

EVERGREEN MULTI-SECTOR INCOME FUND  
Form N-CSRS  
July 03, 2008

OMB APPROVAL  
OMB Number: 3235-0570  
Expires: September 30, 2007  
Estimated average burden hours  
per response: 19.4

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSRS**

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

Investment Company Act file number 811-21331

Evergreen Multi-Sector Income Fund

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(Exact name of registrant as specified in charter)

200 Berkeley Street

Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.

200 Berkeley Street

Boston, Massachusetts 02116

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(Name and address of agent for service)

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

Date of fiscal year end: October 31, 2008

Date of reporting period: April 30, 2008

**Item 1 - Reports to Stockholders.**

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**Evergreen Multi-Sector Income Fund**

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table of contents

- 1 LETTER TO SHAREHOLDERS**
- 4 FINANCIAL HIGHLIGHTS**
- 5 SCHEDULE OF INVESTMENTS**
- 28 STATEMENT OF ASSETS AND LIABILITIES**
- 29 STATEMENT OF OPERATIONS**
- 30 STATEMENTS OF CHANGES IN NET ASSETS**
- 31 NOTES TO FINANCIAL STATEMENTS**
- 41 AUTOMATIC DIVIDEND REINVESTMENT PLAN**
- 42 ADDITIONAL INFORMATION**
- 44 TRUSTEES AND OFFICERS**

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

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

Mutual Funds:

NOT FDIC INSURED    MAY LOSE VALUE    **NOT BANK**  
GUARANTEED

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## LETTER TO SHAREHOLDERS

June 2008

### **Dennis H. Ferro**

President and Chief Executive Officer

### **Dear Shareholder:**

We are pleased to provide the Semiannual Report for Evergreen Multi-Sector Income Fund for the six-month period ended April 30, 2008 (the six-month period ).

Foreign and domestic markets were roiled with uncertainties during most of the six-month period as investors worried about the potential contagious effects of weakness in the U.S. economy. Concerns that started with problems with subprime mortgages in the United States created volatility in markets around the globe. A credit crunch and liquidity crisis dominated the fixed income markets, causing a general flight to quality over the first five months of the six-month period. Sovereign debt and other high-quality securities tended to perform well, while credit-sensitive sectors tended to fall. This pattern reversed itself in April 2008, however, as corporate bonds, asset-backed securities and emerging market debt rallied following a series of actions by the U.S. Federal Reserve Board (the Fed ) to stabilize the markets. In global equity markets, stocks suffered steep declines over the first five months of the six-month period before rallying sharply in the final month, consistent with the performance of credit-sensitive bonds. Over the six-month period, prices of gold, oil and other commodities surged while the U.S. dollar weakened further.

After growing briskly during the early months of 2007, the U.S. economy slowed significantly in late 2007 and early 2008. Economic growth decelerated as lending for ordinary consumer and commercial activity dried up, accentuating the weakening effects of declining

**LETTER TO SHAREHOLDERS** continued

home prices. Corporate profits, employment and other key economic indicators showed clear evidence of deterioration. Gross Domestic Product growth decelerated to a paltry 0.6% rate during the final quarter of 2007 and a marginally better 0.9% pace for the first quarter of 2008. Much of the strength early in 2008 came from exports and government spending, rather than from any noticeable improvements in consumer spending, business investment or housing. To reinvigorate the economy and stimulate lending activity, the Fed became increasingly aggressive, taking a series of steps to pour liquidity into the financial system. Starting in September 2007 and continuing through April 2008, the Fed cut the key fed funds rate seven different times, lowering the influential short-term rate from 5.25% to 2%. In March 2008, the central bank also opened its lending facilities to securities firms as well as commercial banks and intervened to help JPMorgan Chase & Co. purchase the collapsing investment bank Bear Stearns Cos. Meanwhile, Congress and the Bush administration rushed through a \$168 billion fiscal stimulus bill, which included tax rebate checks, in an effort to boost growth in the second half of 2008.

