

ADVENT CLAYMORE CONVERTIBLE SECURITIES & INCOME FUND  
Form N-CSR  
January 08, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21309

Advent Claymore Convertible Securities and Income Fund  
(Exact name of registrant as specified in charter)

1271 Avenue of the Americas, 45th Floor New York, NY 10020  
(Address of principal executive offices) (Zip code)

Robert White, Treasurer  
1271 Avenue of the Americas, 45th Floor New York, NY 10020  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 482-1600

Date of fiscal year end: October 31

Date of reporting period: November 1, 2012 - October 31, 2013

Item 1. Reports to Stockholders.

The registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), is as follows:

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[GUGGENHEIMINVESTMENTS.COM/AVK](http://GUGGENHEIMINVESTMENTS.COM/AVK)

...YOUR BRIDGE TO THE LATEST, MOST UP-TO-DATE INFORMATION ABOUT THE ADVENT CLAYMORE CONVERTIBLE SECURITIES AND INCOME FUND

The shareholder report you are reading right now is just the beginning of the story. Online at [guggenheiminvestments.com/avk](http://guggenheiminvestments.com/avk), you will find:

- Daily, weekly and monthly data on share prices, net asset values, dividends and more
- Portfolio overviews and performance analyses
- Announcements, press releases and special notices
- Fund and adviser contact information

Advent Capital Management and Guggenheim Investments are continually updating and expanding shareholder information services on the Fund's website in an ongoing effort to provide you with the most current information about how your Fund's assets are managed and the results of our efforts. It is just one more small way we are working to keep you better informed about your investment in the Fund.

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(Unaudited)

October 31, 2013

Tracy V. Maitland  
President and Chief Executive Officer

DEAR SHAREHOLDER

We thank you for your investment in the Advent Claymore Convertible Securities and Income Fund (the “Fund”). This report covers the Fund’s performance for the 12 months ended October 31, 2013.

Advent Capital Management, LLC (“Advent” or the “Investment Adviser”) serves as the Fund’s Investment Adviser. Based in New York, New York, with additional investment personnel in London, England, Advent is a credit-oriented firm specializing in the management of global convertible, high-yield and equity securities across three lines of business—long-only strategies, hedge funds and closed-end funds. As of October 31, 2013, Advent managed approximately \$7.3 billion in assets.

Guggenheim Funds Distributors, LLC (the “Servicing Agent”) serves as the Servicing Agent to the Fund. The Servicing Agent is an affiliate of Guggenheim Partners, LLC, a global diversified financial services firm.

The Fund’s investment objective is to provide total return through a combination of capital appreciation and current income. Under normal market conditions, the Fund will invest at least 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. Under normal market conditions, the Fund will invest at least 60% of its managed assets in convertible securities and up to 40% in non-convertible income securities. The Fund may invest without limitation in foreign securities.

All Fund returns cited—whether based on net asset value (“NAV”) or market price—assume the reinvestment of all distributions. For the 12-month period ended October 31, 2013, the Fund generated a total return based on market price of 12.90% and a return of 22.09% based on NAV. As of October 31, 2013, the Fund’s market price of \$17.81 represented a discount of 9.87% to NAV of \$19.76. The Fund uses financial leverage to finance the purchase of additional securities, a strategy which contributed to performance for the period.

Past performance is not a guarantee of future results. The Fund’s NAV performance data reflects fees and expenses of the Fund. The market price of the Fund’s shares fluctuates from time to time, and it may be higher or lower than the Fund’s NAV.

In each month from November 2012 through October 2013, the Fund paid a monthly distribution of \$0.0939 per share. The current monthly distribution represents an annualized distribution rate of 6.33% based upon the last closing market price of \$17.81 as of October 31, 2013. There is no guarantee of any future distributions or that the current returns and distribution rate will be maintained.

