
| NET INCREASE IN NET ASSETS | $ 2,118,809,061 |
| NET ASSETS APPLICABLE TO COMMON SHARES | |
| At beginning of period | $ 100,000 |
| AT END OF PERIOD | $ 2,118,909,061 |
| ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME INCLUDED IN NET ASSETS APPLICABLE TO COMMON SHARES | |
| AT END OF PERIOD | $ 10,821,853 |

(1) For the period from the start of business, May 30, 2003, to April 30, 2004.
(2) Proceeds from sales of shares net of sales load paid of $99,900,000.

SEE NOTES TO FINANCIAL STATEMENTS



FINANCIAL HIGHLIGHTS

Selected data for a common share outstanding during the period

| | PERIOD ENDED APRIL 30, 2004(1)(2 |
|---|---|
| Net asset -- Beginning of period (Common shares)(3) | $ 19.100 |
| INCOME (LOSS) FROM OPERATIONS | |
| Net investment income | $ 1.061(9 |
| Net realized and unrealized gain | 0.426(9 |
| Distributions to preferred shareholders from net investment income | (0.075) |
| TOTAL INCOME FROM OPERATIONS | $ 1.412 |
| LESS DISTRIBUTIONS TO COMMON SHAREHOLDERS | |
| From net investment income | $ (1.345) |
| TOTAL DISTRIBUTIONS TO COMMON SHAREHOLDERS | $ (1.345) |
| PREFERRED AND COMMON SHARES OFFERING COSTS CHARGED TO PAID-IN CAPITAL | $ (0.011) |
| PREFERRED SHARES UNDERWRITING DISCOUNTS | $ (0.086) |
| NET ASSET VALUE -- END OF PERIOD (COMMON SHARES | $ 19.070 |
| MARKET VALUE -- END OF PERIOD (COMMON SHARES) | $ 17.810 |
| TOTAL INVESTMENT RETURN ON NET ASSET VALUE(4) | 7.22% |
| TOTAL INVESTMENT RETURN ON MARKET VALUE(4) | 0.13% |

SEE NOTES TO FINANCIAL STATEMENTS



Selected data for a common share outstanding during the period

| | PERIOD ENDED APRIL 30, 2004(1) |
|---|---|
| RATIOS/SUPPLEMENTAL DATA+ ++ | |
| Net assets applicable to common shares, end of period (000's omitted) | $ 2,118,909 |
| Ratios (As a percentage of average net assets applicable to common shares): | |
| Net expenses(5) | 0.93%( |
| Net investment income(5) | 6.02%( |
| Portfolio Turnover | 72% |
| + The operating expenses of the Fund reflect a reduction of the investment adviser fee. Had such action not been taken, the ratios and net investment income per share would have been as follows: | |
| Ratios (As a percentage of average net assets applicable to common shares): | |
| Expenses(5) | 1.21%( |
| Net investment income(5) | 5.74%( |
| Net investment income per share | $ 1.012 |
| ++ The ratios reported are based on net assets applicable solely to common shares. The ratios based on net assets, including amounts related to preferred shares, are as follows: | |
| Ratios (As a percentage of average total net assets): | |
| Net expenses | 0.67%( |
| Net investment income | 4.37%( |
| + The operating expenses of the Fund reflect a reduction of the investment adviser fee. Had such action not been taken, the ratios and net investment income per share would have been as follows: | |
| Ratios (As a percentage of average total net assets): | |
| Expenses | 0.88%( |
| Net investment income | 4.16%( |
| Senior Securities: | |
| Total preferred shares outstanding | 38,000 |
| Asset coverage per preferred share(7) | $ 80,762 |
| Involuntary liquidation preference per preferred share(8) | $ 25,000 |
| Approximate market value per preferred share(8) | $ 25,000 |

(1) For the period from the start of business, May 30, 2003, to April 30, 2004.

(2) Computed using average common shares outstanding.

(3) Net asset value at beginning of period reflects the deduction of the sales load of $0.900 per share paid by the shareholder from the $20.000 offering price.

(4) Total investment return on net asset value is calculated assuming a purchase at the offering of $20.000 less the sales load of $0.900 per share paid by the shareholder on the first day and a sale at the net asset value on the last day of the period reported. Total investment return on market value is calculated assuming a purchase at the offering price of $20.000 less the sales load of $0.900 per share paid by on the first day and a sale at the current market price on the last day of the period reported Total investment return on net asset value and total investment return on market value are not computed on an annualized basis.

(5) Ratios do not reflect the effect of dividend payments to preferred shareholders. Ratios to average net assets applicable to common shares

reflect the Fund's leveraged capital structure.

(6) Annualized.

(7) Calculated by subtracting the Fund's total liabilities (not including the preferred shares) from the Fund's total assets, and dividing this by the number of preferred shares outstanding.

(8) Plus accumulated and unpaid dividends.

(9) For federal income tax purposes, net investment income per share was $1.531 and net realized and unrealized loss per share was $0.044. Computed using average common shares outstanding.

