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VAN KAMPEN BOND FUND  
Form N-CSRS  
February 27, 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 811-02090

Van Kampen Bond Fund

-----  
(Exact name of registrant as specified in charter)

1221 Avenue of the Americas, New York, New York 10020

-----  
(Address of principal executive offices) (Zip code)

Ronald Robison  
1221 Avenue of the Americas, New York, New York 10020

-----  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-762-4000

Date of fiscal year end: 6/30

Date of reporting period: 12/31/03

Item 1. Report to Shareholders.

The Fund's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

Welcome, Shareholder

In this report, you'll learn about how your investment in Van Kampen Bond Fund performed during the semiannual period. The portfolio management team will provide an overview of the market conditions and discuss some of the factors that affected investment performance during the reporting period. In addition, this report includes the fund's financial statements and a list of fund investments as of December 31, 2003.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the fund will achieve its investment objective. The fund is subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and, therefore, the value of the fund shares may be less than what you paid for them. Accordingly, you can lose money investing in this fund.



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Van Kampen Bond Fund is managed by the adviser's Taxable Fixed Income team.(1) Current team members include David S. Horowitz, Executive Director, and Gordon W. Loery, Executive Director.

### MARKET CONDITIONS

Throughout the reporting period there was mounting evidence that the economy was moving into a recovery. By September, both consumer and corporate spending showed strength, and GDP growth topped 8 percent. Although the Federal Reserve (the Fed) cut the federal funds target rate by 25 basis points just prior to the beginning of the period, in mid-June, the reduction was half of what had been expected. This appeared to signal that the Fed was less concerned about deflation than had been previously thought. Interest rates moved sharply higher through August in one of their strongest upward moves in decades, and remained largely unchanged through the end of the year.

Non-Treasury sectors of the market generally benefited from high investor demand. Yield spreads in corporate bonds remained wide following the corporate governance scandals in 2002, and investors were drawn to the bonds' attractive relative yields. This pattern continued throughout the period as the economy showed ongoing signs of improvement, and corporate bonds closed the year with strong returns. Sector performance was varied, with economically sensitive segments such as telecommunications, electrics, industrials, media and basic materials leading the pack.

### PERFORMANCE ANALYSIS

Closed-end fund returns can be calculated based upon either the market price or the net asset value (NAV) of its shares. NAV per share is determined by dividing the value of the fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding, while market price reflects the supply and demand for the shares. As a result, the two returns

TOTAL RETURN FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2003

| BASED ON<br>NAV | BASED ON<br>MARKET PRICE | LEHMAN BROTHERS BBB<br>CORPORATE BOND INDEX |
|-----------------|--------------------------|---|
| 2.97%           | -5.06%                   | 0.49%                                       |

Past performance is no guarantee of future results. Investment return, net asset value and common share market price will fluctuate and fund shares, when sold, may be worth more or less than their original cost. See Performance Summary for additional performance information and index definition.

(1) Team members may change without notice at any time.

2

can differ significantly. The fund's return at NAV outperformed the return of its benchmark, the Lehman Brothers BBB Corporate Bond Index. (See performance table.)

The fund benefited from our strategy of emphasizing sectors of the market that

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we believed were best positioned to gain from an increase in economic activity. This approach led us to emphasize the financials and transportation sectors, both of which performed strongly. We also selectively added to the portfolio's holdings of utilities companies such as Monongahela Power Company, Indianapolis Power & Light and Ohio Edison as regulatory changes took effect and our analysts developed greater comfort with the companies' prospects.

With interest rates earlier in the year at record low levels we kept the portfolio's duration (a measure of interest-rate sensitivity) below that of its benchmark in an effort to mitigate the risk of rising interest rates. We achieved this by moving some assets out of longer-term paper and into shorter-maturity securities. This strategy helped performance when interest rates rose early in the period. The lower yields earned on the shorter-maturity investments however, detracted somewhat from overall returns.

Our strategy in the telecommunications sector was less beneficial to the fund. We were generally conservative in our allocations out of concern over the sector's volatile performance in recent years. The sector went on to rebound off of its lows, and the fund was not able to participate fully.

### PROXY VOTING POLICIES AND PROCEDURES

A description of the fund's policies and procedures with respect to the voting of proxies relating to the fund's portfolio securities is available without charge, upon request, by calling 1-800-847-2424. This information is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

| TOP 5 SECTORS AS OF 12/31/03 |      | RATINGS ALLOCATIONS AS OF 12/31/03 |      |
|------------------------------|------|------------------------------------|------|
| Automotive                   | 8.5% | AAA/Aaa                            | 1.8% |
| Electric                     | 8.0  | AA/Aa                              | 4.8  |
| Healthcare                   | 6.6  | A/A                                | 31.3 |
| Banking                      | 4.7  | BBB/Baa                            | 52.4 |
| Railroads                    | 4.3  | BB/Ba                              | 8.6  |
|                              |      | B/B                                | 1.1  |

Subject to change daily. All percentages are as a percentage of long-term investments. Provided for informational purposes only and should not be deemed as a recommendation to buy securities in the sectors shown above. Securities are classified by sectors that represent broad groupings of related industries. Ratings allocation based upon ratings as issued by Standard and Poor's and Moody's, respectively. Van Kampen is a wholly owned subsidiary of a global securities firm which is engaged in a wide range of financial services including, for example, securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

3

### BY THE NUMBERS

#### YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

THE FOLLOWING PAGES DETAIL YOUR FUND'S PORTFOLIO OF INVESTMENTS AT THE END OF THE REPORTING PERIOD.

PAR

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| AMOUNT<br>(000) | DESCRIPTION                                      | COUPON | MATURITY | MARKET<br>VALUE |
|-----------------|--|--------|----------|-----------------|
|                 | CORPORATE BONDS 93.4%                            |        |          |                 |
|                 | AEROSPACE & DEFENSE 2.4%                         |        |          |                 |
| \$ 275          | Boeing Capital Corp. ....                        | 6.100% | 03/01/11 | \$ 297,246      |
| 265             | Boeing Capital Corp. ....                        | 6.500  | 02/15/12 | 290,196         |
| 430             | Boeing Capital Corp. ....                        | 5.800  | 01/15/13 | 451,778         |
| 165             | Boeing Co. ....                                  | 6.625  | 02/15/38 | 173,552         |
| 510             | Goodrich Corp. ....                              | 7.625  | 12/15/12 | 590,207         |
| 1,820           | Lockheed Martin Corp. ....                       | 8.500  | 12/01/29 | 2,392,148       |
| 875             | Raytheon Co. ....                                | 8.300  | 03/01/10 | 1,051,220       |
| 65              | Raytheon Co. ....                                | 4.850  | 01/15/11 | 65,182          |
|                 |  |        |          | -----           |
|                 |  |        |          | 5,311,529       |
|                 |  |        |          | -----           |
|                 | AIRLINES 0.8%                                    |        |          |                 |
| 100             | Continental Airlines, Inc. ....                  | 6.648  | 09/15/17 | 97,455          |
| 1,142           | Continental Airlines, Inc. ....                  | 6.900  | 01/02/18 | 1,127,780       |
| 542             | Continental Airlines, Inc. ....                  | 6.545  | 02/02/19 | 536,483         |
|                 |  |        |          | -----           |
|                 |  |        |          | 1,761,718       |
|                 |  |        |          | -----           |
|                 | AUTOMOTIVE 8.0%                                  |        |          |                 |
| 1,710           | DaimlerChrysler North America Holding Corp. .... | 7.300  | 01/15/12 | 1,906,925       |
| 1,410           | DaimlerChrysler North America Holding Corp. .... | 8.500  | 01/18/31 | 1,689,604       |
| 4,535           | Ford Motor Co. ....                              | 7.450  | 07/16/31 | 4,596,154       |
| 3,610           | Ford Motor Credit Co. ....                       | 7.250  | 10/25/11 | 3,921,153       |
| 640             | General Motors Acceptance Corp. ....             | 4.500  | 07/15/06 | 658,800         |
| 1,860           | General Motors Acceptance Corp. ....             | 6.875  | 09/15/11 | 2,006,466       |
| 2,750           | General Motors Acceptance Corp. ....             | 8.000  | 11/01/31 | 3,097,380       |
|                 |  |        |          | -----           |
|                 |  |        |          | 17,876,482      |
|                 |  |        |          | -----           |
|                 | BANKING 4.4%                                     |        |          |                 |
| 545             | Citigroup, Inc. ....                             | 6.000  | 02/21/12 | 596,513         |
| 2,110           | Citigroup, Inc. ....                             | 5.625  | 08/27/12 | 2,231,224       |
| 75              | Citigroup, Inc. ....                             | 6.625  | 06/15/32 | 81,517          |
| 3,340           | J.P. Morgan Chase & Co. ....                     | 6.750  | 02/01/11 | 3,771,521       |
| 400             | MBNA America Bank NA.....                        | 7.125  | 11/15/12 | 458,197         |
| 1,720           | MBNA Corp. ....                                  | 6.125  | 03/01/13 | 1,850,133       |
| 925             | Washington Mutual Bank FA.....                   | 5.500  | 01/15/13 | 955,875         |
|                 |  |        |          | -----           |
|                 |  |        |          | 9,944,980       |
|                 |  |        |          | -----           |
|                 | BROKERAGE 2.7%                                   |        |          |                 |
| 1,670           | Goldman Sachs Group, Inc. ....                   | 6.875  | 01/15/11 | 1,899,149       |
| 185             | Goldman Sachs Group, Inc. ....                   | 5.250  | 10/15/13 | 187,132         |
| 2,000           | Lehman Brothers Holdings, Inc. ....              | 8.500  | 05/01/07 | 2,339,356       |