We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan (“DRIP”), which is described in detail on page 41 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund’s common shares is at a premium above NAV, the DRIP reinvests participants’ dividends in newly-issued common shares at the greater of NAV per share or 95% of the market price per share. The DRIP provides a cost-effective means to accumulate additional shares and enjoy the benefits of compounding returns over time.

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DEAR SHAREHOLDER continued (Unaudited)

October 31, 2013

The Fund is managed by a team of experienced and seasoned professionals led by myself in my capacity as Chief Investment Officer (as well as President and Founder) of Advent Capital Management, LLC. We encourage you to read the following Questions & Answers section, which provides additional information regarding the factors that influenced the Fund's performance.

We thank you for your investment in the Fund and we are honored that you have chosen the Advent Claymore Convertible Securities and Income Fund as part of your investment portfolio. For the most up-to-date information regarding your investment, including related investment risks, please visit the Fund's website at [guggenheiminvestments.com/avk](http://guggenheiminvestments.com/avk).

Sincerely,

Tracy V. Maitland  
President and Chief Executive Officer of the Advent Claymore Convertible Securities and  
Income Fund

November 30, 2013

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QUESTIONS & ANSWERS (Unaudited)

October 31, 2013

Advent Claymore Convertible Securities and Income Fund (the “Fund”) is managed by a team of seasoned professionals at Advent Capital Management, LLC (“Advent” or the “Investment Adviser”), led by Tracy V. Maitland, Advent’s Founder, President and Chief Investment Officer. In the following interview, the management team discusses the convertible-securities and high-yield markets and the performance of the Fund during the 12-month period ended October 31, 2013.

Please describe the Fund’s objective and management strategies.

The Fund’s investment objective is to provide total return through a combination of capital appreciation and current income. Under normal market conditions, the Fund will invest at least 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. Under normal market conditions, the Fund will invest at least 60% of its managed assets in convertible securities and may invest up to 40% of its managed assets in non-convertible income securities. The Fund may invest without limitation in foreign securities.

The Fund also uses a strategy of writing (selling) covered call options on up to 25% of the securities held in the portfolio. The objective of this strategy is to generate current gains from option premiums to enhance distributions payable to the holders of common shares. In addition, the Fund may invest in other derivatives, such as, put options, forward exchange currency contracts, futures contracts and swaps.

The Fund uses financial leverage to finance the purchase of additional securities. Although financial leverage may create an opportunity for increased return for shareholders, it also results in additional risks and can magnify the effect of any losses. There is no assurance that the strategy will be successful. If income and gains earned on securities purchased with the financial leverage proceeds are greater than the cost of the financial leverage, common shareholders’ return will be greater than if financial leverage had not been used. Conversely, if the income or gains from the securities purchased with the proceeds of financial leverage are less than the cost of the financial leverage, common shareholders’ return will be less than if financial leverage had not been used.

Historically, the primary means of implementing leverage had been through Auction Market Preferred Shares (“AMPS”), but other permitted means include borrowing or the issuance of commercial paper or other forms of debt. Earlier in the period, the Fund commenced a tender offer for up to 100% of its outstanding AMPS. The offer expired on December 13, 2012, and in the tender offer the Fund repurchased almost all of its outstanding AMPS. On May 10, 2013, the Fund announced an at-par redemption of all of its remaining outstanding AMPS. The Fund redeemed its remaining \$1,575,000 of outstanding AMPS in June 2013.

The Fund refinanced its tendered AMPS through alternative forms of leverage, including borrowings under a margin loan agreement and reverse repurchase agreement transactions.

Please describe the economic and market environment over the last 12 months.

Global equity markets broadly performed well in 2013 as further monetary easing in the developed markets—United States, Europe and Japan—led to strong stock performance in all three geographies, while emerging markets, particularly in Asia where the Fund does much of its overseas convertible investing, managed to eke out small gains for the most part. Bond markets struggled as Western world risk-free rates began rising, but the effect on the shorter-duration corporate market, which is the Fund’s specialty in convertibles and high-yield, still gained on relatively high coupons and the lower duration.