SEE NOTES TO FINANCIAL STATEMENTS



EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004

NOTES TO FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Eaton Vance Limited Duration Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end management investment company. The Fund, which was organized as a Massachusetts business trust on March 12, 2003, seeks to provide a high level of current income. The Fund may, as a secondary objective, also seek capital appreciation to the extent consistent with its primary goal of high current income. The Fund pursues its objectives by investing primarily in, mortgage-backed securities (MBS) issued, backed or otherwise guaranteed by the U.S. government or its agencies or instrumentalities; senior, secured floating rate loans made to corporate and other business entities (Senior Loans); and corporate bonds of below investment grade quality (Non-Investment Grade Bonds). The following is a summary of significant accounting policies of the Fund. The policies are in conformity with accounting principles generally accepted in the United States of America.

A INVESTMENT VALUATION -- Mortgage backed, pass-through securities are valued using an independent matrix pricing system applied by the adviser which takes into account closing bond valuations, yield differentials, anticipated prepayments and interest rates provided by dealers. Debt securities (other than seasoned mortgage backed, pass-through securities) are normally valued on the basis of valuations furnished by dealers or a pricing service. Certain senior loans are deemed to be liquid because reliable market quotations are readily available for them. Liquid senior loans are valued on the basis of prices furnished by a pricing service. Other senior loans are valued at fair value by the Fund's investment adviser, Eaton Vance Management (EVM), under procedures established by the Trustees as permitted by Section 2(a)(41) of the Investment Company Act of 1940. Such procedures include the consideration of relevant factors, data and information relating to fair value, including (i) the characteristics of and fundamental analytical data relating to the Senior Loan, including the cost, size, current interest rate, period until next interest rate reset, maturity and base lending rate of the Senior Loan, the terms and conditions of the Senior Loan and any related agreements, and the position of the Senior Loan in the Borrower's debt structure; (ii) the nature, adequacy and value of the collateral, including the Fund's rights, remedies and interests with respect to the collateral; (iii) the creditworthiness of the Borrower, based on an evaluation of its financial condition, financial statements and information about the Borrower's business, cash flows, capital structure and

future prospects; (iv) information relating to the market for the Senior Loan including price quotations for and trading in the Senior Loan, and interests in similar Senior Loans and the market environment and investor attitudes towards the Senior Loan and interests in similar Senior Loans; (v) the experience, the reputation, stability and financial condition of the agent and any intermediate participant in the Senior Loan; and (vi) general economic and market conditions affecting the fair value of the Senior Loan. Other portfolio's securities (other than short-term obligations, but including listed issues) may be valued on the basis of prices furnished by one or more pricing services which determine prices for normal, institutional-size trading units of such securities which may use market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. In certain circumstances, portfolio securities will be valued at the last sales price on the exchange that is the primary market for such securities, or the last quoted bid price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales during the day. The value of interest rate swaps will be based on dealer quotations. Short-term obligations which mature in 60 days or less, are valued at amortized cost, if their original term to maturity when acquired by the Fund was 60 days or less or are valued at amortized cost using their value on the 61st day prior to maturity, if their original term to maturity when acquired by the Fund was more than 60 days, unless in each case this is determined not to represent fair value. OTC options are valued at the mean between the bid and asked price provided by dealers. Financial futures contracts listed on commodity exchanges and exchange traded options are valued at closing settlement prices. Securities for which there is no such quotation or valuation are valued at fair value using methods determined in good faith by or at the direction of the Trustees. Repurchase agreements are valued at cost plus accrued interest. Other portfolio securities for which there are no quotations or valuations are valued at fair value as determined in good faith by or on behalf of the Trustees.

B INCOME -- Interest income from Senior Loans is recorded on the accrual basis at the then-current interest rate, while all other interest income is determined on the basis of interest accrued, adjusted for amortization of premium or accretion of discount. Dividend income is recorded on the ex-dividend date for dividends received in cash and/or securities.

C FEDERAL TAXES -- The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute to



shareholders each year all of its taxable income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is necessary. At April 30, 2004, the Fund, for federal income tax purposes, had a capital loss carryover of $26,481,368 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code, and thus will reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income or excise tax. Such capital loss carryover will expire on April 30, 2012.

At April 30, 2004, net capital losses of $17,668,020 attributable to security transactions incurred after October 31, 2003, are treated as arising on the first day of the Fund's taxable year ending April 30, 2005. At April 30, 2004 the undistributed ordinary income on a tax basis was $10,821,853 and differed from accumulated net investment loss due to the

different treatment for paydown gains/losses on mortgage-backed securities and premium amortization. All distributions in the year ended April 30, 2004 were from ordinary income for tax purposes.

D INVESTMENT TRANSACTIONS -- Investment transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined using the specific identification method. Securities purchased or sold on a when-issued or delayed delivery basis may be settled a month or more after the transaction date. The securities so purchased are subject to market fluctuations during this period. To the extent that when-issued or delayed delivery purchases are outstanding, the Fund instructs the custodian to segregate assets in a separate account, with a current value at least equal to the amount of its purchase commitments.

E OFFERING COSTS -- Costs incurred by the Fund in connection with the offering of the common shares and preferred shares were recorded as a reduction of capital paid in excess of par applicable to common shares.