4

See Notes to Financial Statements

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

PAR  
AMOUNT

MARKET

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| (000)   | DESCRIPTION   | COUPON | MATURITY | VALUE        |
|---------|---|--------|----------|--------------|
|         | BROKERAGE (CONTINUED)   |        |          |              |
| \$1,019 | World Financial Prop., 144A--<br>Private Placement (a).....                                 | 6.910% | 09/01/13 | \$ 1,127,569 |
| 463     | World Financial Prop., 144A--<br>Private Placement (a).....                                 | 6.950  | 09/01/13 | 513,476      |
|         |   |        |          | -----        |
|         |   |        |          | 6,066,682    |
|         |   |        |          | -----        |
|         | CHEMICALS 0.3%  |        |          |              |
| 60      | FMC Corp. ....  | 10.250 | 11/01/09 | 70,500       |
| 640     | ICI Wilmington, Inc. ....   | 4.375  | 12/01/08 | 638,291      |
|         |   |        |          | -----        |
|         |   |        |          | 708,791      |
|         |   |        |          | -----        |
|         | CONSTRUCTION MACHINERY 0.6%   |        |          |              |
| 1,320   | Kennametal, Inc. ....   | 7.200  | 06/15/12 | 1,402,735    |
|         |   |        |          | -----        |
|         | CONSUMER PRODUCTS 0.4%  |        |          |              |
| 900     | Xerox Corp. ....  | 7.125  | 06/15/10 | 967,500      |
|         |   |        |          | -----        |
|         | DIVERSIFIED MANUFACTURING 2.5%  |        |          |              |
| 1,275   | Cooper Industries, Inc. ....  | 5.250  | 07/01/07 | 1,364,283    |
| 2,445   | Honeywell International, Inc. ....  | 6.125  | 11/01/11 | 2,692,759    |
| 705     | Hutchison Whampoa International Ltd., 144A--<br>Private Placement (Cayman Islands) (a)..... | 5.450  | 11/24/10 | 716,309      |
| 850     | Hutchison Whampoa International Ltd., 144A--<br>Private Placement (Cayman Islands) (a)..... | 6.500  | 02/13/13 | 887,102      |
|         |   |        |          | -----        |
|         |   |        |          | 5,660,453    |
|         |   |        |          | -----        |
|         | ELECTRIC 7.4%   |        |          |              |
| 725     | Appalachian Power Co., Ser H.....   | 5.950  | 05/15/33 | 697,378      |
| 625     | Cincinnati Gas & Electric Co. ....  | 5.700  | 09/15/12 | 658,675      |
| 425     | Cincinnati Gas & Electric Co., Ser A.....   | 5.400  | 06/15/33 | 384,550      |
| 375     | Cincinnati Gas & Electric Co., Ser B.....   | 5.375  | 06/15/33 | 338,034      |
| 820     | Columbus Southern Power Co., Ser D.....   | 6.600  | 03/01/33 | 881,737      |
| 230     | Consumers Energy Co., Ser B, 144A--Private<br>Placement (a).....                            | 5.375  | 04/15/13 | 231,482      |
| 790     | Consumers Energy Co., Ser E, 144A--Private<br>Placement (a).....                            | 4.000  | 05/15/10 | 765,467      |
| 190     | Consumers Energy Co., Ser G, 144A--Private<br>Placement (a).....                            | 4.800  | 02/17/09 | 194,432      |
| 865     | Detroit Edison Co. ....   | 6.125  | 10/01/10 | 950,282      |
| 960     | Duquesne Light Co. ....   | 6.700  | 04/15/12 | 1,070,918    |
| 540     | Entergy Gulf States, Inc., 144A--Private<br>Placement (a).....                              | 3.600  | 06/01/08 | 521,038      |
| 940     | Exelon Corp. ....   | 6.750  | 05/01/11 | 1,051,742    |
| 885     | FirstEnergy Corp., Ser B.....   | 6.450  | 11/15/11 | 918,948      |
| 540     | FirstEnergy Corp., Ser C.....   | 7.375  | 11/15/31 | 554,389      |
| 255     | Indianapolis Power & Light Co., 144A--Private<br>Placement (a).....                         | 6.300  | 07/01/13 | 263,542      |

