

ALLIANCEBERNSTEIN INCOME FUND INC
Form N-CSR
March 06, 2014

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: 811-05207

ALLIANCEBERNSTEIN INCOME FUND, INC.
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105
(Address of principal executive offices) (Zip code)

Joseph J. Mantineo

AllianceBernstein L.P.

1345 Avenue of the Americas

New York, New York 10105

(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 221-5672

Date of fiscal year end: December 31, 2013

Date of reporting period: December 31, 2013

ITEM 1. REPORTS TO STOCKHOLDERS.

ANNUAL REPORT

AllianceBernstein

Income Fund

(NYSE: ACG)

December 31, 2013

Annual Report

Investment Products Offered

Are Not FDIC Insured

May Lose Value

Are Not Bank Guaranteed

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's website at www.alliancebernstein.com, or go to the Securities and Exchange Commission's (the Commission) website at www.sec.gov, or call AllianceBernstein at (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at www.sec.gov. The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

AllianceBernstein Investments, Inc. (ABI) is the distributor of the AllianceBernstein family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the manager of the funds.

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February 11, 2014

Annual Report

This report provides management's discussion of fund performance for AllianceBernstein Income Fund (the "Fund") for the annual reporting period ended December 31, 2013. The Fund is a closed-end fund that trades on the New York Stock Exchange.

Investment Objectives and Policies

The Fund is designed to provide high current income consistent with the preservation of capital.

The Fund normally invests at least 80% of its net assets in income-producing securities. The Fund's Board recently approved, and submitted for shareholder approval at the Fund's Annual Meeting of Stockholders on March 27, 2014, a proposal to eliminate the Fund's fundamental policy to invest at least 65% of its assets in U.S. government securities and repurchase agreements relating to such securities. The Board also approved changes to certain non-fundamental policies of the Fund, including eliminating a policy limiting investments in foreign government securities to 35% of the Fund's assets. Details including the rationale for the changes in investment policies are set forth in the Fund's Proxy Statement dated February 20, 2014.

The Fund normally invests at least 65% of its total assets in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and repurchase agreements pertaining to U.S. government securities. The Fund may also invest up to 35% of its assets in other fixed income securities, including those

issued by nongovernmental issuers in the

U.S. and those issued by foreign governments. The Fund may invest up to 35% of its net assets in below investment-grade securities. Additionally, the Fund may utilize other investment instruments, including options, swaps, forwards and futures, and may employ leverage. For more information regarding the Fund's risks, please see "A Word About Risk" on pages 3-4 and "Note E Risks Involved in Investing in the Fund" of the Notes to Financial Statements on pages 60-63.

Investment Results

The table on page 5 provides performance data for the Fund and its benchmark, the Barclays U.S. Aggregate Bond Index, for the six- and 12-month periods ended December 31, 2013.

The Fund underperformed its benchmark for the 12-month period, while it outperformed for the six-month period. Overall yield curve positioning was the largest detractor for both periods, as the Fund's overweight in the 10-year range of the curve, where U.S. yields rose most, impacted returns. An overweight position in U.S. Treasuries and an underweight to investment-grade corporates also detracted for both periods. Exposure to high yield debt was a primary contributor for both periods, followed by non-agency collateralized mortgage obligations and bank loans. Both investment-grade corporate and commercial mortgage-backed security selection also had a positive impact.

The Fund utilized derivatives in the form of currency forwards for both hedging and investment purposes. Currency exposure was positive for the 12-month period, particularly a short

position in the Australian dollar and Japanese yen. Conversely, currency exposure detracted for the six-month period. During both periods, the Fund utilized Treasury futures and interest rate swaps in order to manage duration and yield curve positioning of the Fund. Purchased and written options were utilized for hedging and investment purposes, which had an immaterial impact on performance during both periods. Credit default swaps were also utilized for hedging and investment purposes, which contributed to performance during both periods.

Market Review and Investment Strategy

Overall, 2013 was a year marked by somewhat elevated market volatility and, beginning in May, sharply higher bond yields and a notable exodus from bond funds. Nevertheless, risk aversion continued to decline toward the end of the year, as the primary drivers of volatility were accelerating growth across the developed world and its corresponding implications. Meanwhile, currency volatility remained high, alongside elevated uncertainty about central-bank policies worldwide.