In the U.S., corporate earnings continued to grow but at a slower pace given their elevated levels relative to GDP already. As of November 30, 2013, consensus earnings for the S&P 500 were forecast to grow approximately 7% over 2012 levels. Thus, the large gain in the S&P 500 index came from earnings multiple expansions, although this metric

is still not at historically high levels and has a tendency to rise in periods where interest rates go from low to moderate levels. Economic growth is best described as steady with moderate GDP growth recorded and overcoming perceived headwinds from tax increases and lower government spending. Jobs growth posted decent gains, and other metrics such as industrial production and ISM surveys of manufacturing expanded at consistent rates. Productivity gains reaccelerated to levels near 2.0% after dipping in early 2013. Growth was good enough that the Federal Reserve has been considering reducing its expansionary purchases of existing bonds, which has had the effect of raising money supply.

Such speculation led to the U.S. dollar rising against counterparts before coming back down as investors began to bid up growth currencies around the world. Lower foreign currencies abroad helped to buttress growth, particularly in Europe, where austerity continues to put a ceiling on growth, but the European Central Bank retains many instruments to spur growth and may put them into effect over the short-term. Some major emerging markets like Brazil and China declined for the year but the Fund's exposure to these areas was minor. Japan was particularly strong on moves by the new government to spur growth, and the Fund was able to take advantage.

The Fund's largest asset class, convertible bonds, performed particularly well in this environment, with the exposure to cyclical, health care and technology issuers. Also helping was outperformance of mid-cap and small-cap companies allowing the underlying equities of convertible bond indices to do better than general large-cap equity ones and allowing the structural advantages of convertibles, with low duration and asymmetry via the option in the underlying warrant, to participate in equity gains without as much downside from rising bond yields.

How did the Fund perform in this environment?

All Fund returns cited—whether based on net asset value (“NAV”) or market price—assume the reinvestment of all distributions. For the 12-month period ended October 31, 2013, the Fund generated a total return based on market price of 12.90% and a return of 22.09% based on NAV. As of October 31, 2013, the Fund's market price of \$17.81 represented a



QUESTIONS & ANSWERS continued (Unaudited)

October 31, 2013

discount of 9.87% to NAV of \$19.76. As of October 31, 2012, the Fund's market price of \$16.84 represented a discount of 2.04% to NAV of \$17.19.

Past performance is not a guarantee of future results. The Fund's NAV performance data reflects fees and expenses of the Fund. The market price of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV. The Investment Adviser believes that, over the long term, the progress of the NAV will be reflected in the market price return to shareholders who continue to hold over that period.

How has the Fund's leverage strategy affected performance?

The Fund utilizes leverage as part of its investment strategy, to finance the purchase of additional securities that provide increased income and potentially greater appreciation potential to common shareholders than could be achieved from a portfolio that is not leveraged. Leverage in the Fund was a contributor to performance for the period. The Fund's leverage outstanding as of October 31, 2013, was \$262 million, approximately 36% of the Fund's total managed assets. There is no guarantee that the Fund's leverage strategy will be successful, and the Fund's use of leverage may cause the Fund's NAV and market price of common shares to be more volatile. Leverage adds value only when the return on securities purchased exceeds the cost of leverage.

What was the impact of the Fund's covered call strategy?

The Fund continued its strategy of seeking income through writing call options against equity and the equity portion of convertible bond holdings. With a strong equity market apparent in 2013 and volatility low, the Fund limited the writing of these options, seeing in general the income garnered not worth the upside signed away. The Fund also wrote options with longer maturities and higher strikes as another tactic to allow for more equity upside while still protecting downside should market corrections occur. In general, this strategy was beneficial as there was no period where the CBOE SPX Volatility Index (VIX) went above 20 during the year, a departure from prior years when sell-offs would generally produce spikes well above 20.