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

During the six-month period, a challenge emerged in connection with Auction Market Preferred Shares (AMPS) issued by the fund to create leverage in pursuit of its income orientation. The liquidity crisis affecting global credit markets

**LETTER TO SHAREHOLDERS** continued

caused failures in regularly scheduled auctions for AMPS, including auctions for the fund's preferred shares. As a consequence, holders of these preferred shares temporarily were not able to sell them at auction, which entitled the holders of these shares to be paid by the fund at the maximum rates allowed under the governing documents for these preferred shares. This situation was later alleviated, however, when we obtained debt financing from a major financial institution, enabling the fund to redeem approximately 80% of the outstanding auction preferred shares.

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

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

Sincerely,

**Dennis H. Ferro**

President and Chief Executive Officer

Evergreen Investment Company, Inc.

**Special Notice to Shareholders:**

Please visit our Web site at **EvergreenInvestments.com** for statements from President and Chief Executive Officer, Dennis Ferro, regarding the firm's recent settlement with the Securities and Exchange Commission (SEC) and prior settlement with the Financial Industry Regulatory Authority (FINRA).

**FINANCIAL HIGHLIGHTS**

(For a common share outstanding throughout each period)

	Six Months Ended	Year Ended October 31,				
		2007	2006	2005	2004	2003 <sup>1</sup>
	April 30, 2008					
	(unaudited)					
<b>Net asset value, beginning of period</b>	\$18.74	\$18.55	\$18.91	\$20.19	\$19.38	\$19.10 <sup>2</sup>
<b>Income from investment operations</b>						
Net investment income (loss)	0.90 <sup>3</sup>	1.73 <sup>3</sup>	1.60 <sup>3</sup>	1.49 <sup>3</sup>	1.62	0.38
Net realized and unrealized gains or losses on investments	(0.41)	0.29	(0.06)	(1.06)	0.94	0.46
Distributions to preferred shareholders from <sup>3</sup>						
Net investment income	(0.23)	(0.51)	(0.45)	(0.28)	(0.13)	(0.02)
Net realized gains	0	0	0	0 <sup>4</sup>	0	0
Total from investment operations	0.26	1.51	1.09	0.15	2.43	0.82
<b>Distributions to common shareholders from</b>						
Net investment income	(0.65)	(1.29)	(1.34)	(1.43)	(1.62)	(0.39)
Net realized gains	0	0	(0.01)	0	0	0
Tax basis return of capital	0	(0.03)	(0.10)	0	0	0
Total distributions to common shareholders	(0.65)	(1.32)	(1.45)	(1.43)	(1.62)	(0.39)
<b>Offering costs charged to capital for</b>						
Common shares	0	0	0	0	0	(0.04)
Preferred shares	0	0	0	0 <sup>4</sup>	0	(0.11)
Total offering costs	0	0	0	0	0	(0.15)
<b>Net asset value, end of period</b>	\$18.35	\$18.74	\$18.55	\$18.91	\$20.19	\$19.38
<b>Market value, end of period</b>	\$16.06	\$16.22	\$17.07	\$16.42	\$18.49	\$18.15

<b>Total return based on market value<sup>5</sup></b>	3.11%	2.64%	13.46%	(3.77)%	11.23%	(7.35)%
<b>Ratios and supplemental data</b>						
Net assets of common shareholders, end of period (thousands)	\$771,531	\$787,919	\$780,321	\$795,244	\$849,127	\$814,948
Liquidation value of preferred shares, end of period (thousands)	\$400,358	\$400,475	\$400,402	\$400,309	\$400,165	\$400,098
Asset coverage ratio, end of period	291%	296%	299%	299%	312%	304%
<b>Ratios to average net assets applicable to common shareholders</b>						
Expenses including waivers/reimbursements but excluding expense reductions	1.14% <sup>6</sup>	1.15%	1.15%	1.11%	1.12%	0.95% <sup>6</sup>
Expenses excluding waivers/reimbursements and expense reductions	1.14% <sup>6</sup>	1.15%	1.15%	1.11%	1.12%	0.95% <sup>6</sup>
Net investment income (loss) <sup>7</sup>	7.43% <sup>6</sup>	6.54%	6.18%	6.08%	6.99%	5.13% <sup>6</sup>
Portfolio turnover rate	44%	95%	62%	80%	78%	8%