After months of speculation that kept financial markets on edge, in December the U.S. Federal Reserve (the Fed) took its first modest steps toward ending a key component of its stimulus campaign. Policymakers decided to start tapering asset purchases of U.S. Treasuries and mortgages from the current \$85 billion per month to \$75 billion per month in January. At the same time, the Fed strengthened its commitment to keeping short-term interest rates near zero, well past the point when the civil-

ian unemployment rate falls below the 6.5% threshold. Markets reacted positively to the news, as investors were accepting of the gradual pace of the changes and appeared relieved that a major source of uncertainty had been removed.

Most major fixed-income sectors fell into negative territory in absolute terms for the year, as yields rose. Investment-grade corporates posted negative absolute returns, but outperformed Treasuries and the broader fixed-income market on a duration-neutral basis, helped by strong performance within financials. Financial fundamentals remained favorable as companies deleveraging continued. U.S. high yield outperformed investment-grade fixed-income sectors for the year as investors reached for yield.

The Fund continues to hold a significant allocation to investment-grade corporates. Global investment-grade credit spreads tightened during the year, and in the view of the Fund's investment management team (the Team), remain close to fair value. The Team continues to favor the financial sector as fundamentals in that sector remain solid and financial firms continue to deleverage. The Team has been reducing some of the Fund's U.S. high yield exposure, where valuations, in its view, have grown. Conversely, the Team is looking to selectively add emerging-market sovereign and corporate positions that it finds attractive after the recent re-pricing. Lastly, the Fund's U.S. duration has been reduced on expectations that U.S. yields will move higher as the Fed tapers, and the U.S. economy continues to improve.

DISCLOSURES AND RISKS

AllianceBernstein Income Fund Shareholder Information

Weekly comparative net asset value (NAV) and market price information about the Fund is published each Saturday in *Barron's* and in other newspapers in a table called "Closed End Funds". Daily NAV and market price information, and additional information regarding the Fund, is available at www.alliancebernstein.com and www.nyse.com. For additional shareholder information regarding this Fund, please see pages 69-70.

Benchmark Disclosure

The unmanaged Barclays U.S. Aggregate Bond Index does not reflect fees and expenses associated with the active management of a mutual fund portfolio. The Barclays U.S. Aggregate Bond Index represents the performance of securities within the U.S. investment grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities, asset-backed securities, and commercial mortgage backed securities. The Index is not leveraged, whereas the Fund utilizes leverage. An investor cannot invest directly in an index, and its results are not indicative of the performance for any specific investment, including the Fund.

A Word About Risk

Until May 22, 2009, the Fund participated in a credit facility for the purpose of utilizing investment leverage. The Fund continues to utilize leverage through engaging in reverse repurchase agreements and may also utilize other techniques such as dollar rolls. In addition, the Fund may borrow money in the future through participation in credit facilities, direct bank borrowings, or otherwise. Reverse repurchase agreements involve sales by the Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. Generally, the effect of such a transaction is that the Fund can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while it will be able to keep the interest income associated with those portfolio securities. Such transactions are only advantageous if the interest cost to the Fund of the reverse repurchase agreement transaction is less than the return on the leveraged portion of the Fund's investment portfolio. The Fund may enter into dollar rolls in which the Fund sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund is compensated by the difference between the current sales price and the lower forward price for the future

purchase (often referred to as the "drop") as well as the interest earned on the cash proceeds of the initial sale. Reverse repurchase agreements and dollar rolls are speculative techniques and are considered borrowings by the Fund.

Leverage may result in higher returns to the Fund than if the Fund were not leveraged, but may also adversely affect returns, particularly if the market is declining. The risks of leverage also include potentially a higher volatility of the NAV of the Fund's shares, potentially more volatility in the market value of the Fund's shares, and the relatively greater effect on the NAV of the Fund's shares caused by favorable or adverse changes in portfolio security values or currency exchange rates. In addition, changes in the interest rate environment can increase or decrease shareholder returns. The Fund maintains asset coverage of at least 300% with respect to borrowings.