F EXPENSE REDUCTION -- Investors Bank & Trust Company (IBT) serves as custodian of the Fund. Pursuant to the custodian agreement, IBT receives a fee reduced by credits which are determined based on the average daily cash balances the Fund maintains with IBT. All significant credit balances used to reduce the Fund's custodian fees are reported as a reduction of expenses on the Statement of Operations

G WRITTEN OPTIONS -- Upon the writing of a call or a put option, an amount equal to the premium received by the Fund is included in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the option written in accordance with the Fund's policies on investment valuations discussed above. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option.

H PURCHASED OPTIONS -- Upon the purchase of a call or put option, the premium paid by the Fund is included in the Statement of Assets and Liabilities as an investment. The amount of the investment is subsequently marked-to-market to reflect the current market value of the option purchased, in accordance with the Fund's policies on investment valuations discussed above. If an option which the Fund has purchased expires on the stipulated expiration date, the Fund will realize a loss in the amount of the cost of the option. If the Fund enters into a closing sale transaction, the Fund will realize a gain or loss, depending on whether the sales proceeds from the closing sale transaction are greater or less than the cost of the option. If a Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security, and the proceeds from such sale will be decreased by the premium originally paid. If the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid.

I FINANCIAL FUTURES CONTRACTS -- Upon entering into a financial futures contract, the Fund is required to deposit an amount (initial margin) either in cash or securities equal to a certain percentage of the purchase price indicated in the financial futures contract. Subsequent payments are made or received by the Fund (margin maintenance) each day, dependent on the daily fluctuations in the value of the underlying securities, and are recorded for

book purposes as unrealized gains or losses by the Fund.

If the Fund enters into a closing transaction, the Fund will realize, for book purposes, a gain or loss equal to the difference between the value of the financial futures



contract to sell and the financial futures contract to buy. The Fund's investment in financial futures contracts is designed only to hedge against anticipated future changes in interest rates. Should interest rates move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss.

J REVERSE REPURCHASE AGREEMENTS -- The Fund may enter into reverse repurchase agreements. Under such an agreement, the Fund temporarily transfers possession, but not ownership, of a security to a counterparty, in return for cash. At the same time, the Fund agrees to repurchase the security at an agreed-upon price and time in the future. The Fund may enter into reverse repurchase agreements for temporary purposes, such as to fund withdrawals, or for use as hedging instruments where the underlying security is denominated in a foreign currency. As a form of leverage, reverse repurchase agreements may increase the risk of fluctuation in the market value of the Fund's assets or in its yield. Liabilities to counterparties under reverse repurchase agreements are recognized in the Statement of Assets and Liabilities at the same time at which cash is received by the Fund. The securities underlying such agreements continue to be treated as owned by the Fund and remain in the Portfolio of Investments. Interest charged on amounts borrowed by the Fund under reverse repurchase agreements is accrued daily.

K TOTAL RETURN SWAPS -- The Fund may enter into swap agreements to enhance return, to hedge against fluctuations in securities prices or interest rates or as substitution for the purchase or sale of securities. Pursuant to these agreements, the Fund makes monthly payments at a rate equal to a predetermined spread to the one-month LIBOR. In exchange, the Fund receives payments based on the rate of return of a benchmark industry index. During the term of the outstanding swap agreement, changes in the underlying value of the swap are recorded as unrealized gains and losses. Payments received or made at the end of the measurement period are recorded as realized gains and losses. The value of the swap is determined by changes in the relationship between the rate of interest and the benchmark industry index. The Fund is exposed to credit loss in the event of non-performance by the swap counterparty. However, the Fund does not anticipate non-performance by the counterparty. Risk may also arise from the unanticipated movements in value of interest rates or the index.

L OTHER -- Investment transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses are computed based on the specific identification of securities sold.

M USE OF ESTIMATES -- The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

N INDEMNIFICATIONS -- Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the Fund, and

shareholders are indemnified against personal liability for obligations of the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

2 AUCTION PREFERRED SHARES (APS)

The Fund issued 7,600 shares of Auction Preferred Shares Series A, 7,600 shares of Auction Preferred Shares Series B, 7,600 shares of Auction Preferred Shares Series C, 7,600 shares of Auction Preferred Shares Series D, and 7,600 shares of Auction Preferred Shares Series E on July 25, 2003 in a public offering. The underwriting discount and other offering costs were recorded as a reduction of the capital of the common shares. Dividends on the APS, which accrue daily, are cumulative at a rate which was established at the offering of the APS and have been reset every 7 days thereafter by an auction. Dividend rates ranged from 1.02% to 1.59% for Series A Shares, from 1.02% to 1.59% for Series B Shares, from 1.03% to 1.59% for Series C Shares, from 1.03% to 1.59% for Series D Shares and from 1.02% to 1.59% for Series E Shares, during the period from the commencement of the offering, July 25, 2003, to April 30, 2004.