See Notes to Financial Statements

5

YOUR FUND'S INVESTMENTS

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December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000)      | DESCRIPTION   | COUPON | MATURITY | MARKET<br>VALUE |
|-----------------------------|---|--------|----------|-----------------|
| ELECTRIC (CONTINUED)        |   |        |          |                 |
| \$ 440                      | Monongahela Power Co. ....  | 5.000% | 10/01/06 | \$ 449,900      |
| 1,323                       | Niagara Mohawk Power Corp., Ser F.....                                | 7.625  | 10/01/05 | 1,436,165       |
| 685                         | Nisource Finance Corp. ....   | 7.625  | 11/15/05 | 748,689         |
| 1,240                       | Ohio Edison Co., 144A--Private Placement (a)....                      | 5.450  | 05/01/15 | 1,201,099       |
| 65                          | Ohio Power Co., Ser G.....  | 6.600  | 02/15/33 | 69,990          |
| 1,290                       | PSEG Energy Holdings, Inc. ....                                       | 9.125  | 02/10/04 | 1,302,900       |
| 650                         | PSEG Energy Holdings, Inc. ....                                       | 8.625  | 02/15/08 | 712,562         |
| 805                         | TXU Energy Co. ....   | 7.000  | 03/15/13 | 892,165         |
| 65                          | Wisconsin Electric Power.....   | 5.625  | 05/15/33 | 63,345          |
| 320                         | Wisconsin Energy Corp. ....   | 6.200  | 04/01/33 | 319,876         |
|                             |   |        |          | -----           |
|                             |   |        |          | 16,679,305      |
|                             |   |        |          | -----           |
| ENTERTAINMENT 1.3%          |   |        |          |                 |
| 990                         | AOL Time Warner, Inc. ....  | 6.875  | 05/01/12 | 1,116,205       |
| 605                         | AOL Time Warner, Inc. ....  | 7.625  | 04/15/31 | 700,635         |
| 505                         | AOL Time Warner, Inc. ....  | 7.700  | 05/01/32 | 591,618         |
| 180                         | Park Place Entertainment Corp. ....                                   | 7.500  | 09/01/09 | 198,900         |
| 270                         | Time Warner, Inc. ....  | 6.625  | 05/15/29 | 278,507         |
|                             |   |        |          | -----           |
|                             |   |        |          | 2,885,865       |
|                             |   |        |          | -----           |
| ENVIRONMENTAL SERVICES 2.1% |   |        |          |                 |
| 245                         | Allied Waste North America, Inc., 144A--Private<br>Placement (a)..... | 6.500  | 11/15/10 | 252,350         |
| 365                         | Allied Waste North America, Inc., Ser B.....                          | 8.500  | 12/01/08 | 407,887         |
| 830                         | Republic Services, Inc. ....  | 6.750  | 08/15/11 | 929,169         |
| 1,500                       | Waste Management, Inc. ....   | 7.000  | 10/15/06 | 1,654,774       |
| 550                         | Waste Management, Inc. ....   | 7.375  | 08/01/10 | 636,385         |
| 790                         | Waste Management, Inc. ....   | 7.000  | 07/15/28 | 852,873         |
|                             |   |        |          | -----           |
|                             |   |        |          | 4,733,438       |
|                             |   |        |          | -----           |
| FOOD/BEVERAGE 2.2%          |   |        |          |                 |
| 2,000                       | ConAgra Foods, Inc. ....  | 7.500  | 09/15/05 | 2,173,784       |
| 515                         | Kraft Foods, Inc. ....  | 5.625  | 11/01/11 | 543,487         |
| 500                         | Kraft Foods, Inc. ....  | 6.250  | 06/01/12 | 545,829         |
| 1,420                       | Smithfield Foods, Inc. ....   | 8.000  | 10/15/09 | 1,505,200       |
| 105                         | Smithfield Foods, Inc. ....   | 7.750  | 05/15/13 | 109,725         |
|                             |   |        |          | -----           |
|                             |   |        |          | 4,878,025       |
|                             |   |        |          | -----           |
| GAMING 1.6%                 |   |        |          |                 |
| 1,495                       | Harras Operating Co., Inc. ....                                       | 8.000  | 02/01/11 | 1,758,563       |
| 1,225                       | MGM Mirage, Inc. ....   | 8.500  | 09/15/10 | 1,411,812       |
| 300                         | Station Casinos, Inc. ....  | 8.375  | 02/15/08 | 322,875         |
|                             |   |        |          | -----           |
|                             |   |        |          | 3,493,250       |
|                             |   |        |          | -----           |
| HEALTHCARE 6.1%             |   |        |          |                 |
| 3,205                       | Aetna, Inc. ....  | 7.375  | 03/01/06 | 3,527,923       |
| 640                         | AmerisourceBergen Corp. ....  | 8.125  | 09/01/08 | 724,800         |
| 760                         | Cigna Corp. ....  | 6.375  | 10/15/11 | 823,560         |

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6

See Notes to Financial Statements

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000) | DESCRIPTION  | COUPON | MATURITY | MARKET<br>VALUE |
|------------------------|--|--------|----------|-----------------|
|                        | HEALTHCARE (CONTINUED)   |        |          |                 |
| \$1,275                | HCA, Inc. ....   | 6.910% | 06/15/05 | \$ 1,343,510    |
| 800                    | HCA, Inc. ....   | 6.300  | 10/01/12 | 826,194         |
| 285                    | HCA, Inc. ....   | 7.190  | 11/15/15 | 306,305         |
| 1,835                  | Health Net, Inc. ....  | 8.375  | 04/15/11 | 2,207,984       |
| 205                    | Medco Health Solutions, Inc. ....                                | 7.250  | 08/15/13 | 224,036         |
| 275                    | Omnicare, Inc. ....  | 6.125  | 06/01/13 | 277,062         |
| 750                    | Tenet Healthcare Corp. ....                                      | 7.375  | 02/01/13 | 757,500         |
| 1,695                  | Tenet Healthcare Corp. ....                                      | 6.875  | 11/15/31 | 1,525,500       |
| 1,130                  | UnitedHealth Group, Inc. ....                                    | 5.200  | 01/17/07 | 1,210,041       |
|                        |  |        |          | -----           |
|                        |  |        |          | 13,754,415      |
|                        |  |        |          | -----           |
|                        | HOME CONSTRUCTION 1.1%   |        |          |                 |
| 750                    | Centex Corp. ....  | 7.500  | 01/15/12 | 866,518         |
| 605                    | D.R. Horton, Inc. ....   | 6.875  | 05/01/13 | 647,350         |
| 160                    | Pulte Homes, Inc. ....   | 7.875  | 08/01/11 | 188,857         |
| 735                    | Pulte Homes, Inc. ....   | 6.375  | 05/15/33 | 717,779         |
|                        |  |        |          | -----           |
|                        |  |        |          | 2,420,504       |
|                        |  |        |          | -----           |
|                        | INDEPENDENT ENERGY 0.8%  |        |          |                 |
| 285                    | Kerr-McGee Corp. ....  | 5.875  | 09/15/06 | 306,025         |
| 490                    | Kerr-McGee Corp. ....  | 6.875  | 09/15/11 | 545,966         |
| 825                    | Kerr-McGee Corp. ....  | 7.875  | 09/15/31 | 939,928         |
|                        |  |        |          | -----           |
|                        |  |        |          | 1,791,919       |
|                        |  |        |          | -----           |
|                        | INTEGRATED ENERGY 3.4%   |        |          |                 |
| 2,700                  | Amerada Hess Corp. ....  | 7.875  | 10/01/29 | 2,970,972       |
| 2,290                  | Conoco, Inc. ....  | 6.950  | 04/15/29 | 2,605,166       |
| 745                    | Constellation Energy Group.....                                  | 7.600  | 04/01/32 | 874,716         |
| 1,015                  | Marathon Oil Corp. ....  | 6.800  | 03/15/32 | 1,090,559       |
|                        |  |        |          | -----           |
|                        |  |        |          | 7,541,413       |
|                        |  |        |          | -----           |
|                        | LIFE INSURANCE 3.7%  |        |          |                 |
| 2,195                  | Anthem Insurance Cos., Inc., 144A--Private<br>Placement (a)..... | 9.125  | 04/01/10 | 2,762,831       |
| 475                    | John Hancock Financial Services, Inc. ....                       | 5.625  | 12/01/08 | 513,651         |
| 105                    | Metlife, Inc. ....   | 6.125  | 12/01/11 | 114,693         |
| 585                    | Nationwide Financial Services, Inc. ....                         | 6.250  | 11/15/11 | 626,134         |
| 1,070                  | Prudential Holdings, LLC, 144A--Private<br>Placement (a).....    | 7.245  | 12/18/23 | 1,209,000       |
| 2,420                  | Prudential Holdings, LLC, 144A--Private<br>Placement (a).....    | 8.695  | 12/18/23 | 2,995,987       |
|                        |  |        |          | -----           |



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8,222,296

|       |   |       |          |           |
|-------|---|-------|----------|-----------|
|       | LODGING 2.5%  |       |          |           |
| 1,055 | Hilton Hotels Corp. ....                                | 7.625 | 12/01/12 | 1,190,831 |
| 1,325 | Hyatt Equities LLC, 144A--Private Placement<br>(a)..... | 6.875 | 06/15/07 | 1,424,538 |
| 610   | Marriott International.....                             | 8.125 | 04/01/05 | 654,347   |
| 375   | Marriott International.....                             | 7.000 | 01/15/08 | 418,154   |