To the extent that the current interest rate on the Fund's indebtedness approaches the net return on the leveraged portion of the Fund's investment portfolio, then the benefit to the shareholders will be reduced. If the rate payable by the Fund on indebtedness were to exceed the net return on the same portion of the portfolio, then this would result in a lower rate of return for the shareholders. Similarly, the use of

(Disclosures, Risks and Note about Historical Performance continued on next page)

DISCLOSURES AND RISKS

(continued from previous page)

leverage in a declining market can advance the decrease of the Fund's NAV more so than if the Fund were not leveraged, which would likely be reflected in a greater decline in the market price for shares of the Fund than if the Fund were not leveraged. In extreme cases, if the Fund's current investment income were not sufficient to meet interest payments on indebtedness or if the Fund failed to maintain the asset coverage required by the 1940 Act, then it could be necessary for the Fund to liquidate certain investments at a time when it may be disadvantageous to do so.

Part of the Fund's assets will be invested in foreign securities. A significant portion of the Fund's investments in foreign securities is in emerging markets. Since the Fund invests in foreign currency denominated securities, fluctuations in NAV may be magnified by changes in foreign exchange rates. The Fund also may seek investment opportunities by taking long or short positions in currencies through the use of currency-related derivatives, including forward currency exchange contracts, futures and options on futures swaps and options. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments. The Fund may invest in high yield bonds or below investment-grade securities (junk bonds). High yield bonds involve a greater risk of default and price volatility than other bonds.

While the Fund invests principally in fixed-income securities, in order to achieve its investment objectives, the Fund may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. These risks include the risk that the value of a derivative instrument may not correlate perfectly, or at all, with the value of the assets, reference rates or indices that they are designed to track. Other risks include: the possible absence of a liquid secondary market for a particular instrument and possible exchange-imposed price fluctuation limits, either of which may make it difficult or impossible to close out a position when desired, and the risk that the counterparty will not perform its obligation. Certain derivatives may have a leverage component and involve leverage risk. Adverse price movements in an instrument can result in a loss substantially greater than the Fund's initial investment in that instrument (in some cases, the potential loss is unlimited).

The Fund may invest in mortgage-backed and/or other asset-backed securities, including securities backed by mortgages and assets with an international or emerging markets origination and securities backed by non-performing loans at the time of investment. Investments in mortgage-backed and other asset-backed securities are subject to certain additional risks. The value of these securities may be particularly sensitive to changes in interest rates. These risks include extension risk, which is the risk that, in periods of rising interest rates, issuers may delay the payment of principal, and prepayment risk, which is the risk that, in periods of falling interest rates, issuers may pay principal sooner than expected, exposing the Fund to a lower rate of return upon reinvestment of principal. Mortgage-backed securities offered by nongovernmental issuers and other asset-backed securities may be subject to other risks, such as higher rates of default in the mortgages or assets backing the securities or risks associated with the nature and servicing of mortgages or assets backing the securities.

An Important Note About Historical Performance

The performance on the following page represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. All fees and expenses related to the operation of the Fund have been deducted. Performance assumes reinvestment of distributions and does not account for taxes.

HISTORICAL PERFORMANCE

THE FUND VS. ITS BENCHMARK	Returns	
PERIODS ENDED DECEMBER 31, 2013 (unaudited)	6 Months	12 Months
AllianceBernstein Income Fund (NAV)	0.64%	-2.86%
Barclays U.S. Aggregate Bond Index	0.43%	-2.02%

The Fund's market price per share on December 31, 2013 was \$7.13. The Fund's NAV price per share on December 31, 2013 was \$8.13. For additional Financial Highlights, please see pages 65-66.

See Disclosures, Risks and Note about Historical Performance on pages 3-4.

Historical Performance

ALLIANCEBERNSTEIN INCOME FUND 5

PORTFOLIO SUMMARY

December 31, 2013 (unaudited)

PORTFOLIO STATISTICS

Net Assets (\$mil): \$1,975.7

* All data are as of December 31, 2013. The Fund's security type breakdown is expressed as a percentage of total investments and may vary over time. The Fund also enters into derivative transactions, which may be used for hedging or investment purposes (see *Portfolio of Investments* section of the report for additional details). Other security type weightings represent 0.4% or less in the following types: Emerging Markets Sovereigns, Governments Sovereign Agencies, Governments Sovereign Bonds and Whole Loan Trusts.