The APS are redeemable at the option of the Fund, at a redemption price equal to $25,000 per share, plus accumulated and unpaid dividends on any dividend payment date. The APS are also subject to mandatory redemption at a redemption price equal to $25,000 per share, plus accumulated and unpaid dividends, if the Fund is in default for an extended period on its asset maintenance requirements with respect to the APS. If the dividends on the APS shall remain unpaid in an amount



equal to two full years' dividends, the holders of the APS as a class have the right to elect a majority of the Board of Trustees. In general, the holders of the APS and the common shares have equal voting rights of one vote per share, except that the holders of the APS, as a separate class, have the right to elect at least two members of the Board of Trustees. The APS have a liquidation preference of $25,000 per share, plus accumulated and unpaid dividends. The Fund is required to maintain certain asset coverage with respect to the APS as defined in the Fund's By-Laws and the Investment Company Act of 1940. The Fund pays an annual fee equivalent to 0.25% of the preferred shares' liquidation value for the remarketing efforts associated with the preferred auctions.

3 DISTRIBUTION TO SHAREHOLDERS

The Fund intends to make monthly distributions of net investment income, after payment of any dividends on any outstanding Auction Preferred Shares. Distributions are recorded on the ex-dividend date. Distributions to preferred shareholders are recorded daily and are payable at the end of each dividend period. Each dividend payment period for the Auction Preferred Shares is generally seven days. The applicable dividend rate for the Auction Preferred Shares on April 30, 2004 was 1.12%, 1.09%, 1.15%, 1.18% and 1.10%, for Series A, Series B, Series C, Series D and Series E Shares, respectively. For the period from the commencement of the offering, July 25, 2003, to April 30, 2004, the Fund paid dividends to Auction Preferred shareholders amounting to $1,649,266, $1,643,300, $1,658,941, $1,666,304, and $1,662,296 for Series A, Series B, Series C, Series D and Series E Shares, respectively, representing an average APS dividend rate for such period of 1.13%, 1.13%, 1.14%, 1.15% and 1.14%, respectively.

The Fund distinguishes between distribution on a tax basis and a financial

reporting basis. Accounting principles generally accepted in the United States of America require that only distributions in excess of tax basis earnings and profits be reported in the financial statements as a return of capital. Permanent differences between book and tax accounting relating to distributions are reclassified to paid in capital. These differences relate primarily to the different treatment for paydown gain/losses on mortgage-backed securities and the method for amortizing premiums.

4 INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The investment adviser fee, computed at an annual rate of 0.75% of the Fund's weekly gross assets, was earned by Eaton Vance Management (EVM), as compensation for management and investment advisory services rendered to the Fund. For the period from the start of business, May 30, 2003, to April 30, 2004 the fee was equivalent to 0.75% (annualized) of the Fund's average weekly gross assets for such period and amounted to $20,499,825.

In addition, the Adviser has contractually agreed to reimburse the Fund for fees and other expenses in the amount of 0.20% (annualized) of average weekly gross assets of the Fund for the first five years of the Fund's operations 0.15% of average weekly gross assets of the Fund in year 6, 0.10% in year 7 and 0.05%% in year 8. For the period from the start of business, May 30, 2003, to April 30, 2004 the Investment Adviser waived $5,474,120 of its advisory fee.

EVM serves as the administrator of the Fund, but currently receives no compensation for providing administrative services to the Fund.

Certain officers and Trustees of the Fund are officers of the above organizations.

5 PURCHASES AND SALES OF INVESTMENTS

Purchases and sales of investments, other than short-term obligations and including paydowns, aggregated $5,101,069,210 and $2,003,953,416 respectively.

6 SECURITIES LENDING AGREEMENT

The Fund has established a securities lending agreement with brokers in which the Fund lends portfolio securities to a broker in exchange for collateral consisting of either cash or U.S. government securities in an amount at least equal to the market value of the securities on loan. Under the agreement, the Fund continues to earn interest on the securities loaned. Collateral received is generally cash, and the Fund invests the cash and receives any interest on the amount invested but it must also pay the broker a loan rebate fee computed as a varying percentage of the collateral received. The loan rebate fee paid by the Fund offsets a portion of the interest income received and amounted to $861,336 for the period from the start of business, May 30, 2003, to April 30, 2004. At April 30, 2004, the value of the securities loaned and the value of the collateral amounted to $120,965,769 and $123,955,543, respectively. In the event of counterparty default, the Fund is subject to potential loss if it is delayed or prevented from exercising its right to dispose of the collateral. The Fund bears risk in the event that invested collateral is not sufficient to meet obligations due on the loans. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.



7 COMMON SHARES OF BENEFICIAL INTEREST

The Agreement and Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional $0.01 par value common shares of beneficial interest. Transactions in common shares were as follows:

| | PERIOD ENDED APRIL 30, 2004(1) |
|---|---|
| Sales | 111,005,000 |
| Issued to shareholders electing to receive payments of distributions in Fund shares | 109,946 |
| NET INCREASE | 111,114,946 |

(1) For the period from the start of business, May 30, 2003, to April 30, 2004.

8 FEDERAL INCOME TAX BASIS OF UNREALIZED APPRECIATION (DEPRECIATION)

The cost and unrealized appreciation (depreciation) in value of the investments owned at April 30, 2004, as computed on a federal income tax basis, were as follows:

| | |
|---|---|
| AGGREGATE COST | $ 3,104,224,239 |
| Gross unrealized appreciation | $ 62,441,549 |
| Gross unrealized depreciation | (21,856,142) |
| NET UNREALIZED APPRECIATION | $ 40,585,407 |

9 FINANCIAL INSTRUMENTS

The Fund regularly trades in financial instruments with off-balance sheet risk in the normal course of its investing activities to assist in managing exposure to various market risks. These financial instruments include written options and financial futures contracts, and may involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. At April 30, 2004 there were no outstanding obligations under these financial instruments.