How did other market measures perform in this environment?

For the 12-month period ended October 31, 2013, the S&P 500 Index returned 27.18%. Global equities were equally strong, with the Morgan Stanley Capital International World Index returning 25.77%.

Many bond indices also delivered positive returns during the 12 months ended October 31, 2013, with measures of riskier parts of the market leading the pack. The return of the Bank of America Merrill Lynch High Yield Master II Index was 8.83%. The returns of the Bank of America Merrill Lynch All U.S. Convertibles Index and the Bank of America Merrill Lynch Global 300 Convertible Index were 23.94% and 17.68%, respectively. The Barclays U.S. Aggregate Bond Index (the "Barclays Aggregate") fell 1.08% for the period.

The CBOE S&P 500 2% OTM Buy Write Index (BXY) returned 13.90%. It is important to remember that the Fund's mandate differs materially from each of these indices and that the Fund maintains leverage and incurs transaction costs, advisory fees and other expenses, while these indices do not.

Please discuss the Fund's distributions.

In each month from November 2012 through October 2013, the Fund paid a monthly distribution of \$0.0939 per share. The current monthly distribution represents an annualized distribution rate of 6.33% based upon the last closing market price of \$17.81 as of October 31, 2013. There is no guarantee of any future distributions or that the current returns and distribution rate will be maintained.

How was the Fund's portfolio allocated among asset classes during the 12 months ended October 31, 2013, and how did this influence performance?

The Fund is diversified globally among convertible securities, high-yield bonds and equities.

As of October 31, 2012, 64.4% of the Fund's total investments were in convertible securities. High yield bonds represented 29.9% and equity positions 2.6% of total investments. The rest, 3.1%, was in cash and other investments.

As of October 31, 2013, 68.9% of the Fund's total investments were in convertible securities. High yield bonds represented 20.7% and equity positions 6.3% of total investments. The rest, 4.1%, was in cash and other investments.

Advent increased exposure to convertible and equity securities relative to high yield securities due to our belief equity markets would provide greater returns relative to bonds in a recovering economy. This view seemed to be confirmed as risk-free rates began rising in the second half of the fiscal year and the returns of convertibles and equities outpaced the return for high yield bonds for the period.

Which investment decisions had the greatest effect on the Fund's performance?

Among top-performing investments were the convertible bonds of Micron Technology (2.0% of long-term investments at period end). The memory-chip company benefited from greater use of its products in smartphones and tablets and the accretive acquisition of bankrupt competitor Elpida Memory, Inc.

The convertible bond of Gilead Sciences (1.8% of long-term investments at period end) was another large contributor to return. Gilead Sciences was a steady performer all year, benefiting its convertible bonds, as the company had produced consistently good data and execution of its new hepatitis C drug, Sofosbuvir.

Convertible bonds of Ciena Corp. (1.4% of long-term investments at period end) also contributed to return. The company's financial condition improved over the year, as its revenues climbed and margins improved. It has benefited from greater spending by telecom companies and growth of the market for fiber-optic communications equipment.

Holdings that detracted from the Fund's performance included convertible bonds of iron ore miner Cliffs Natural Resources (not held in the portfolio at period end), which declined on lower prices for its commodity, because of higher competitive exports out of China and stagnant emerging market demand.

QUESTIONS & ANSWERS continued (Unaudited)

October 31, 2013

A second large detractor was the convertible bond of Newmont Mining Corp., the world's second-largest gold producer (0.6% of long-term investments at period end). The company has struggled to keep production costs under control in the face of slumping gold prices.

Another detractor from performance was the convertible bond of voice and health care software maker Nuance Communications (1.5% of long-term investments at period end). It had losses as growth slowed, with carriers more cautious about a second phase of investment in voice-enabled applications. Activist involvement in the company may presage a recovery in 2014.

Have there been any changes to the Fund's investment guidelines?