See Notes to Financial Statements

7

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000) | DESCRIPTION   | COUPON | MATURITY | MARKET<br>VALUE |
|------------------------|---|--------|----------|-----------------|
|                        | LODGING (CONTINUED)                                     |        |          |                 |
| \$ 400                 | Starwood Hotels & Resorts Worldwide, Inc. ....          | 7.375% | 05/01/07 | \$ 434,000      |
| 1,375                  | Starwood Hotels & Resorts Worldwide, Inc. ....          | 7.875  | 05/01/12 | 1,553,750       |
|                        |   |        |          | -----           |
|                        |   |        |          | 5,675,620       |
|                        | MEDIA-CABLE 2.3%  |        |          |                 |
| 2,000                  | Comcast Cable Communications, Inc. ....                 | 8.125  | 05/01/04 | 2,039,630       |
| 855                    | Comcast Cable Communications, Inc. ....                 | 8.375  | 05/01/07 | 992,146         |
| 90                     | Comcast Cable Communications, Inc. ....                 | 7.125  | 06/15/13 | 102,700         |
| 480                    | Comcast Corp. ....                                      | 5.300  | 01/15/14 | 479,512         |
| 795                    | Echostar DBS Corp. ....                                 | 9.375  | 02/01/09 | 835,744         |
| 765                    | Echostar DBS Corp., 144A--Private Placement<br>(a)..... | 6.375  | 10/01/11 | 787,950         |
|                        |   |        |          | -----           |
|                        |   |        |          | 5,237,682       |
|                        | MEDIA-NONCABLE 2.9%                                     |        |          |                 |
| 2,500                  | Clear Channel Communications, Inc. ....                 | 7.250  | 10/15/27 | 2,833,393       |
| 2,800                  | News America Holdings, Inc. ....                        | 8.875  | 04/26/23 | 3,598,759       |
|                        |   |        |          | -----           |
|                        |   |        |          | 6,432,152       |
|                        | NATURAL GAS PIPELINES 1.5%                              |        |          |                 |
| 960                    | Consolidated Natural Gas Co. ....                       | 6.250  | 11/01/11 | 1,062,117       |
| 285                    | Consolidated Natural Gas Co. ....                       | 5.000  | 03/01/14 | 283,815         |
| 548                    | Gulfterra Energy Partners LP.....                       | 8.500  | 06/01/10 | 624,720         |
| 670                    | Gulfterra Energy Partners LP, Ser B.....                | 6.250  | 06/01/10 | 700,150         |
| 675                    | Texas Eastern Transmission Corp. ....                   | 7.000  | 07/15/32 | 749,253         |
|                        |   |        |          | -----           |
|                        |   |        |          | 3,420,055       |
|                        | NONCAPTIVE-CONSUMER FINANCE 3.3%                        |        |          |                 |
| 2,000                  | American General Finance Corp. ....                     | 4.625  | 09/01/10 | 2,028,018       |
| 2,245                  | Countrywide Home Loans, Inc. ....                       | 3.250  | 05/21/08 | 2,210,272       |
| 1,000                  | Household Finance Corp. ....                            | 7.875  | 03/01/07 | 1,143,587       |
| 150                    | Household Finance Corp. ....                            | 8.000  | 07/15/10 | 179,872         |
| 1,555                  | Household Finance Corp. ....                            | 6.750  | 05/15/11 | 1,753,105       |
|                        |   |        |          | -----           |

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|       |  |       |          |           |
|-------|--|-------|----------|-----------|
|       |  |       |          | 7,314,854 |
|       |  |       |          | -----     |
|       | NONCAPTIVE-DIVERSIFIED FINANCE 2.8%              |       |          |           |
| 415   | General Electric Capital Corp. ....              | 6.750 | 03/15/32 | 460,982   |
| 2,000 | Heller Financial, Inc. ....                      | 6.375 | 03/15/06 | 2,182,810 |
| 2,500 | International Lease Finance Corp. ....           | 8.375 | 12/15/04 | 2,661,668 |
| 935   | Newcourt Credit Group, Inc., Ser B (Canada)....  | 6.875 | 02/16/05 | 986,490   |
|       |  |       |          | -----     |
|       |  |       |          | 6,291,950 |
|       |  |       |          | -----     |
|       | OIL FIELD SERVICES 0.2%                          |       |          |           |
| 455   | Key Energy Services, Inc. ....                   | 6.375 | 05/01/13 | 464,100   |
|       |  |       |          | -----     |
|       | PACKAGING 0.7%                                   |       |          |           |
| 585   | Packaging Corp. of America.....                  | 5.750 | 08/01/13 | 592,049   |
| 895   | Sealed Air Corp., 144A--Private Placement (a)... | 5.625 | 07/15/13 | 917,527   |
|       |  |       |          | -----     |
|       |  |       |          | 1,509,576 |
|       |  |       |          | -----     |

8

See Notes to Financial Statements

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000) | DESCRIPTION  | COUPON | MATURITY | MARKET<br>VALUE |
|------------------------|--|--------|----------|-----------------|
|                        | PAPER 2.5%   |        |          |                 |
| \$ 905                 | International Paper Co. ....   | 4.250% | 01/15/09 | \$ 909,730      |
| 995                    | MeadWestvaco Corp. ....  | 6.850  | 04/01/12 | 1,096,219       |
| 505                    | Owens-Brockway Glass Containers, Inc. ....                               | 7.750  | 05/15/11 | 544,769         |
| 405                    | Owens-Brockway Glass Containers, Inc. ....                               | 8.750  | 11/15/12 | 453,094         |
| 455                    | Weyerhaeuser Co. ....  | 6.000  | 08/01/06 | 487,504         |
| 1,980                  | Weyerhaeuser Co. ....  | 6.750  | 03/15/12 | 2,163,491       |
|                        |  |        |          | -----           |
|                        |  |        |          | 5,654,807       |
|                        |  |        |          | -----           |
|                        | PHARMACEUTICALS 0.2%   |        |          |                 |
| 550                    | Schering-Plough Corp. ....   | 5.300  | 12/01/13 | 560,885         |
|                        |  |        |          | -----           |
|                        | PROPERTY & CASUALTY 2.7%   |        |          |                 |
| 1,545                  | Farmers Exchange Capital, 144A--Private<br>Placement (a).....            | 7.050  | 07/15/28 | 1,450,129       |
| 1,565                  | Farmers Insurance Exchange Surplus, 144A--<br>Private Placement (a)..... | 8.625  | 05/01/24 | 1,640,215       |
| 125                    | Hartford Financial Services Group.....                                   | 2.375  | 06/01/06 | 124,446         |
| 1,600                  | Mantis Reef Ltd., 144A--Private Placement<br>(Australia) (a).....        | 4.692  | 11/14/08 | 1,610,059       |
| 635                    | Nationwide Mutual Insurance Co., 144A--Private<br>Placement (a).....     | 7.500  | 02/15/24 | 653,082         |
| 440                    | Nationwide Mutual Insurance Co., 144A--Private<br>Placement (a).....     | 8.250  | 12/01/31 | 530,367         |
|                        |  |        |          | -----           |

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|       |                                    |       |          |           |
|-------|------------------------------------|-------|----------|-----------|
|       |                                    |       |          | 6,008,298 |
|       |                                    |       |          | -----     |
|       | RAILROADS 4.0%                     |       |          |           |
| 1,000 | CSX Corp. ....                     | 6.750 | 03/15/11 | 1,127,365 |
| 7,000 | Union Pacific Corp. ....           | 8.350 | 05/01/25 | 7,776,188 |
|       |                                    |       |          | -----     |
|       |                                    |       |          | 8,903,553 |
|       |                                    |       |          | -----     |
|       | REAL ESTATE INVESTMENT TRUSTS 2.8% |       |          |           |
| 2,040 | EOP Operating LP.....              | 7.500 | 04/19/29 | 2,289,904 |
| 100   | Istar Financial, Inc. ....         | 7.000 | 03/15/08 | 108,500   |
| 795   | Istar Financial, Inc. ....         | 8.750 | 08/15/08 | 922,200   |
| 245   | Rouse Co. ....                     | 5.375 | 11/26/13 | 244,179   |
| 1,630 | Simon Property Group LP.....       | 6.375 | 11/15/07 | 1,799,124 |
| 835   | Vornado Realty.....                | 5.625 | 06/15/07 | 892,182   |
|       |                                    |       |          | -----     |
|       |                                    |       |          | 6,256,089 |
|       |                                    |       |          | -----     |
|       | REFINING 0.3%                      |       |          |           |
| 430   | Ashland, Inc. ....                 | 7.830 | 08/15/05 | 459,957   |
| 250   | Vintage Petroleum, Inc. ....       | 7.875 | 05/15/11 | 265,000   |
|       |                                    |       |          | -----     |
|       |                                    |       |          | 724,957   |
|       |                                    |       |          | -----     |
|       | RETAIL 3.9%                        |       |          |           |
| 1,440 | CVS Corp. ....                     | 5.500 | 02/15/04 | 1,446,420 |
| 250   | CVS Corp. ....                     | 5.625 | 03/15/06 | 267,490   |
| 270   | CVS Corp. ....                     | 3.875 | 11/01/07 | 277,458   |