10 ANNUAL MEETING OF SHAREHOLDERS (UNAUDITED)

The Fund held its Annual Meeting of Shareholders on February 20, 2004. The following action was taken by the shareholders:

Item 1: The election of Jessica M. Bibliowicz and Samuel L. Hayes, III as Trustees of the Fund for a three-year term expiring in 2007. Mr. Hayes was designated the Nominee to be elected solely by APS shareholders:

| | NUMBER OF SHARES | |
|---|---|---|
| NOMINEE FOR TRUSTEE ELECTED BY ALL SHAREHOLDERS | FOR | WITHHELD |

| | | |
|---|---|---|
| Jessica M. Bibliowicz | 90,460,389 | 843,102 |

| NOMINEE FOR TRUSTEE ELECTED BY APS SHAREHOLDERS | NUMBER OF SHARES FOR | WITHHELD |
|---|---|---|
| Samuel L. Hayes | 32,144 | 156 |

Ms. Bibliowicz resigned from the Board of Trustees effective April 15, 2004.



EATON VANCE LIMITED DURATION INCOME FUND as of April 30, 2004
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE TRUSTEES AND SHAREHOLDERS OF EATON VANCE LIMITED DURATION INCOME FUND:
We have audited the accompanying statement of assets and liabilities of Eaton Vance Limited Duration Income Fund (the Fund) as of April 30, 2004, including the portfolio of investments, the related statement of operations, and the statement of changes in net assets and the financial highlights for the period from the start of business, May 30, 2003, to April 30, 2004. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. Our procedures included confirmation of securities held as of April 30, 2004 by correspondence with the custodian. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Eaton Vance Limited Duration Income Fund at April 30, 2004, the results of its operations, the changes in its net assets and the financial highlights for the period from the start of business May 30, 2003, to April 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Boston, Massachusetts
June 17, 2004



EATON VANCE LIMITED DURATION INCOME FUND
DIVIDEND REINVESTMENT PLAN

The Fund offers a dividend reinvestment plan (the Plan) pursuant to which shareholders may elect to have dividends and capital gains distributions reinvested in common shares (the Shares) of the Fund. You may elect to participate in the Plan be completing the Dividend Reinvestment Plan Application Form. If you do not participate, you will receive all distributions in cash paid by check mailed directly to you by PFPC Inc. as dividend paying agent. On the distribution payment date, if the net asset value per Share is equal to or less than the market price per Share plus estimated brokerage commissions then new Shares will be issued. The number of Shares shall be determined by the greater of the net asset value per Share or 95% of the market price. Otherwise, Shares generally will be purchased on the open market by the Plan Agent. Distributions subject to income tax (if any) are taxable whether or not shares are reinvested.

If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you will need to request that your shares be re-registered in your name with the Fund's transfer agent, PFPC, Inc. or you will not be able to participate.

The Plan Agent's service fee for handling distributions will be paid by the Fund. Each participant will be charged their pro rata share of brokerage commissions on all open-market purchases.

Plan participants may withdraw from the Plan at any time by writing to the Plan Agent at the address noted on the following page. If you withdraw, you will receive shares in your name for all Shares credited to your account under the Plan. If a participant elects by written notice to the Plan Agent to have the Plan Agent sell part or all of his or her Shares and remit the proceeds, the Plan Agent is authorized to deduct a $5.00 fee plus brokerage commissions from the proceeds.

If you wish to participate in the Plan and your shares are held in your own name, you may complete the form on the following page and deliver it to the Plan Agent.

Any inquires regarding the Plan can be directed to the Plan Agent, PFPC, Inc., at 1-800-331-1710.



EATON VANCE LIMITED DURATION INCOME FUND
APPLICATION FOR PARTICIPATION IN DIVIDEND REINVESTMENT PLAN

This form is for shareholders who hold their common shares in their own names. If your common shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it will participate in the Plan on your behalf. If you wish to participate in the Plan, but your brokerage firm, bank, or nominee is unable to participate on your behalf, you should request that your common shares be re-registered in your own name which will enable your participation in the Plan.

The following authorization and appointment is given with the understanding that I may terminate it at any time by terminating my participation in the Plan as provided in the terms and conditions of the Plan.

---

Please print exact name on account:

---

Shareholder signature Date

---

Shareholder signature Date

Please sign exactly as your common shares are registered. All persons whose names appear on the share certificate must sign.

YOU SHOULD NOT RETURN THIS FORM IF YOU WISH TO RECEIVE YOUR DIVIDENDS AND DISTRIBUTIONS IN CASH. THIS IS NOT A PROXY.

THIS AUTHORIZATION FORM, WHEN SIGNED, SHOULD BE MAILED TO THE FOLLOWING ADDRESS:

Eaton Vance Limited Duration Income Fund
c/o PFPC, Inc.
P.O. Box 43027
Providence, RI 02940-3027
800-331-1710

NUMBER OF EMPLOYEES
The Fund is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company and has no employees.