6 ALLIANCEBERNSTEIN INCOME FUND

[Portfolio Summary](#)

PORTFOLIO SUMMARY

December 31, 2013 (unaudited)

* All data are as of December 31, 2013. The Fund's country breakdown is expressed as a percentage of total investments and may vary over time. The Fund also enters into derivative transactions, which may be used for hedging or investment purposes (see "Portfolio of Investments" section of the report for additional details). Other country weightings represent 0.2% or less in the following countries: Australia, Barbados, Belgium, Chile, Colombia, Croatia, El Salvador, France, Jamaica, Nigeria, Norway, Peru, Portugal, Singapore, South Africa, Spain and Venezuela.

Portfolio Summary

ALLIANCEBERNSTEIN INCOME FUND 7

PORTFOLIO OF INVESTMENTS

December 31, 2013

		Principal Amount (000)	U.S. \$ Value
GOVERNMENTS -			
TREASURIES 89.7%			
Brazil 0.4%			
Brazil Notas do Tesouro Nacional Series F			
10.00%, 1/01/17	BRL	17,000	\$ 6,808,261
Mexico 1.0%			
Mexican Bonos Series M			
7.75%, 11/13/42	MXN	245,225	19,173,378
United States 88.3%			
U.S. Treasury Bonds			
5.375%, 2/15/31	U.S.\$	1,961	2,403,145
6.00%, 2/15/26 ^(a)		333,000	425,095,146
6.375%, 8/15/27 ^(a)		260,000	345,231,120
6.50%, 11/15/26 ^(a)		183,000	244,419,375
8.50%, 2/15/20		3,700	5,072,759
U.S. Treasury Notes			
1.75%, 5/15/23		6,010	5,416,981
2.00%, 2/15/22		26,000	24,673,584
2.125%, 8/31/20-8/15/21		199,500	196,031,325
2.625%, 11/15/20 ^(a)		67,250	68,342,813
3.125%, 5/15/21		95,000	99,030,090
3.625%, 2/15/21 ^(b)		295,000	318,346,595
3.75%, 11/15/18 ^(a)		10,000	10,974,220
			1,745,037,153
Total Governments Treasuries (cost \$1,805,604,456)			1,771,018,792
CORPORATES - NON-INVESTMENT GRADES 17.6%			
Industrial 13.9%			
Basic 0.9%			
AK Steel Corp.			
7.625%, 5/15/20		847	844,883
ArcelorMittal			
5.75%, 8/05/20		2,500	2,656,250
6.75%, 2/25/22 ^(a)		2,200	2,392,500
Arch Coal, Inc.			
7.00%, 6/15/19 ^(a)		2,100	1,669,500
Calcipar SA			
6.875%, 5/01/18 ^(c)		687	728,220
Commercial Metals Co.			
6.50%, 7/15/17		1,993	2,207,247
7.35%, 8/15/18		2,644	3,014,160
		837	931,162

Novelis, Inc./GA
8.75%, 12/15/20

8 ALLIANCEBERNSTEIN INCOME FUND

Portfolio of Investments

		Principal Amount (000)	U.S. \$ Value
SPCM SA			
6.00%, 1/15/22 ^(c)	U.S.\$	617	\$ 650,935
Steel Dynamics, Inc. 7.625%, 3/15/20		3,000	3,255,000
			18,349,857
Capital Goods 1.5%			
B/E Aerospace, Inc.			
5.25%, 4/01/22		1,237	1,255,555
6.875%, 10/01/20		2,000	2,195,000
BC Mountain LLC/BC Mountain Finance, Inc. 7.00%, 2/01/21 ^(c)		2,313	2,336,130
Bombardier, Inc.			
7.50%, 3/15/18 ^(c)		3,000	3,412,500
Building Materials Corp. of America			
7.00%, 2/15/20 ^(c)		635	682,625
7.50%, 3/15/20 ^(c)		2,498	2,697,840
Clean Harbors, Inc.			
5.25%, 8/01/20		1,200	1,236,000
Griffon Corp.			
7.125%, 4/01/18		3,558	3,771,480
Huntington Ingalls Industries, Inc.			
7.125%, 3/15/21		690	757,275
Sealed Air Corp.			
6.875%, 7/15/33 ^(c)		1,486	1,419,130
8.125%, 9/15/19 ^(c)		1,127	1,265,058
8.375%, 9/15/21 ^(c)		1,157	1,313,195
SPX Corp.			
6.875%, 9/01/17		2,900	3,277,000
Summit Materials LLC/Summit Materials Finance Corp.			
10.50%, 1/31/20		1,599	1,758,900
United Rentals North America, Inc.			
5.75%, 7/15/18		2,550	2,725,312
			30,103,000
Communications - Media 3.0%			
CCO Holdings LLC/CCO Holdings Capital Corp.			
5.25%, 9/30/22		2,079	1,941,266
Clear Channel Communications, Inc.			
9.00%, 12/15/19		92	93,840
Clear Channel Worldwide Holdings, Inc.			
6.50%, 11/15/22		1,312	1,330,040
Series B			
6.50%, 11/15/22		3,688	3,766,370
Columbus International, Inc.			
11.50%, 11/20/14 ^(c)		2,789	3,005,147
CSC Holdings LLC			
6.75%, 11/15/21		5,000	5,387,500