See Notes to Financial Statements

9

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000) | DESCRIPTION                            | COUPON | MATURITY | MARKET<br>VALUE |
|------------------------|--|--------|----------|-----------------|
|                        | RETAIL (CONTINUED)                     |        |          |                 |
| \$1,500                | Federated Department Stores, Inc. .... | 6.625% | 09/01/08 | \$ 1,662,537    |
| 500                    | Federated Department Stores, Inc. .... | 6.300  | 04/01/09 | 549,158         |
| 490                    | Lowe's Cos., Inc. ....                 | 6.875  | 02/15/28 | 554,087         |
| 700                    | Lowe's Cos., Inc. ....                 | 6.500  | 03/15/29 | 759,791         |
| 1,275                  | May Department Stores Co. ....         | 5.950  | 11/01/08 | 1,384,656       |
| 700                    | May Department Stores Co. ....         | 6.700  | 09/15/28 | 725,614         |
| 90                     | May Department Stores Co. ....         | 7.875  | 03/01/30 | 107,958         |
| 895                    | Toys "R" Us, Inc. ....                 | 7.375  | 10/15/18 | 896,367         |
|                        |  |        |          | -----           |
|                        |  |        |          | 8,631,536       |
|                        |  |        |          | -----           |
|                        | SERVICES 1.4%                          |        |          |                 |
| 1,045                  | Cendant Corp. ....                     | 7.375  | 01/15/13 | 1,200,308       |
| 855                    | Cendant Corp. ....                     | 7.125  | 03/15/15 | 967,351         |
| 562                    | Iron Mountain, Inc. ....               | 7.750  | 01/15/15 | 591,505         |
| 295                    | Iron Mountain, Inc. ....               | 6.625  | 01/01/16 | 288,363         |
|                        |  |        |          | -----           |
|                        |  |        |          | 3,047,527       |

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|       |   |       |          |           |  |
|-------|---|-------|----------|-----------|--|
|       | SUPERMARKETS 1.1%                         |       |          |           |  |
| 770   | Albertson's, Inc. ....                    | 7.500 | 02/15/11 | 883,933   |  |
| 1,285 | Kroger Co. ....                           | 7.500 | 04/01/31 | 1,485,316 |  |
|       |   |       |          | 2,369,249 |  |
|       | TECHNOLOGY 1.2%                           |       |          |           |  |
| 965   | Arrow Electronics, Inc. ....              | 6.875 | 07/01/13 | 1,030,069 |  |
| 220   | Arrow Electronics, Inc. ....              | 6.875 | 06/01/18 | 228,982   |  |
| 195   | Avnet, Inc. ....                          | 9.750 | 02/15/08 | 227,663   |  |
| 465   | Electronic Data Systems Corp. ....        | 7.125 | 10/15/09 | 497,095   |  |
| 780   | Electronic Data Systems Corp., Ser B..... | 6.000 | 08/01/13 | 768,107   |  |
|       |   |       |          | 2,751,916 |  |
|       | TEXTILE 0.4%                              |       |          |           |  |
| 810   | Mohawk Industries, Inc. ....              | 7.200 | 04/15/12 | 921,526   |  |
|       | TOBACCO 0.7%                              |       |          |           |  |
| 580   | Altria Group, Inc. ....                   | 7.000 | 11/04/13 | 619,848   |  |
| 890   | Altria Group, Inc. ....                   | 7.750 | 01/15/27 | 962,952   |  |
|       |   |       |          | 1,582,800 |  |
|       | WIRELESS COMMUNICATIONS 0.8%              |       |          |           |  |
| 915   | AT&T Wireless Services, Inc. ....         | 7.875 | 03/01/11 | 1,060,565 |  |
| 620   | AT&T Wireless Services, Inc. ....         | 8.750 | 03/01/31 | 767,680   |  |
|       |   |       |          | 1,828,245 |  |
|       | WIRELINE COMMUNICATIONS 3.4%              |       |          |           |  |
| 140   | AT&T Corp. ....                           | 8.050 | 11/15/11 | 161,425   |  |
| 1,940 | AT&T Corp. ....                           | 8.750 | 11/15/31 | 2,274,842 |  |
| 2,935 | Verizon Communications, Inc. ....         | 6.940 | 04/15/28 | 3,090,482 |  |

10

See Notes to Financial Statements

YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

| PAR<br>AMOUNT<br>(000) | DESCRIPTION                                    | COUPON | MATURITY | MARKET<br>VALUE |
|------------------------|--|--------|----------|-----------------|
|                        | WIRELINE COMMUNICATIONS (CONTINUED)            |        |          |                 |
| \$1,315                | Verizon Global Funding Corp. ....              | 7.750% | 12/01/30 | \$ 1,550,476    |
| 590                    | Verizon New England, Inc. ....                 | 6.500  | 09/15/11 | 651,309         |
|                        |  |        |          | 7,728,534       |
|                        | TOTAL CORPORATE BONDS.....                     |        |          | 209,417,211     |
|                        | CONVERTIBLE CORPORATE OBLIGATION 0.1%          |        |          |                 |
|                        | TECHNOLOGY 0.1%                                |        |          |                 |
| 325                    | Solectron Corp. (Convertible into 3,831 common |        |          |                 |

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|   |   |          |                        |
|---|---|----------|------------------------|
| shares) LYON.....   | * | 11/20/20 | 186,062<br>-----       |
| TOTAL LONG-TERM INVESTMENTS 93.5%   |   |          |                        |
| (Cost \$195,010,401).....   |   |          | 209,603,273<br>-----   |
| SHORT-TERM INVESTMENTS 5.1%   |   |          |                        |
| REPURCHASE AGREEMENT 4.7%   |   |          |                        |
| Bank of America Securities (\$10,519,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 12/31/03, to be sold on 01/02/04 at \$10,519,514)..... |   |          | 10,519,000<br>-----    |
| U.S. GOVERNMENT AGENCY OBLIGATIONS 0.4%   |   |          |                        |
| United States Treasury Bill (\$250,000 par, yielding 0.823%, 01/15/04 maturity) (b).....  |   |          | 249,920                |
| United States Treasury Bill (\$600,000 par, yielding 0.852%, 03/25/04 maturity) (b).....  |   |          | 598,809<br>-----       |
| TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS.....   |   |          | 848,729<br>-----       |
| TOTAL SHORT-TERM INVESTMENTS  |   |          |                        |
| (Cost \$11,367,509).....  |   |          | 11,367,729<br>-----    |
| TOTAL INVESTMENTS 98.6%   |   |          |                        |
| (Cost \$206,377,910).....   |   |          | 220,971,002            |
| OTHER ASSETS IN EXCESS OF LIABILITIES 1.4%.....   |   |          | 3,086,471<br>-----     |
| NET ASSETS 100.0%.....  |   |          | \$224,057,473<br>===== |

\* Zero coupon bond

See Notes to Financial Statements 11

### YOUR FUND'S INVESTMENTS

December 31, 2003 (Unaudited)

(a) 144A securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.

(b) All or a portion of these securities have been physically segregated in connection with open futures contracts.