NUMBER OF SHAREHOLDERS
As of April 30, 2004, our records indicate that there are 123 registered shareholders and approximately 100,800 shareholders owning the Fund shares in street name, such as through brokers, banks, and financial intermediaries.

If you are a street name shareholder and wish to receive our reports directly, which contain important information about the Fund, please write or call:

Eaton Vance Distributors, Inc.
The Eaton Vance Building
255 State Street
Boston, MA 02109
1-800-225-6265

AMERICAN STOCK EXCHANGE SYMBOL

The American Stock Exchange symbol is EVV.



EATON VANCE LIMITED DURATION INCOME FUND
MANAGEMENT AND ORGANIZATION

FUND MANAGEMENT. The Trustees of Eaton Vance Limited Duration Income Fund (the Fund) are responsible for the overall management and supervision of the Fund's affairs. The Trustees and officers of the Fund are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. Trustees and officers of the Fund hold indefinite terms of office. The "noninterested Trustees" consist of those Trustees who are not "interested persons" of the Fund, as that term is defined under the 1940 Act. The business address of each Trustee and officer is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109. As used below, "EVC" refers to Eaton Vance Corp., "EV" refers to Eaton Vance, Inc., "EVM" refers to Eaton Vance Management, "BMR" refers to Boston Management and Research, and "EVD" refers to Eaton Vance Distributors, Inc. EVC and EV are the corporate parent and trustee, respectively, of EVM and BMR.

| NAME AND DATE OF BIRTH | POSITION(S) WITH THE FUND | TERM OF OFFICE AND LENGTH OF SERVICE | PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS | NUMBER OF PORT IN FUND COMP OVERSEEN B TRUSTEE( |
|---|---|---|---|---|
| INTERESTED TRUSTEE | | | | |
| James B. Hawkes 11/19/41 | Trustee and Vice President | Until 2005 3 years. Trustee since 2003 | Chairman, President and Chief Executive Officer of BMR, EVC, EVM and EV; Director of EV; Vice President and Director of EVD. Trustee and/or officer of 191 registered investment companies in the Eaton Vance Fund Complex. Mr. Hawkes is an interested person because of his positions with BMR, EVM, EVC and EV, which are affiliates of the Fund. | 197 |
| NONINTERESTED TRUSTEE(S) | | | | |
| Samuel L. Hayes, III 2/23/35 | Trustee | Until 2007. 3 years. Trustee since 2003 | Jacob H. Schiff Professor of Investment Banking Emeritus, Harvard University Graduate School of Business Administration. | 197 |
| William H. Park 9/19/47 | Trustee | Until 2005. 3 years. Trustee since 2003 | President and Chief Executive Officer, Prizm Capital Management, LLC (investment management firm) (since 2002). Executive Vice President and Chief Financial Officer, United Asset Management Corporation (a holding company owning institutional investment management firms) (1982-2001). | 194 |
| Ronald A. Pearlman 7/10/40 | Trustee | Until 2006. 3 years. Trustee since 2003 | Professor of Law, Georgetown University Law Center (since 1999). Tax Partner, Covington & Burling, Washington, DC (1991-2000). | 194 |
| Norton H. Reamer 9/21/35 | Trustee | Until 2006. 3 years. Trustee since 2003 | President, Chief Executive Officer and a Director of Asset Management Finance Corp. (a specialty finance company serving the investment management industry) (since October2003). President, Unicorn Corporation (an investment and financial advisory services company) (since September2000). Formerly, Chairman, Hellman, Jordan Management Co., Inc. (an investment management company) (2000-2003). Formerly, Advisory Director of Berkshire Capital Corporation (investment banking firm) (2002-2003). Formerly, Chairman of the Board, United Asset Management Corporation (a | 197 |

| | | | | |
|---|---|---|---|---|
| | | | holding company owning institutional investment management firms) and Chairman, President and Director, UAM Funds (mutual funds) (1980-2000). | |
| Lynn A. Stout 9/14/57 | Trustee | Until 2006. 3 years. Trustee since 2003 | Professor of Law, University of California at Los Angeles School of Law (since July2001). Formerly, Professor of Law, Georgetown University Law Center. | 197 |