		Principal Amount (000)	U.S. \$ Value
Cumulus Media Holdings, Inc. 7.75%, 5/01/19 ^(a)	U.S.\$	678	\$ 715,290
DISH DBS Corp. 5.00%, 3/15/23		3,000	2,797,500
Hughes Satellite Systems Corp. 7.625%, 6/15/21		3,111	3,468,765
Intelsat Jackson Holdings SA 7.25%, 4/01/19		4,231	4,569,480
Lamar Media Corp. 5.875%, 2/01/22		5,500	5,637,500
LIN Television Corp. 8.375%, 4/15/18		900	951,750
Nielsen Co. Luxembourg SARL (The) 5.50%, 10/01/21 ^(c)		3,243	3,291,645
Quebecor Media, Inc. 5.75%, 1/15/23		2,145	2,075,288
RR Donnelley & Sons Co. 8.25%, 3/15/19		2,984	3,416,680
Sirius XM Holdings, Inc. 5.25%, 8/15/22 ^(c)		822	830,220
5.875%, 10/01/20 ^(c)		2,026	2,071,585
Univision Communications, Inc. 5.125%, 5/15/23 ^(c)		3,295	3,290,881
UPCB Finance III Ltd. 6.625%, 7/01/20 ^(c)		2,200	2,337,500
Videotron Ltd. 5.00%, 7/15/22		2,255	2,204,263
Virgin Media Finance PLC 5.25%, 2/15/22		2,246	1,954,020
8.375%, 10/15/19		2,000	2,185,000
Virgin Media Secured Finance PLC 5.25%, 1/15/21		1,629	1,661,986
			58,983,516
Communications - Telecommunications 0.7%			
Frontier Communications Corp. 8.125%, 10/01/18		2,000	2,285,000
SBA Telecommunications, Inc. 5.75%, 7/15/20		875	910,000
Sprint Communications, Inc. 9.00%, 11/15/18 ^(c)		2,065	2,488,325
Sunrise Communications International SA 7.00%, 12/31/17 ^(c)	EUR	1,585	2,300,846
tw telecom holdings, Inc. 6.375%, 9/01/23 ^(c)	U.S.\$	2,369	2,463,760
Windstream Corp. 7.50%, 4/01/23		2,000	2,010,000
7.75%, 10/01/21		1,070	1,134,200
			13,592,131