- 1 For the period from June 25, 2003 (commencement of operations), to October 31, 2003.
  - 2 Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.
  - 3 Calculated based on average common shares outstanding during the period.
  - 4 Amount represents less than \$0.005 per share.
  - 5 Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.
  - 6 Annualized
  - 7 The net investment income (loss) ratio reflects distributions paid to preferred shareholders.
- See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS**

April 30, 2008 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED COLLATERALIZED MORTGAGE OBLIGATIONS 10.4% FIXED-RATE 0.3%</b>		
FNMA:		
Ser. 2001-25, Class Z, 6.00%, 06/25/2031	\$1,435,236	\$1,473,572
Ser. 2001-51, Class P, 6.00%, 08/25/2030	820,760	830,767
		<hr/> 2,304,339 <hr/>
<b>FLOATING-RATE 10.1%</b>		
FHLMC:		
Ser. 0196, Class A, 3.55%, 12/15/2021	183,160	182,601
Ser. 1500, Class FD, 2.59%, 05/15/2023	4,759,737	4,707,916
Ser. 2182, Class FE, 3.26%, 05/15/2028	722,154	716,790
Ser. 2247, Class FC, 3.32%, 08/15/2030	798,567	794,421
Ser. 2390, Class FD, 3.17%, 12/15/2031	161,219	159,386
Ser. 2411, Class F, 3.27%, 02/15/2032	203,432	200,940
Ser. 2431, Class F, 3.22%, 03/15/2032	7,604,498	7,518,848
Ser. 2567, Class FH, 3.12%, 02/15/2033	394,681	392,495
Ser. T-66, Class 2A1, 7.12%, 01/25/2036 o	8,356,764	8,895,943
Ser. T-67, Class 1A1C, 7.23%, 03/25/2036 o	25,449,895	27,357,361
Ser. T-67, Class 2A1C, 7.17%, 03/25/2036	1,712,112	1,852,199
FNMA:		
Ser. 1996-46, Class FA, 3.41%, 08/25/2021	108,769	108,497
Ser. 2000-45, Class F, 3.35%, 12/25/2030	810,190	798,780
Ser. 2001-24, Class FC, 3.50%, 04/25/2031	302,065	301,448
Ser. 2001-35, Class F, 3.50%, 07/25/2031	68,823	68,448
Ser. 2001-37, Class F, 3.40%, 08/25/2031	304,297	300,904
Ser. 2001-57, Class F, 3.40%, 06/25/2031	69,289	68,451
Ser. 2001-62, Class FC, 3.55%, 11/25/2031	910,795	899,237
Ser. 2002-77, Class F, 3.50%, 12/25/2032	5,009,387	4,954,776
Ser. 2002-77, Class FH, 3.13%, 12/18/2032	393,583	388,423
Ser. 2002-77, Class FV, 3.23%, 12/18/2032	1,277,349	1,260,902
Ser. 2002-95, Class FK, 3.40%, 01/25/2033	10,324,385	10,116,865
Ser. 2002-97, Class FR, 3.45%, 01/25/2033	156,438	152,394
Ser. 2003-W8, Class 3F2, 3.25%, 05/25/2042	1,909,439	1,892,426
Ser. G91-16, Class F, 3.36%, 06/25/2021	115,336	114,574
Ser. G92-17, Class F, 3.96%, 03/25/2022	195,214	195,947
Ser. G92-53, Class FA, 3.66%, 09/25/2022	1,865,278	1,859,240
Ser. G93-11, Class FB, 3.76%, 12/25/2008	181	181
GNMA:		

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Ser. 1997-13, Class F, 3.25%, 09/16/2027	1,716,474	1,690,143
Ser. 2001-61, Class FA, 3.30%, 09/20/2030	135,859	135,314
		<hr/>
		78,085,850
		<hr/>
<i>Total Agency Mortgage-Backed Collateralized Mortgage Obligations (cost \$80,183,086)</i>		80,390,189
		<hr/>