LYON--Liquid Yield Option Note

12

See Notes to Financial Statements

### FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
December 31, 2003 (Unaudited)

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|  |               |
|--|---------------|
| ASSETS:  |               |
| Total Investments (Cost \$206,377,910) .....   | \$220,971,002 |
| Cash.....  | 70            |
| Receivables:   |               |
| Interest.....  | 3,333,553     |
| Investments Sold.....  | 306,423       |
| Other.....   | 35,677        |
|  | -----         |
| Total Assets.....  | 224,646,725   |
|  | -----         |
| LIABILITIES:   |               |
| Payables:  |               |
| Income Distributions.....  | 203,670       |
| Investment Advisory Fee.....   | 91,873        |
| Variation Margin on Futures.....   | 51,750        |
| Other Affiliates.....  | 6,463         |
| Trustees' Deferred Compensation and Retirement Plans.....  | 147,073       |
| Accrued Expenses.....  | 88,423        |
|  | -----         |
| Total Liabilities.....   | 589,252       |
|  | -----         |
| NET ASSETS.....  | \$224,057,473 |
|  | =====         |
| NET ASSET VALUE PER COMMON SHARE (\$224,057,473 divided by<br>11,362,465 shares outstanding).....                    | \$ 19.72      |
|  | =====         |
| NET ASSETS CONSIST OF:   |               |
| Common Shares (\$1.00 par value with 15,000,000 shares<br>authorized, 11,362,465 shares issued and outstanding)..... | \$ 11,362,465 |
| Capital.....   | 207,602,030   |
| Net Unrealized Appreciation.....   | 14,414,074    |
| Accumulated Undistributed Net Investment Income.....   | (884,273)     |
| Accumulated Net Realized Loss.....   | (8,436,823)   |
|  | -----         |
| NET ASSETS.....  | \$224,057,473 |
|  | =====         |

See Notes to Financial Statements

13

Statement of Operations  
For the Six Months Ended December 31, 2003 (Unaudited)

|  |              |
|--|--------------|
| INVESTMENT INCOME:                       |              |
| Interest.....                            | \$ 6,764,953 |
| Other.....                               | 375          |
|  | -----        |
| Total Income.....                        | 6,765,328    |
|  | -----        |
| EXPENSES:                                |              |
| Investment Advisory Fee.....             | 540,822      |
| Shareholder Services.....                | 42,812       |
| Trustees' Fees and Related Expenses..... | 32,568       |
| Custody.....                             | 13,746       |
| Legal.....                               | 7,486        |
| Other.....                               | 88,092       |

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|  |              |
|--|--------------|
| Total Expenses.....                                | 725,526      |
| Less Credits Earned on Cash Balances.....          | 54           |
| Net Expenses.....                                  | 725,472      |
| NET INVESTMENT INCOME.....                         | \$ 6,039,856 |
| =====  |              |
| REALIZED AND UNREALIZED GAIN/LOSS:                 |              |
| Realized Gain/Loss:                                |              |
| Investments.....                                   | \$ 2,150,948 |
| Futures.....                                       | 2,858,545    |
| Net Realized Gain.....                             | 5,009,493    |
| Unrealized Appreciation/Depreciation:              |              |
| Beginning of the Period.....                       | 19,458,599   |
| End of the Period:                                 |              |
| Investments.....                                   | 14,593,092   |
| Futures.....                                       | (179,018)    |
|  | 14,414,074   |
| Net Unrealized Depreciation During the Period..... | (5,044,525)  |
| NET REALIZED AND UNREALIZED LOSS.....              | \$ (35,032)  |
| =====  |              |
| NET INCREASE IN NET ASSETS FROM OPERATIONS.....    | \$ 6,004,824 |
| =====  |              |

14

See Notes to Financial Statements

Statements of Changes in Net Assets  
(Unaudited)

|   | SIX MONTHS ENDED<br>DECEMBER 31, 2003 | YEAR ENDED<br>JUNE 30, 2003 |
|---|---------------------------------------|-----------------------------|
|   | -----                                 | -----                       |
| FROM INVESTMENT ACTIVITIES:   |                                       |                             |
| Operations:   |                                       |                             |
| Net Investment Income.....  | \$ 6,039,856                          | \$ 12,525,760               |
| Net Realized Gain/Loss.....   | 5,009,493                             | (6,299,069)                 |
| Net Unrealized Appreciation/Depreciation During the<br>Period.....  | (5,044,525)                           | 18,842,963                  |
|   | -----                                 | -----                       |
| Change in Net Assets from Operations.....   | 6,004,824                             | 25,069,654                  |
| Distributions from Net Investment Income.....   | (6,647,998)                           | (13,747,783)                |
|   | -----                                 | -----                       |
| NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....  | (643,174)                             | 11,321,871                  |
| NET ASSETS:   |                                       |                             |
| Beginning of the Period.....  | 224,700,647                           | 213,378,776                 |
|   | -----                                 | -----                       |
| End of the Period (Including accumulated undistributed<br>net investment income of (\$884,273) and (\$276,131), |                                       |                             |

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respectively)..... \$224,057,473 \$224,700,647  
=====

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15

Financial Highlights

(Unaudited)

THE FOLLOWING SCHEDULE PRESENTS FINANCIAL HIGHLIGHTS FOR ONE SHARE OF THE FUND OUTSTANDING THROUGHOUT THE PERIODS INDICATED.

|  | SIX<br>MONTHS<br>ENDED<br>DECEMBER 31, |         |          |
|--|--|---------|----------|
|  | 2003                                   | 2003    | 2002 (a) |
| NET ASSET VALUE, BEGINNING OF THE PERIOD.....                        | \$19.78                                | \$18.78 | \$19.41  |
| Net Investment Income.....   | .53                                    | 1.10    | 1.26     |
| Net Realized and Unrealized Gain/Loss.....                           | -0-                                    | 1.11    | (.56)    |
| Total from Investment Operations.....                                | .53                                    | 2.21    | .70      |
| Distributions from Net Investment Income.....                        | (.59)                                  | (1.21)  | (1.33)   |
| NET ASSET VALUE, END OF THE PERIOD.....                              | \$19.72                                | \$19.78 | \$18.78  |
| Common Share Market Price at End of the Period.....                  | \$17.99                                | \$19.57 | \$18.50  |
| Total Return (b).....  | -5.06%*                                | 12.67%  | 3.50%    |
| Net Assets at End of the Period (In millions).....                   | \$224.1                                | \$224.7 | \$213.4  |
| Ratio of Operating Expenses to Average Net Assets.....               | .65%                                   | .65%    | .65%     |
| Ratio of Convertible Note Expenses to Average Net Assets<br>(c)..... | --                                     | --      | --       |
| Ratio of Net Investment Income to Average Net Assets.....            | 5.40%                                  | 5.79%   | 6.39%    |
| Portfolio Turnover.....  | 19%*                                   | 57%     | 107%     |
| Assuming full dilution of debt: (c)                                  |  |         |          |
| Net Asset Value, End of the Period.....                              | --                                     | --      | --       |
| Number of Shares Outstanding, End of the Period (000)...             | --                                     | --      | --       |

\* Non-Annualized

(a) As required, effective July 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities. The effect of this change for the year ended June 30, 2002 was to decrease net investment income per share by \$.04, increase net realized and unrealized gains and losses per share by \$.04 and decrease the ratio of net investment income to average net assets by .24%. Per share, ratios and supplemental data for periods prior to June 30, 2002 have not been restated to reflect this change in presentation.

(b) Total return based on common share market price assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Fund's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period indicated.

(c) On January 3, 1995, the Fund paid off its outstanding convertible extendible



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note.