The Commodity Futures Trading Commission ("CFTC") recently amended its Rule 4.5, which excludes the Investment Adviser and the Investment Manager from registration as a commodity pool operator provided certain requirements are met. In order to permit the Investment Adviser and the Investment Manager to continue to claim this exclusion under the amended rule, beginning on January 1, 2013, the Fund limited its trading activity in futures, options on futures and swaps (excluding activity for "bona fide hedging purposes," as defined under CFTC regulations) such that either:

- the aggregate initial margin and premiums required to establish its futures, options on futures and swaps did not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and losses on such positions; or
- the aggregate net notional value of its futures, options on futures and swaps did not exceed 100% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and losses on such positions.

The Fund and the Investment Manager do not believe that complying with the amended rule limits the Fund's ability to use futures, options and swaps in the manner needed to effectively manage the portfolio.

Do you have any other comments about the markets and the Fund?

The Fund is facing a period in which equity markets attempt to sustain the strong earnings multiple expansion of the previous year, and both bond and equity markets look to actions of a new Federal Reserve Chairperson for clues on market money flows. The effect of health care reform and government budget trimming could be headwinds, but economic growth figures have easy comparisons after sluggish results in 2012 on lower retail spending and the effect of the first budget sequestration and tax increases on high-income earners.

Also, the international environment may be a source of opportunities, with monetary authorities looking to inject more stimuli in Europe, more fiscal and monetary stimulus likely in Japan, and new leadership managing economic growth in China. Wildcards exist with volatile commodity prices and in countries with similar sluggish economies but governments under political pressure, such as in Brazil and also in India, where elections loom in spring 2014.

The Investment Adviser views this Fund as opportunistic given its mandate to invest across corporate capital structures from loans to high-yield to convertibles to equity, and will continue to use its expansive research staff to find appropriate opportunities across the globe.

Index Definitions

Indices are unmanaged and do not experience fees, expenses or transaction costs, and it is not possible to invest directly in an index.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

Bank of America Merrill Lynch All U.S. Convertibles Index is comprised of approximately 500 issues of convertible bonds and preferred stock of all qualities.

Bank of America Merrill Lynch Global 300 Convertible Index measures the performance of convertible securities of issuers throughout the world.

The Barclays U.S. Aggregate Bond Index covers the U.S. dollar-denominated, investment-grade, fixed rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), asset-backed securities and collateralized mortgage-backed securities sectors.

Bank of America Merrill Lynch High Yield Master II Index is a commonly used benchmark index for high yield corporate bonds. It is a measure of the broad high yield market.

The CBOE S&P 500 2% OTM BuyWrite Index (BXY) uses the same methodology as the widely accepted CBOE S&P 500 BuyWrite Index (BXM), but the BXY Index is calculated using out-of-the-money S&P 500 Index (SPX) call options, rather than at-the-money SPX call options. The BXY strategy diversifies the buy-write opportunities currently provided by the BXM. The BXY Index yields lower monthly premiums in return for a greater participation in the upside moves of the S&P 500.

VIX is the ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. It is a weighted blend of prices for a range of options on the S&P 500 index.

#### AVK Risks and Other Considerations

The views expressed in this report reflect those of the Portfolio Managers only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any kind. The material may also contain forward-looking statements that involve risk and uncertainty, and there is no guarantee they will come to pass. There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. The Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Past performance does not guarantee future results.

Please see [guggenheiminvestments.com/avk](http://guggenheiminvestments.com/avk) for a detailed discussion of the Fund's risks and considerations.