See Notes to Financial Statements

5

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2008 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES 26.4%</b>		
<b>FIXED-RATE 4.1%</b>		
FHLMC:		
6.50%, 06/01/2017	\$2,861,945	\$2,966,257
8.50%, 04/01/2015-07/01/2028	503,241	548,589
FHLMC 30 year:		
5.50%, TBA #	10,305,000	10,345,251
6.00%, TBA #	12,000,000	12,245,628
FNMA:		
6.00%, 04/01/2033	643,735	666,124
6.50%, 11/01/2032	262,350	273,728
7.00%, 09/01/2031-08/01/2032	1,683,314	1,797,764
7.50%, 07/01/2017-07/01/2032	977,898	1,042,158
8.00%, 12/01/2024-06/01/2030	301,633	327,007
12.00%, 01/01/2016	56,073	63,367
GNMA:		
6.50%, 06/15/2028	109,403	114,119
7.25%, 07/15/2017-05/15/2018	980,074	1,050,914
		31,440,906
<b>FLOATING-RATE 22.3%</b>		
FHLB:		
5.89%, 05/01/2037 ##	13,140,262	13,409,966
6.66%, 07/01/2034	749,048	774,539
6.90%, 11/01/2030	702,368	729,002
7.125%, 07/01/2033	527,368	533,706
FHLMC:		
5.06%, 07/01/2035	710,771	744,078
5.31%, 06/01/2030	405,119	408,863
5.41%, 03/01/2032	1,214,849	1,219,347
5.46%, 12/01/2026	136,699	137,866
5.49%, 10/01/2030	28,036	28,340
5.75%, 02/01/2016	33,839	34,370
5.89%, 02/01/2037	5,595,216	5,739,277
5.92%, 10/01/2017	6,709	6,765
5.98%, 06/01/2028	153,057	156,905
6.07%, 05/01/2019	7,459	7,539
6.11%, 07/01/2019	15,254	15,389
6.18%, 01/01/2018	106,393	108,968
6.24%, 10/01/2024	393,590	397,552

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6.25%, 02/01/2016	30,025	30,558
6.29%, 03/01/2018-10/01/2037	5,155,555	5,311,186
6.40%, 12/01/2022-06/01/2031	799,837	816,624
6.41%, 08/01/2017-07/01/2030	197,453	205,901
6.42%, 10/01/2022-11/01/2023	314,762	322,088
6.51%, 06/01/2035	2,337,335	2,371,611
See Notes to Financial Statements		

6

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2008 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES continued FLOATING-RATE continued</b>		
FHLMC:		
6.56%, 06/01/2035	\$146,874	\$155,244
6.62%, 06/01/2023	349,056	350,511
6.67%, 10/01/2030	1,967,039	1,998,248
6.68%, 05/01/2025-09/01/2032	5,295,905	5,468,851
6.70%, 01/01/2030	276,914	289,311
6.71%, 09/01/2032	807,278	833,950
6.73%, 06/01/2018	76,467	79,942
6.76%, 06/01/2031	483,184	505,783
6.78%, 10/01/2033	319,931	331,273
6.80%, 10/01/2030	558,577	578,105
6.82%, 10/01/2033	60,674	61,596
6.83%, 03/01/2024	288,501	298,195
6.86%, 12/01/2033	3,460,422	3,579,599
7.02%, 08/01/2030	661,198	686,720
7.07%, 07/01/2032	994,920	1,004,283
7.16%, 08/01/2032	1,149,568	1,171,662
7.24%, 01/01/2027	289,478	310,667
7.25%, 10/01/2024	51,377	53,148
7.30%, 06/01/2033	479,370	485,079
8.50%, 03/01/2030	135,065	148,399
FNMA:		
4.10%, 04/01/2028	119,061	115,868
4.45%, 10/01/2034	309,211	317,350
4.47%, 08/01/2020	1,535,892	1,541,283
4.81%, 02/01/2017-12/01/2017	3,904,010	3,922,724
4.82%, 02/01/2037	927,968	944,755
4.875%, 04/01/2019	75,428	76,427
4.98%, 03/01/2033	171,800	173,974
4.99%, 01/01/2038	5,908,836	6,247,648
5.00%, 03/01/2035	5,273,518	5,316,181
5.10%, 03/01/2034	1,255,843	1,310,939
5.17%, 02/01/2035	1,464,893	1,472,706
5.22%, 03/01/2018	743,302	752,658
5.25%, 01/01/2017	95,924	97,779
5.27%, 10/01/2029	164,100	164,552
5.33%, 09/01/2041	1,239,357	1,246,997
5.38%, 02/01/2035	9,047,382	9,129,170
5.41%, 03/01/2032	394,254	404,958