PRINCIPAL OFFICERS WHO ARE NOT TRUSTEES

| NAME AND DATE OF BIRTH | POSITION(S) WITH THE FUND | TERM OF OFFICE AND LENGTH OF SERVICE | PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS |
|---|---|---|---|
| Thomas E. Faust Jr. 5/31/58 | President | Since 2003 | Executive Vice President of EVM, BMR, EVC and Investment Officer of EVM and BMR and Director Chief Executive Officer of Belair Capital Fund Belcrest Capital Fund LLC, Belmar Capital Fund Belport Capital Fund LLC and Belrose Capital F (private investment companies sponsored by EVM of 56 registered investment companies managed BMR. |
| Scott H. Page 11/30/59 | Vice President | Since 2003 | Vice President of EVM and BMR. Officer of 14 r investment companies managed by EVM or BMR |
| Susan Schiff 3/13/61 | Vice President | Since 2003 | Vice President of EVM and BMR. Officer of 26 r investment companies managed by EVM or BMR. |
| Payson F. Swaffield 8/13/56 | Vice President | Since 2003 | Vice President of EVM and BMR. Officer of 14 r investment companies managed by EVM or BMR. |
| Mark S. Venezia* 5/23/49 | Vice President | Since 2004 | Vice President of EVM and BMR. Officer of 4 re investment companies managed by EVM or BMR |
| Michael W. Weilheimer 2/11/61 | Vice President | Since 2003 | Vice President of EVM and BMR. Officer of 11 r investment companies managed by EVM or BMR. |
| Alan R. Dynner 10/10/40 | Secretary | Since 2003 | Vice President, Secretary and Chief Legal Offi EVM, EVD, EV and EVC; Officer of 197 registere companies managed by EVM or BMR. |
| James L. O'Connor 4/1/45 | Treasurer | Since 2003 | Vice President of BMR, EVM and EVD. Officer of registered investment companies managed by EVM |

(1) Includes both master and feeder funds in a master-feeder structure.
* Mr. Venezia joined the current portfolio management team effective as of March 16, 2004.

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INVESTMENT ADVISER OF EATON VANCE LIMITED DURATION INCOME FUND
EATON VANCE MANAGEMENT
THE EATON VANCE BUILDING
255 STATE STREET
BOSTON, MA 02109

ADMINISTRATOR OF EATON VANCE LIMITED DURATION INCOME FUND
EATON VANCE MANAGEMENT
THE EATON VANCE BUILDING
255 STATE STREET
BOSTON, MA 02109

CUSTODIAN
INVESTORS BANK & TRUST COMPANY
200 CLARENDON STREET
BOSTON, MA 02116

TRANSFER AGENT
PFPC INC.
ATTN: EATON VANCE FUNDS
P.O. BOX 43027
PROVIDENCE, RI 02940-9653
(800) 331-1710

INDEPENDENT AUDITORS
DELOITTE & TOUCHE LLP
200 BERKELEY STREET
BOSTON, MA 02116-5022

EATON VANCE LIMITED DURATION INCOME FUND
THE EATON VANCE BUILDING
255 STATE STREET
BOSTON, MA 02109

1856-6/04 CE-LDISRC

ITEM 2. CODE OF ETHICS

The registrant has adopted a code of ethics applicable to its Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer. The registrant undertakes to provide a copy of such code of ethics to any person upon request, without charge, by calling 1-800-262-1122.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The registrant's Board has designated William H. Park, Samuel L. Hayes, III and Norton H. Reamer, each an independent trustee, as its audit committee financial experts. Mr. Park is a certified public

accountant who is the President and Chief Executive Officer of Prizm Capital Management, LLC (investment management firm). Previously, he served as Executive Vice President and Chief Financial Officer of United Asset Management Corporation ("UAM") (a holding company owning institutional investment management firms). Mr. Hayes is the Jacob H. Schiff Professor of Investment Banking Emeritus of the Harvard University Graduate School of Business Administration. Mr. Reamer is the President, Chief Executive Officer and a Director of Asset Management Finance Corp. (a specialty finance company serving the investment management industry) and is President of Unicorn Corporation (an investment and financial advisory services company). Formerly, Mr. Reamer was Chairman of Hellman, Jordan Management Co., Inc. (an investment management company) and Advisory Director of Berkshire Capital Corporation (an investment banking firm), Chairman of the Board of UAM and Chairman, President and Director of the UAM Funds (mutual funds).

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a) -(d)

The registrant commenced operations on May 30, 2003. The following table presents the aggregate fees billed to the registrant for the registrant's first fiscal year ended April 30, 2004 by the registrant's principal accountant for professional services rendered for the audit of the registrant's annual financial statements and fees billed for other services rendered by the principal accountant during such period.

| FISCAL YEAR ENDED | 4/30/04 |
|---|---|
| Audit Fees | $ 68,701 |
| Audit-Related Fees(1) | 14,420 |
| Tax Fees(2) | 5,800 |
| All Other Fees(3) | 0 |
| Total | $ 88,921 |

(1) Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit of financial statements and are not reported under the category of audit fees.
(2) Tax fees consist of the aggregate fees billed for professional services rendered by the principal accountant relating to tax compliance, tax advice, and tax planning.
(3) All other fees consist of the aggregate fees billed for products and services provided by the principal accountant other than audit, audit-related, and tax services.

(e)(1) The registrant's audit committee has adopted policies and procedures relating to the pre-approval of services provided by the registrant's principal accountant (the "Pre-Approval Policies"). The Pre-Approval Policies establish a framework intended to assist the audit committee in the proper discharge of its pre-approval responsibilities. As a general matter, the Pre-Approval Policies (i) specify certain types of audit, audit-related, tax, and other services

determined to be pre-approved by the audit committee; and (ii) delineate specific procedures governing the mechanics of the pre-approval process, including the approval and monitoring of audit and non-audit service fees. Unless a service is

specifically pre-approved under the Pre-Approval Policies, it must be separately pre-approved by the audit committee.