16

YEAR ENDED JUNE 30,

| 2001    | 2000    | 1999     | 1998      | 1997    | 1996     | 1995     | 1994     |
|---------|---------|----------|-----------|---------|----------|----------|----------|
| \$18.70 | \$19.59 | \$ 21.16 | \$ 20.26  | \$19.97 | \$ 20.41 | \$ 19.07 | \$ 21.33 |
| 1.40    | 1.43    | 1.41     | 1.48      | 1.56    | 1.54     | 1.52     | 1.56     |
| .68     | (.93)   | (1.56)   | .93       | .27     | (.44)    | 1.36     | (2.28)   |
| 2.08    | .50     | (.15)    | 2.41      | 1.83    | 1.10     | 2.88     | (.72)    |
| (1.37)  | (1.39)  | (1.42)   | (1.51)    | (1.54)  | (1.54)   | (1.54)   | (1.54)   |
| \$19.41 | \$18.70 | \$ 19.59 | \$ 21.16  | \$20.26 | \$ 19.97 | \$ 20.41 | \$ 19.07 |
| \$19.15 | \$16.75 | \$17.875 | \$19.6875 | \$19.25 | \$18.125 | \$19.125 | \$18.125 |
| 23.10%  | 1.88%   | -2.45%   | 10.08%    | 15.06%  | 2.61%    | 14.89%   | -5.59%   |
| \$220.5 | \$212.4 | \$ 222.6 | \$ 240.4  | \$230.2 | \$ 226.9 | \$ 231.9 | \$ 216.6 |
| .68%    | .64%    | .66%     | .65%      | .68%    | .67%     | .68%     | .68%     |
| --      | --      | --       | --        | --      | --       | .39%     | .82%     |
| 7.25%   | 7.48%   | 6.79%    | 7.04%     | 7.70%   | 7.47%    | 7.92%    | 7.29%    |
| 88%     | 71%     | 10%      | 27%       | 8%      | 11%      | 8%       | 2%       |
| --      | --      | --       | --        | --      | --       | --       | \$ 19.07 |
| --      | --      | --       | --        | --      | --       | --       | 12,411   |

See Notes to Financial Statements

17

NOTES TO  
FINANCIAL STATEMENTS

December 31, 2003 (Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen Bond Fund (the "Fund") is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund's investment objective is to seek interest income while conserving capital through investing in a diversified portfolio consisting primarily of high-quality debt securities.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATION Fixed income investments are stated at value using market quotations or indications of value obtained from an independent pricing service. Investments in securities listed on a securities exchange are valued at their

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sale price as of the close of such securities exchange. Listed securities and unlisted securities for which the last sales price is not available are valued at the mean of the bid and asked prices. For those securities where quotations or prices are not available as noted above, valuations are determined in accordance with procedures established in good faith by the Board of Trustees. Futures contracts are valued at the settlement price established each day on the exchange on which they are traded. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value.

B. SECURITY TRANSACTIONS Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. The Fund may purchase and sell securities on a "when-issued" or "delayed delivery" basis, with settlement to occur at a later date. The value of the security so purchased is subject to market fluctuations during this period. The Fund will segregate assets with its custodian having an aggregate value at least equal to the amount of the when-issued or delayed delivery purchase commitments until payment is made. At December 31, 2003, there were no when-issued or delayed delivery purchase commitments.

The Fund may invest in repurchase agreements, which are short-term investments in which the Fund acquires ownership of a debt security and the seller agrees to repurchase the security at a future time and specified price. The Fund may invest independently in repurchase agreements, or transfer uninvested cash balances into a pooled cash account along with other investment companies advised by Van Kampen Asset Management (the "Adviser") or its affiliates, the daily aggregate of which is invested in repurchase agreements. Repurchase agreements are fully collateralized by the underlying debt security. The Fund will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of the custodian bank. The seller is required to maintain the value of the underlying security at not less than the repurchase proceeds due the Fund.

18

### NOTES TO FINANCIAL STATEMENTS

December 31, 2003 (Unaudited)

C. INVESTMENT INCOME Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date. Premiums are amortized and discounts are accreted over the expected life of each applicable security.

D. FEDERAL INCOME TAXES It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required.

The Fund intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset these losses against any future realized capital gains. At June 30, 2003, the Fund had an accumulated capital loss carryforward for tax purposes of \$11,597,056, which will expire between June 30, 2009 and June 30, 2011.

At December 31, 2003, the cost and related gross unrealized appreciation and depreciation are as follows:

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|   |                        |
|---|------------------------|
| Cost of investments for tax purposes.....           | \$207,173,370<br>===== |
| Gross tax unrealized appreciation.....              | \$ 14,441,301          |
| Gross tax unrealized depreciation.....              | (643,669)<br>-----     |
| Net tax unrealized appreciation on investments..... | \$ 13,797,632<br>===== |

E. DISTRIBUTION OF INCOME AND GAINS The Fund declares and pays quarterly dividends from net investment income. Net realized gains, if any, are distributed annually. Distributions from net realized gains for book purposes may include short-term capital gains and gains on futures transactions. All short-term capital gains and a portion of futures gains are included in ordinary income for tax purposes.

The tax character of distributions paid during the year ended June 30, 2003 was as follows:

|                             |                       |
|-----------------------------|-----------------------|
|                             | 2003                  |
| Distributions paid from:    |                       |
| Ordinary income.....        | \$13,747,783          |
| Long-term capital gain..... | -0-<br>-----          |
|                             | \$13,747,783<br>===== |

As of June 30, 2003, the component of distributable earnings on a tax basis were as follows:

|                                    |           |
|------------------------------------|-----------|
| Undistributed ordinary income..... | \$392,256 |
|------------------------------------|-----------|

Net realized gains or losses may differ for financial reporting and tax purposes primarily as a result of the deferral of losses relating to wash sale transactions.

19

### NOTES TO FINANCIAL STATEMENTS

December 31, 2003 (Unaudited)

F. EXPENSE REDUCTIONS During the six months ended December 31, 2003, the Fund's custody fee was reduced by \$54 as a result of credits earned on cash balances.

#### 2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Fund's Investment Advisory Agreement, the Adviser will provide investment advice and facilities to the Fund for an annual fee payable monthly as follows:

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| AVERAGE DAILY NET ASSETS | % PER ANNUM |
|--------------------------|-------------|
| First \$150 million..... | .50%        |
| Next \$100 million.....  | .45%        |
| Next \$100 million.....  | .40%        |
| Over \$350 million.....  | .35%        |

For the six months ended December 31, 2003, the Fund recognized expenses of approximately \$7,500 representing legal services provided by Skadden, Arps, Slate, Meagher & Flom (Illinois), counsel to the Fund, of which a trustee of the Fund is an affiliated person.

Under an Accounting Services agreement, the Adviser provides accounting services to the Fund. The Adviser allocates the cost of such services to each fund. For the six months ended December 31, 2003, the Fund recognized expenses of approximately \$9,000 representing Van Kampen Investments Inc.'s or its affiliates' (collectively "Van Kampen") cost of providing accounting services to the Fund, which are reported as part of "Other" expenses on the Statement of Operations.

Certain officers and trustees of the Fund are also officers and directors of Van Kampen. The Fund does not compensate its officers or trustees who are officers of Van Kampen.

The Fund provides deferred compensation and retirement plans for its trustees who are not officers of Van Kampen. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. Benefits under the retirement plan are payable upon retirement for a ten-year period and are based upon each trustee's years of service to the Fund. The maximum annual benefit per trustee under the plan is \$2,500.

### 3. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investments, excluding short-term investments, were \$40,309,177 and \$44,344,692, respectively.

### 4. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument in very general terms refers to a security whose value is "derived" from the value of an underlying asset, reference rate or index.

The Fund has a variety of reasons to use derivative instruments, such as to attempt to protect the Fund against possible changes in the market value of its portfolio or to generate potential gain. All of the Fund's portfolio holdings, including derivative instruments, are marked to market each day with the change in value reflected in the unrealized appreciation/ depreciation. Upon disposition, a realized gain or loss is recognized accordingly, except when taking delivery of a security underlying a futures contract. In this instance, the recognition of

20

### NOTES TO FINANCIAL STATEMENTS

December 31, 2003 (Unaudited)

gain or loss is postponed until the disposal of the security underlying the

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futures contract. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts.

During the period, the Fund invested in futures contracts, a type of derivative. A futures contract is an agreement involving the delivery of a particular asset on a specified future date at an agreed upon price. The Fund generally invests in exchange traded futures on U.S. Treasury Bonds and Notes and typically closes the contract prior to delivery date. Upon entering into futures contracts, the Fund maintains an amount of cash or liquid securities with a value equal to a percentage of the contract amount with either a futures commission merchant pursuant to rules and regulations promulgated under the 1940 Act, as amended, or with its custodian in an account in the broker's name. This amount is known as initial margin. During the period the futures contract is open, payments are received from or made to the broker based upon changes in the value of the contract (the variation margin). The risk of loss associated with a futures contract is in excess of the variation margin reflected on the Statement of Assets and Liabilities.