	Principal	
	Amount	
	(000)	U.S. \$ Value
Consumer Cyclical - Automotive 0.7%		
Affinia Group, Inc. 7.75%, 5/01/21	U.S.\$ 297	\$ 311,850
American Axle & Manufacturing, Inc. 6.25%, 3/15/21 ^(a)	5,887	6,254,937
Goodyear Tire & Rubber Co. (The) 6.50%, 3/01/21	700	742,000
7.00%, 5/15/22	1,486	1,599,308
8.75%, 8/15/20	3,000	3,510,000
LKQ Corp. 4.75%, 5/15/23 ^(c)	908	844,440
Schaeffler Finance BV 8.50%, 2/15/19 ^(c)	1,200	1,350,000
		14,612,535
Consumer Cyclical - Entertainment 0.0%		
Pinnacle Entertainment, Inc. 8.75%, 5/15/20	841	927,203
Consumer Cyclical - Other 0.7%		
Choice Hotels International, Inc. 5.75%, 7/01/22	195	203,531
Levi Strauss & Co. 6.875%, 5/01/22	288	316,800
MGM Resorts International 8.625%, 2/01/19	4,315	5,059,338
Royal Caribbean Cruises Ltd. 5.25%, 11/15/22	1,801	1,801,000
7.50%, 10/15/27	1,100	1,174,250
Shea Homes LP/Shea Homes Funding Corp. 8.625%, 5/15/19	1,188	1,315,710
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp. 5.375%, 3/15/22 ^(a)	3,400	3,434,000
		13,304,629
Consumer Cyclical - Retailers 0.7%		
Burlington Coat Factory Warehouse Corp. 10.00%, 2/15/19	401	451,626
Chinos Intermediate Holdings A, Inc. 7.75%, 5/01/19 ^{(c)(d)}	1,127	1,152,358
L Brands, Inc. 5.625%, 2/15/22	1,727	1,765,857
6.90%, 7/15/17	3,621	4,164,150
Rite Aid Corp. 8.00%, 8/15/20	3,200	3,600,000
Toys R US Delaware, Inc. 7.375%, 9/01/16 ^{(a)(c)}	3,092	2,829,180
		13,963,171

Portfolio of Investments

		Principal Amount (000)	U.S. \$ Value
Consumer Non-Cyclical 2.0%			
ARAMARK Corp. 5.75%, 3/15/20 ^(c)	U.S.\$	1,001	\$ 1,046,045
Boparan Finance PLC 9.875%, 4/30/18 ^(c)	GBP	2,400	4,371,708
CHS/Community Health Systems, Inc. 7.125%, 7/15/20	U.S.\$	1,717	1,781,387
Envision Healthcare Corp. 8.125%, 6/01/19		1,554	1,684,148
Fresenius Medical Care US Finance, Inc. 5.75%, 2/15/21 ^{(a)(c)}		2,125	2,252,500
Goodyear Dunlop Tires Europe BV 6.75%, 4/15/19 ^(c)	EUR	1,500	2,244,110
HCA Holdings, Inc. 7.75%, 5/15/21 ^(a)	U.S.\$	1,700	1,857,250
Holding Medi-Partenaires SAS 7.00%, 5/15/20 ^(c)	EUR	1,750	2,468,407
Hologic, Inc. 6.25%, 8/01/20	U.S.\$	540	569,700
Jaguar Holding Co. II/Jaguar Merger Sub, Inc. 9.50%, 12/01/19 ^(c)		2,000	2,250,000
Kinetic Concepts, Inc./KCI USA, Inc. 10.50%, 11/01/18		4,000	4,600,000
Party City Holdings, Inc. 8.875%, 8/01/20		2,225	2,492,000
Post Holdings, Inc. 6.75%, 12/01/21 ^(c)		401	415,035
7.375%, 2/15/22		705	754,350
Smithfield Foods, Inc. 6.625%, 8/15/22		1,678	1,778,680
Sun Merger Sub, Inc. 5.875%, 8/01/21 ^(c)		2,597	2,661,925
Valeant Pharmaceuticals International 6.875%, 12/01/18 ^(c)		2,145	2,295,150
7.00%, 10/01/20 ^(c)		2,200	2,370,500
7.25%, 7/15/22 ^(c)		283	304,579
WellCare Health Plans, Inc. 5.75%, 11/15/20		1,909	1,951,952
			40,149,426
Energy 1.8%			
Antero Resources Finance Corp. 5.375%, 11/01/21 ^(c)		792	799,920
Athlon Holdings LP/Athlon Finance Corp. 7.375%, 4/15/21 ^(c)		4,204	4,414,200
Berry Petroleum Co. 6.375%, 9/15/22		3,107	3,161,372
Bonanza Creek Energy, Inc. 6.75%, 4/15/21		188	196,930