The Pre-Approval Policies and the types of audit and non-audit services pre-approved therein must be reviewed and ratified by the registrant's audit committee at least annually. The registrant's audit committee maintains full responsibility for the appointment, compensation, and oversight of the work of the registrant's principal accountant.

(e)(2) No services described in paragraphs (b)-(d) above were approved by the registrant's audit committee pursuant to the "de minimis exception" set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

(f) Not applicable.

(g) The following table presents (i) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to the registrant by its principal accountant for the registrant's first fiscal year; and (ii) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to the Eaton Vance organization for the registrant's first fiscal year.

| FISCAL YEAR ENDED | 4/30/04 |
|---|---|
| REGISTRANT | $ 88,921 |
| EATON VANCE(1) | $ 479,012 |

(1) Eaton Vance Management, a subsidiary of Eaton Vance Corp., acts as the registrant's investment adviser and administrator.

(h) The registrant's audit committee has considered whether the provision by the registrant's principal accountant of non-audit services to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X is compatible with maintaining the principal accountant's independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934, as amended. Norton H. Reamer (Chair), Samuel L. Hayes, III, William H. Park and Lynn A. Stout are the members of the registrant's audit committee.

ITEM 6. SCHEDULE OF INVESTMENTS

Please see schedule of investments contained in the Report to Stockholders included under Item 1 of this Form N-CSR.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES

The Board of Trustees of the Trust has adopted a proxy voting policy and procedure (the "Fund Policy"), pursuant to which the Trustees have delegated proxy voting responsibility to the Fund's investment adviser and adopted the investment adviser's proxy voting policies and procedures (the "Policies") which are described below. The Trustees will review the Fund's proxy voting records from time to time and will annually consider approving the Policies for the upcoming year. In the event that a conflict of interest arises between the Fund's shareholders and the investment adviser, the administrator, or any of their affiliates or any affiliate of the Fund, the investment adviser will generally refrain from voting the proxies related to the companies giving rise to such conflict until it consults with the Board of the Fund except as contemplated under the Fund Policy. The Board's Special Committee will instruct the investment adviser on the appropriate course of action.

The Policies are designed to promote accountability of a company's management to its shareholders and to align the interests of management with those shareholders. The investment adviser will generally support company management on proposals relating to environmental and social policy issues and on matters regarding the state of organization of the company. On all other matters, the investment adviser will take management's proposals under advisement but will consider each matter in light of the guidelines set forth in the Policies. Except in the instance of routine matters related to corporate administration which are not expected to have a significant economic impact on the company or its shareholders (on which the investment adviser will routinely vote with management), the investment adviser will review each matter on a case-by-case basis and reserves the right to deviate from the Policies guidelines when it believes the situation warrants such a deviation. The Policy includes voting guidelines for matters relating to, among other things, the election of directors, approval of independent auditors, executive compensation, corporate structure and anti-takeover defenses. The investment adviser may abstain from voting from time to time where it determines that the costs associated with voting a proxy outweighs the benefits derived from exercising the right to vote.

In addition, the investment adviser will monitor situations that may result in a conflict of interest between the Fund's shareholders and the investment adviser, the administrator, or any of their affiliates or any affiliate of the Fund by maintaining a list of significant existing and prospective corporate clients. The investment adviser's personnel responsible for reviewing and voting proxies on behalf of the Fund will report any proxy received or expected to be received from a company included on that list to the investment adviser's general counsel or chief equity investment officer. The general counsel or chief equity investment officer will determine if a conflict exists. If a conflict does exist, the proxy will either be voted strictly in accordance with the Policy or the investment adviser will seek instruction on how to vote from the Board.

Effective August 31, 2004, information on how the Fund voted proxies relating to portfolio securities during the 12 month period ended June 30, 2004 [is/will be] available (1) without charge, upon request, by calling 1-800-262-1122, and (2) on the Securities and Exchange Commission's website at http://www.sec.gov.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Effective February 9, 2004, the Governance Committee of the Board of Trustees formalized the procedures by which a Fund's shareholders may recommend nominees to the registrant's Board of Trustees. The Governance Committee shall, when identifying candidates for the position of Independent Trustee, consider any such candidate recommended by a shareholder of a Fund if such recommendation contains sufficient background information concerning the candidate, and is received in a sufficiently timely manner (and in any event no later than the date specified for receipt of shareholder proposals in any applicable proxy statement with respect to a Fund). Shareholders shall be directed to address any such recommendations to the attention of the Governance Committee, c/o the Secretary of the Fund.

ITEM 10. CONTROLS AND PROCEDURES

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the period that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS

| | |
|---|---|
| (a)(1) | Registrant's Code of Ethics - Not applicable (please see Item 2). |
| (a)(2)(i) | Treasurer's Section 302 certification. |
| (a)(2)(ii) | President's Section 302 certification. |
| (b) | Combined Section 906 certification. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EATON VANCE LIMITED DURATION INCOME FUND

By: /s/ Thomas E. Faust Jr.
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Thomas E. Faust Jr.
President

Date: June 16, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James L. O'Connor

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James L. O'Connor
Treasurer

Date: June 16, 2004

By: /s/ Thomas E. Faust Jr.

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Thomas E. Faust Jr.
President

Date: June 16, 2004