## FUND SUMMARY (Unaudited)

October 31, 2013

## Fund Statistics

Share Price	\$17.81
Common Share Net Asset Value	\$19.76
Premium/Discount to NAV	-9.87%
Net Assets (\$000)	\$466,031

## Total Returns

(Inception 4/30/03)	Market		NAV	
One Year	12.90	%	22.09	%
Three Year – average annual	7.48	%	8.34	%
Five Year – average annual	15.36	%	18.08	%
Ten Year – average annual	5.82	%	5.82	%
Since Inception – average annual	5.87	%	6.80	%

	% of Long-Term Investments	
Top Ten Industries		
Telecommunications	10.1	%
Oil & Gas	7.6	%
Pharmaceuticals	7.5	%
Real Estate Investment Trusts	7.4	%
Health Care Products	5.7	%
Internet	5.6	%
Semiconductors	5.1	%
Banks	4.2	%
Biotechnology	3.4	%
Mining	3.3	%

	% of Long-Term Investments	
Top Ten Issuers		
Hologic, Inc.	2.7	%
Clearwire Communications, LLC / Clearwire Finance, Inc.	2.2	%
Micron Technology, Inc.	2.0	%
Alcatel-Lucent, Inc.	2.0	%
Chesapeake Energy Corp.	1.9	%
Gilead Sciences, inc.	1.8	%
BioMarin Pharmaceutical, Inc.	1.7	%
EMC Corp.	1.7	%
WebMD Health Corp.	1.6	%
SL Green Operating Partnership, LP	1.5	%

Past performance does not guarantee future results and does not reflect the deduction of taxes that a shareholder would pay on fund distributions. NAV performance data reflects fees and expenses of the Fund. All portfolio data is subject to change daily. For more current information, please visit [guggenheiminvestments.com/avk](http://guggenheiminvestments.com/avk). The above summaries are provided for informational purposes only and should not be viewed as recommendations.

Country Breakdown (% of Total Investments)

United States	82.0	%
Cayman Islands	2.8	%
Luxembourg	2.5	%
France	1.9	%
Jersey	1.7	%
United Kingdom	1.6	%
Japan	1.5	%
Singapore	1.0	%
British Virgin Islands	0.9	%
South Korea	0.7	%
Mexico	0.6	%
Marshall Islands	0.6	%
Canada	0.4	%
Australia	0.3	%
Netherlands	0.3	%
Austria	0.2	%
Bermuda	0.2	%
China	0.2	%
Germany	0.2	%
United Arab Emirates	0.1	%
Italy	0.1	%
Malaysia	0.1	%
Bahamas	0.1	%

Subject to change daily.

## PORTFOLIO OF INVESTMENTS

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Long-Term Investments – 148.9%					
	Convertible Bonds – 100.5%					
	Aerospace & Defense – 0.3%					
1,301,000	L-3 Communications Holdings, Inc.(a)	BB+	3.000%	08/01/2035	11/25/13 @ \$ 100	1,491,271
	Airlines – 0.1%					
155,000	United Airlines, Inc.	B	4.500%	01/15/2015	N/A	288,397
	Apparel – 0.1%					
EUR 200,000	Adidas AG, Series ADS (Germany)	NR	0.250%	06/14/2019	N/A	341,289
222,000	Iconix Brand Group, Inc.(a) (b)	NR	1.500%	03/15/2018	N/A	285,270
						626,559
	Auto Manufacturers – 1.1%					
2,816,000	Navistar International Corp.(a) (c)	CCC–	3.000%	10/15/2014	N/A	2,905,760
1,563,000	Navistar International Corp.(b)	CCC–	4.500%	10/15/2018	N/A	1,581,561
EUR 400,000	Volkswagen International Finance NV (Netherlands)(b)	BBB	5.500%	11/09/2015	N/A	634,513
						5,121,834
	Auto Parts & Equipment – 1.4%					
EUR 2,687,000	Faurecia, Series EO (France)	B3	3.250%	01/01/2018	N/A	974,884
5,905,000	Meritor, Inc.(a) (d)	B–	4.000%	02/15/2027	02/15/19 @ 100	5,443,672
						6,418,556
	Banks – 0.1%					
400,000	National Bank of Abu Dhabi PJSC, Series NBAD (United Arab Emirates)	AA–	1.000%	03/12/2018	N/A	431,210
	Biotechnology – 5.0%					
6,637,000	Cubist Pharmaceuticals, Inc.(a) (b)	NR	1.125%	09/01/2018	N/A	7,192,849
3,948,000	Gilead Sciences, Inc., Series C(a)	A–	1.000%	05/01/2014	N/A	12,453,473
1,111,000	InterMune, Inc.(a)	NR	2.500%	12/15/2017	N/A	1,464,437
2,839,000	Merrimack Pharmaceuticals, Inc.(a)	NR	4.500%	07/15/2020	N/A	2,173,609
						23,284,368
	Building Materials – 1.0%					
3,831,000	Cemex SAB de CV (Mexico)(a)	NR	4.875%	03/15/2015	N/A	4,443,960
	Commercial Services – 0.1%					
	Park24 Co. Ltd. (Japan)(e)	NR	0.000%	04/26/2018	N/A	430,028