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5.42%, 04/01/2017	2,992,628	2,985,356
5.45%, 04/01/2034 #	5,230,810	5,195,607
5.52%, 12/01/2028	58,227	59,757
5.58%, 02/01/2038	141,460	144,590
5.61%, 12/01/2022	15,942	16,809
See Notes to Financial Statements		

7

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2008 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES continued FLOATING-RATE continued</b>		
FNMA:		
5.62%, 08/01/2028	\$82,597	\$85,070
5.65%, 12/01/2031	362,305	372,254
5.69%, 12/01/2036	71,296	71,992
5.73%, 09/01/2032	216,746	225,058
5.75%, 12/01/2016	12,516	12,841
5.77%, 12/01/2034	1,889,821	1,931,624
5.79%, 06/01/2031	155,587	160,623
5.80%, 01/01/2030	83,758	85,776
5.82%, 01/01/2034	687,272	708,282
5.84%, 01/01/2015	61,263	62,576
5.87%, 06/01/2033-01/01/2037	12,512,274	12,795,003
5.90%, 12/01/2009	2,659,430	2,659,430
5.93%, 09/01/2024	12,449	13,308
5.98%, 03/01/2034	960,223	968,358
6.00%, 05/01/2021-08/01/2021	19,607	20,969
6.04%, 10/01/2035-12/01/2035	10,158,890	10,430,026
6.06%, 04/01/2031	982,383	1,019,734
6.08%, 02/01/2038	381,293	391,496
6.09%, 04/01/2034	2,502,954	2,595,263
6.10%, 06/01/2024	232,249	238,265
6.11%, 12/01/2013	565,653	572,124
6.14%, 08/01/2027	349,983	366,369
6.15%, 12/01/2020	159,019	171,356
6.16%, 04/01/2024	155,126	159,978
6.23%, 01/01/2033	1,322,926	1,348,022
6.35%, 05/01/2027-08/01/2036	8,222,782	8,412,118
6.42%, 04/01/2025	208,556	218,108
6.45%, 05/01/2030	261,771	271,616
6.49%, 02/01/2035	600,546	617,980
6.50%, 12/01/2023	59,593	61,690
6.54%, 06/01/2029-04/01/2036	9,308,229	9,776,532
6.57%, 07/01/2026	57,904	59,798
6.58%, 09/01/2037	4,727,430	4,905,598
6.59%, 04/01/2034	1,336,684	1,378,188
6.60%, 01/01/2026	486,981	502,808
6.62%, 10/01/2032	292,277	305,523
6.63%, 12/01/2031	138,931	141,623
6.73%, 12/01/2026	136,112	140,317

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6.75%, 12/01/2029	80,259	82,915
6.80%, 11/01/2024	547,144	576,104
6.84%, 08/01/2030	418,159	434,530
6.93%, 07/01/2030	175,202	184,057
6.94%, 09/01/2024	277,976	284,550
See Notes to Financial Statements		

**8**

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**SCHEDULE OF INVESTMENTS** continued

April 30, 2008 (unaudited)