Transactions in futures contracts for the six months ended December 31, 2003, were as follows:

|                                       | CONTRACTS |
|---------------------------------------|-----------|
| Outstanding at June 30, 2003.....     | 556       |
| Futures Opened.....                   | 1,042     |
| Futures Closed.....                   | (1,215)   |
|                                       | -----     |
| Outstanding at December 31, 2003..... | 383       |
|                                       | =====     |

The futures contracts outstanding as of December 31, 2003 and the descriptions and unrealized appreciation/depreciation are as follows:

|  | CONTRACTS | UNREALIZED<br>APPRECIATION/<br>DEPRECIATION |
|--|-----------|---|
| LONG CONTRACTS:  |           |   |
| 2-Year U.S. Treasury Note Future, March 2004--<br>(Current Notional Value of \$214,047 per contract).....  | 1         | \$ 966                                      |
| SHORT CONTRACTS:   |           |   |
| U.S. Treasury Bond Future, March 2004--<br>(Current Notional Value of \$109,313 per contract).....         | 161       | (27,260)                                    |
| 5-Year U.S. Treasury Note Future, March 2004--<br>(Current Notional Value of \$111,625 per contract).....  | 92        | (76,815)                                    |
| 10-Year U.S. Treasury Note Future, March 2004--<br>(Current Notional Value of \$112,266 per contract)..... | 129       | (75,909)                                    |
|  | ---       | -----                                       |
|  | 383       | \$ (179,018)                                |
|  | ===       | =====                                       |

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The Fund pays distributions in cash, but if you own more than 100 shares in your own name, you may elect to participate in the Fund's dividend reinvestment plan (the "Plan"). Under the Plan, shares will be issued by the Fund at net asset value on a date determined by the Board of Trustees between the record and payable dates on each distribution; however, if the market price including brokerage commissions, is less than the net asset value, the amount of the distribution will be paid to the Plan Agent, which will buy such shares as are available at prices below the net asset value. (If the market price is not significantly less than the net asset value, it is possible that open market purchases of shares may increase the market price so that such price plus brokerage commissions would equal or exceed the net asset value of such shares.) If the Plan Agent cannot buy the necessary shares at less than net asset value before the distribution date, the balance of the distribution will be made in authorized but unissued shares of the Fund at net asset value. The cost per share will be the average cost, including brokerage commissions, of all shares purchased. Since all shares purchased from the Fund are at net asset value, there will be no dilution, and no brokerage commissions are charged on such shares.

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gain distributions does not relieve you of any income tax which may be payable (or required to be withheld) on dividends or distributions.

You may begin or discontinue participation in the Plan at any time by written notice to the address below. If you withdraw from the Plan, you may rejoin at any time if you own the required 100 shares. Elections and terminations will be effective for distributions declared after receipt. If you withdraw from the Plan, a certificate for the whole shares and a check for the fractional shares, if any, credited to your Plan account will be sent as soon as practicable after receipt of your election to withdraw. Except for brokerage commissions, if any, which are borne by Plan participants, all costs of the Plan are borne by the Fund. The Fund reserves the right to amend or terminate the Plan on 30 days' written notice prior to the record date of the distribution for which such amendment or termination is effective.

Record stockholders should address all notices, correspondence, questions or other communications about the Plan to:

State Street Bank and Trust Company  
c/o EquiServe LLP  
P.O. Box 8200  
Boston, MA 02266-8200  
1-800-821-1238

If your shares are not held directly in your name, you should contact your brokerage firm, bank or other nominee for more information and to see if your nominee will participate in the Plan on your behalf. If you participate through your broker and choose to move your account to another broker, you will need to re-enroll in the Plan through your new broker.

22

BOARD OF TRUSTEES AND IMPORTANT ADDRESSES  
VAN KAMPEN BOND FUND

BOARD OF TRUSTEES

DAVID C. ARCH  
J. MILES BRANAGAN  
JERRY D. CHOATE

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ROD DAMMEYER  
LINDA HUTTON HEAGY  
R. CRAIG KENNEDY  
HOWARD J KERR  
MITCHELL M. MERIN\*  
JACK E. NELSON  
RICHARD F. POWERS, III\*  
HUGO F. SONNENSCHNEIN  
WAYNE W. WHALEN\* - Chairman  
SUZANNE H. WOOLSEY

INVESTMENT ADVISER

VAN KAMPEN ASSET MANAGEMENT  
1220 Avenue of the Americas  
New York, New York 10020

CUSTODIAN AND SHAREHOLDER SERVICING AGENT

STATE STREET BANK AND TRUST COMPANY  
c/o EquiServe LLP  
P.O. Box 43011  
Providence, Rhode Island 02940-3011

LEGAL COUNSEL

SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM (ILLINOIS)  
333 West Wacker Drive  
Chicago, Illinois 60606

INDEPENDENT AUDITORS

DELOITTE & TOUCHE LLP  
180 North Stetson Avenue  
Chicago, Illinois 60601

Inquiries about an investor's account should be referred to the Fund's  
transfer agent

State Street Bank and Trust Company  
c/o EQUISERVE LLP  
P.O. Box 43011  
Providence, Rhode Island 02940-3011  
Telephone: (800) 821-1238  
Alaska and Hawaii  
Call Collect: (781) 575-2000  
Ask for Closed-End Fund Account Services

\* "Interested persons" of the Fund, as defined in the Investment Company Act  
of 1940, as amended.

23

Van Kampen  
Privacy Notice

The Van Kampen companies and investment products\* respect your right to privacy.  
We also know that you expect us to conduct and process your business in an  
accurate and efficient manner. To do so, we must collect and maintain certain  
nonpublic personal information about you. This is information we collect from

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you on applications or other forms, and from the transactions you conduct with us, our affiliates, or third parties. We may also collect information you provide when using our Web site, and text files (also known as "cookies") may be placed on your computer to help us to recognize you and to facilitate transactions you initiate. We do not disclose any nonpublic personal information about you or any of our former customers to anyone, except as permitted by law. For instance, so that we may continue to offer you Van Kampen investment products and services that meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect to companies that perform services on our behalf, such as printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. To protect your nonpublic personal information internally, we permit access to it only by authorized employees, and maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

\* Includes Van Kampen Investments Inc., Van Kampen Asset Management, Van Kampen Advisors Inc., Van Kampen Funds Inc., Van Kampen Investor Services Inc., Van Kampen System Inc. and Van Kampen Exchange Corp., as well as the many Van Kampen mutual funds and Van Kampen unit investment trusts.

Van Kampen Funds Inc.  
1 Parkview Plaza, P.O. Box 5555  
Oakbrook Terrace, IL 60181-5555  
www.vankampen.com

(VAN KAMPEN INVESTMENTS LOGO)

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Member NASD/SIPC.  
VBF SAR 2/04 13661B04-AS-2/04

Item 2. Code of Ethics.

Not applicable for semi-annual reports.

Item 3. Audit Committee Financial Expert.

Not applicable for semi-annual reports.

Item 4. Principal Accountant Fees and Services.

Not applicable for semi-annual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semi-annual reports.

Item 6. [Reserved.]

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable.

Item 8. [Reserved.]

Item 9. Controls and Procedures

(a)The Fund's principal executive officer and principal financial officer have



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concluded that the Fund's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 10. Exhibits.

(a) Code of Ethics - Not applicable for semi-annual reports.

(b) (1) A certification for the Principal Executive Officer of the registrant is attached hereto as part of EX-99.CERT.

(b) (2) A certification for the Principal Financial Officer of the registrant is attached hereto as part of EX-99.CERT.

### 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.

(Registrant) Van Kampen Bond Fund  
-----

By: /s/ Ronald E. Robison  
-----

Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: February 18, 2004

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

By: /s/ Ronald E. Robison  
-----

Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: February 18, 2004

By: /s/ John L. Sullivan  
-----

Name: John L. Sullivan  
Title: Principal Financial Officer  
Date: February 18, 2004