JPY						
40,000,000						
Computers – 4.4%						
EUR 690,000	AtoS, Series ATOS (France)	NR	1.500%	07/01/2016	N/A	601,970
EUR 2,999	Capital Gemini SA, Series CAP (France)(e)	BBB	0.000%	01/01/2019	N/A	298,357
7,665,000	EMC Corp., Series B(a)	A	1.750%	12/01/2013	N/A	11,588,560
EUR 356,500	Ingenico, Series ING (France)	NR	2.750%	01/01/2017	N/A	288,063
7,683,000	SanDisk Corp.(a) (b)	BB	0.500%	10/15/2020	N/A	7,865,471
						20,642,421
Diversified Financial Services – 0.5%						
414,000	Air Lease Corp.	NR	3.875%	12/01/2018	N/A	535,095
700,000	Hong Kong Exchanges and Clearing Ltd. (China)	NR	0.500%	10/23/2017	N/A	749,000
290,000	Portfolio Recovery Associates, Inc.(b)	NR	3.000%	08/01/2020	N/A	340,750
HKD 1,240,000	Power Regal Group Ltd. (British Virgin Islands)	NR	2.250%	06/02/2014	N/A	232,468
645,000	Walter Investment Management Corp.(a)	NR	4.500%	11/01/2019	N/A	673,622
						2,530,935

See notes to financial statements.

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Electric – 0.1%					
CNY 2,200,000	China Power International Development Ltd. (China)	NR	2.250%	05/17/2016	N/A \$	524,506
	Electronics – 0.7%					
2,750,000	TPK Holding Co. Ltd., Series REGS (Cayman Islands)(e)	NR	0.000%	10/01/2017	N/A	2,585,000
283,000	Vishay Intertechnology, Inc.(b)	BB+	2.250%	11/15/2040	N/A	283,884
JPY 20,000,000	Yaskawa Electric Corp. (Japan)(e)	NR	0.000%	03/16/2017	N/A	266,283
						3,135,167
	Energy-Alternate Sources – 1.3%					
5,341,000	SolarCity Corp.(c)	NR	2.750%	11/01/2018	N/A	6,145,488
	Engineering & Construction – 0.1%					
400,000	YTL Corp. Finance Labuan Ltd. (Malaysia)	NR	1.875%	03/18/2015	N/A	437,000
	Food – 0.6%					
GBP 1,550,000	J Sainsbury PLC (United Kingdom)	NR	4.250%	07/16/2014	N/A	2,676,999
	Gas – 0.3%					
1,250,000	ENN Energy Holdings Ltd. (Cayman Islands)(e)	NR	0.000%	02/26/2018	N/A	1,479,688
	Hand & Machine Tools – 0.8%					
EUR 500,000	KUKA AG, Series KU2 (Germany)	NR	2.000%	02/12/2018	N/A	789,665
JPY 240,000,000	OSG Corp. (Japan)(e)	NR	0.000%	04/04/2022	N/A	2,976,455
						3,766,120
	Health Care Products – 8.2%					
7,804,000	HeartWare International, Inc.(a)	NR	3.500%	12/15/2017	N/A	8,652,685
HKD 25,000,000	Hengan International Group Co. Ltd. (Cayman Islands)(e)	NR	0.000%	06/27/2018	N/A	3,450,255
9,750,000	Hologic, Inc.(a) (d) (f)	B+	2.000%	12/15/2037	06/15/14 @ 101	9,756,143
4,857,000	Hologic, Inc., Series 2010(a) (d) (g)	B+	2.000%	12/15/2037	12/15/16 @ 100	5,713,046
2,999,000	Hologic, Inc., Series 2012(a) (d) (h)	B+	2.000%	03/01/2042	03/06/18 @ 100	3,143,327
2,787,000	Volcano Corp.(a)	NR	1.750%	12/01/2017	N/A	2,698,164