		Principal Amount (000)	U.S. \$ Value
CGG SA			
9.50%, 5/15/16	U.S.\$	550	\$ 578,875
Chesapeake Energy Corp.			
6.625%, 8/15/20		2,435	2,721,112
Cimarex Energy Co.			
5.875%, 5/01/22		2,331	2,465,033
Hornbeck Offshore Services, Inc.			
5.875%, 4/01/20		2,737	2,825,952
Linn Energy LLC/Linn Energy Finance Corp.			
7.00%, 11/01/19 ^(c)		2,275	2,297,750
Offshore Group Investment Ltd.			
7.125%, 4/01/23		4,656	4,749,120
Oil States International, Inc.			
6.50%, 6/01/19		1,960	2,084,950
Quicksilver Resources, Inc.			
7.125%, 4/01/16		471	460,403
SandRidge Energy, Inc.			
7.50%, 2/15/23		1,259	1,277,885
8.125%, 10/15/22		841	891,460
SESI LLC			
6.375%, 5/01/19		615	656,513
7.125%, 12/15/21		2,834	3,159,910
Tervita Corp.			
8.00%, 11/15/18 ^(c)		3,547	3,662,277
			36,403,662
Other Industrial 0.2%			
Safway Group Holding LLC/Safway Finance Corp.			
7.00%, 5/15/18 ^(c)		3,525	3,718,875
Services 0.5%			
ADT Corp. (The)			
3.50%, 7/15/22		1,360	1,183,815
4.125%, 6/15/23		557	494,344
6.25%, 10/15/21 ^(c)		1,458	1,530,900
Sabre, Inc.			
8.50%, 5/15/19 ^(c)		2,000	2,220,000
Service Corp. International/US			
7.50%, 4/01/27		3,300	3,481,500
			8,910,559
Technology 1.0%			
Amkor Technology, Inc.			
6.625%, 6/01/21		3,000	3,112,500
Avaya, Inc.			
10.50%, 3/01/21 ^(c)		2,005	1,914,775
Brightstar Corp.			
9.50%, 12/01/16 ^(c)		1,600	1,760,000
CDW LLC/CDW Finance Corp.			
8.50%, 4/01/19		5,000	5,525,000

Portfolio of Investments

		Principal Amount (000)	U.S. \$ Value
First Data Corp. 7.375%, 6/15/19 ^(c)	U.S.\$	4,500	\$ 4,815,000
Sanmina Corp. 7.00%, 5/15/19 ^(c)		1,830	1,946,662
			19,073,937
Transportation - Services 0.2%			
LBC Tank Terminals Holding Netherlands BV 6.875%, 5/15/23 ^(c)		2,814	2,908,973
			275,001,474
Financial Institutions 2.1%			
Banking 0.8%			
ABN Amro Bank NV 4.31%, 3/10/16	EUR	3,790	5,185,224
Bank of America Corp. Series U 5.20%, 6/01/23	U.S.\$	1,703	1,498,640
Barclays Bank PLC 7.625%, 11/21/22		2,385	2,540,025
7.75%, 4/10/23		1,748	1,896,580
Barclays PLC 8.00%, 12/15/20	EUR	896	1,241,366
Citigroup, Inc. 5.95%, 1/30/23	U.S.\$	2,300	2,128,305
Credit Suisse Group AG 7.50%, 12/11/23 ^(c)		2,066	2,184,795
			16,674,935
Brokerage 0.2%			
E*TRADE Financial Corp. 6.375%, 11/15/19		2,834	3,043,007
Finance 0.3%			
Aviation Capital Group Corp. 6.75%, 4/06/21 ^(c)		4,235	4,605,279
Creditcorp 12.00%, 7/15/18 ^(c)		2,000	1,980,000
			6,585,279
Insurance 0.1%			
American Equity Investment Life Holding Co. 6.625%, 7/15/21		2,432	2,541,440
Pearl Group Holdings No. 1 Ltd. 6.586%, 4/25/16	GBP	43	61,229
			2,602,669
Other Finance 0.5%			
Icahn Enterprises LP/Icahn Enterprises Finance Corp. 8.00%, 1/15/18	U.S.\$	3,000	3,120,000

		Principal	
		Amount	U.S. \$ Value
		(000)	
iPayment, Inc. 10.25%, 5/15/18	U.S.\$	2,209	\$ 1,811,380
National Money Mart Co. 10.375%, 12/15/16		3,800	3,857,000
			8,788,380
REITS 0.2%			
SL Green Realty Corp./SL Green Operating Partnership/Reckson Operating Partnership 7.75%, 3/15/20		2,514	2,953,643
			40,647,913
Utility 1.6%			

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