	Principal Amount	Value
<b>AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES</b>		
<b>continued</b>		
<b>FLOATING-RATE continued</b>		
FNMA:		
6.97%, 01/01/2028	\$ 967,128	\$1,000,610
7.04%, 12/01/2032	1,406,092	1,422,365
7.13%, 09/01/2027	347,084	361,012
7.15%, 07/01/2032-07/01/2033	735,658	762,763
7.17%, 04/01/2033	218,749	225,248
7.19%, 10/01/2032	2,913,780	3,024,883
7.24%, 01/01/2028-06/01/2037	1,382,087	1,423,988
GNMA:		
5.00%, 11/20/2030-10/20/2031	1,077,773	1,085,084
5.125%, 10/20/2029-11/20/2030	2,106,050	2,110,739
5.25%, 02/20/2029	607,858	619,018
5.375%, 01/20/2027-03/20/2028	402,306	409,926
5.50%, 02/20/2031	442,795	451,902
5.625%, 09/20/2030	371,560	372,968
		<hr/>
		172,629,452
		<hr/>
<i>Total Agency Mortgage-Backed Pass Through Securities (cost \$202,783,216)</i>		204,070,358
		<hr/>
<b>AGENCY REPERFORMING MORTGAGE-BACKED PASS THROUGH SECURITIES 1.5%</b>		
FNMA:		
Ser. 2001-T10, Class A2, 7.50%, 12/25/2041	387,280	404,514
Ser. 2002-T6, Class A4, FRN, 6.21%, 03/25/2041	3,027,333	3,037,224
Ser. 2003-W02, Class 2A8, 5.67%, 07/25/2042	461,690	476,349
Ser. 2004-T03, Class 2A, FRN, 6.22%, 08/25/2043	1,432,147	1,456,952
Ser. 2005-W4, Class 3A, FRN, 6.28%, 06/25/2035	5,934,621	5,816,819
		<hr/>
<i>Total Agency Reperforming Mortgage-Backed Pass Through Securities (cost \$11,459,350)</i>		11,191,858
		<hr/>
<b>CORPORATE BONDS 61.1%</b>		
<b>CONSUMER DISCRETIONARY 14.2%</b>		
<b>Auto Components 1.2%</b>		
Cooper Standard Automotive, Inc.:		
7.00%, 12/15/2012	225,000	207,450

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8.375%, 12/15/2014	1,150,000	954,500
Cooper Tire & Rubber Co., 7.625%, 03/15/2027	2,630,000	2,235,500
Goodyear Tire & Rubber Co., 9.00%, 07/01/2015	1,270,000	1,387,475
Metaldyne Corp.:		
10.00%, 11/01/2013	5,610,000	3,632,475
11.00%, 06/15/2012	1,951,000	721,870
		<hr/>
		9,139,270
		<hr/>
<b>Automobiles 1.1%</b>		
Ford Motor Co., 7.70%, 05/15/2097	6,190,000	4,116,350
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

April 30, 2008 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS continued</b>		
<b>CONSUMER DISCRETIONARY continued</b>		
<b>Automobiles continued</b>		
General Motors Corp.:		
7.20%, 01/15/2011	\$3,905,000	\$3,465,687
8.25%, 07/15/2023	1,565,000	1,177,663
		<hr/> 8,759,700 <hr/>
<b>Diversified Consumer Services 0.3%</b>		
Carriage Services, Inc., 7.875%, 01/15/2015	850,000	850,000
Education Management, LLC, 8.75%, 06/01/2014	1,155,000	1,033,725
Service Corporation International, 6.75%, 04/01/2015	90,000	90,563
		<hr/> 1,974,288 <hr/>
<b>Hotels, Restaurants &amp; Leisure 4.0%</b>		
Caesars Entertainment, Inc.:		
7.875%, 03/15/2010	1,570,000	1,483,650
8.125%, 05/15/2011	565,000	480,956
Fontainebleau Las Vegas Holdings, LLC, 10.25%, 06/15/2015 144A	5,726,000	4,137,035
Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010	2,330,000	2,027,100
Isle of Capri Casinos, Inc., 7.00%, 03/01/2014	7,475,000	5,793,125
Pinnacle Entertainment, Inc., 8.75%, 10/01/2013	195,000	198,900
Pokagon Gaming Authority, 10.375%, 06/15/2014 144A	2,419,000	2,594,378
Seneca Gaming Corp., 7.25%, 05/01/2012	615,000	597,319
Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A	2,890,000	2,572,100
Six Flags, Inc.:		
8.875%, 02/01/2010	625,000	521,875
9.625%, 06/01/2014	1,090,000	724,850
Trump Entertainment Resorts, Inc., 8.50%, 06/01/2015	7,091,000	4,591,422
Universal City Development Partners, Ltd., 11.75%, 04/01/2010	4,580,000	4,751,750
		<hr/> 30,474,460 <hr/>
<b>Household Durables 1.6%</b>		
Centex Corp.:		