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3,807,000	Wright Medical Group, Inc.(a)	NR	2.000%	08/15/2017	N/A	4,806,338
						38,219,958
Health Care Services – 2.0%						
225,000	Brookdale Senior Living, Inc.	NR	2.750%	06/15/2018	N/A	273,516
7,481,000	LifePoint Hospitals, Inc.(a)	B	3.500%	05/15/2014	N/A	8,121,560
504,000	Molina Healthcare, Inc.(a) (b)	NR	1.125%	01/15/2020	N/A	515,655
225,000	WellPoint, Inc.(b)	A–	2.750%	10/15/2042	N/A	293,344
						9,204,075
Holding Companies-Diversified – 0.2%						
400,000	Giant Great Ltd. (British Virgin Islands)	NR	3.000%	07/21/2016	N/A	509,600
400,000	Siem Industries, Inc., Series SUBC (Cayman Islands)	NR	1.000%	09/12/2019	N/A	426,360
						935,960
Home Builders – 2.8%						
4,780,000	Lennar Corp.(a) (b)	BB–	2.000%	12/01/2020	12/02/13 @ 100	6,130,350
1,563,000	Lennar Corp.(b)	BB–	3.250%	11/15/2021	11/20/16 @ 100	2,617,048
2,787,000	Ryland Group, Inc.(a)	BB–	1.625%	05/15/2018	N/A	4,089,923
						12,837,321
Household Products & Housewares – 0.1%						
580,000	Jarden Corp.(a) (b)	BB–	1.500%	06/15/2019	N/A	664,100
Insurance – 1.9%						
6,102,000	Radian Group, Inc.(a)	B–	3.000%	11/15/2017	N/A	8,889,851

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## PORTFOLIO OF INVESTMENTS continued

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Internet – 7.0%					
360,000	BroadSoft, Inc.	NR	1.500%	07/01/2018	N/A	\$ 391,725
7,290,000	Ctrip.com International Ltd. (Cayman Islands)(b) (c)	NR	1.250%	10/15/2018	N/A	7,604,381
4,171,000	Equinix, Inc.(a)	B+	3.000%	10/15/2014	N/A	6,071,412
5,549,000	priceline.com, Inc.(a) (c)	BBB	1.000%	03/15/2018	N/A	7,376,702
11,300,000	WebMD Health Corp.(a)	NR	2.500%	01/31/2018	N/A	11,102,250
						32,546,470
	Investment Companies – 1.3%					
EUR 200,000	Aabar Investments PJSC, Series REGS (United Arab Emirates)	NR	4.000%	05/27/2016	N/A	318,531
5,400,000	Billion Express Investments Ltd. (British Virgin Islands)	NR	0.750%	10/18/2015	N/A	5,644,350
						5,962,881
	Iron & Steel – 2.4%					
1,045,000	Allegheny Technologies, Inc.	BBB–	4.250%	06/01/2014	N/A	1,083,534
410,297	ArcelorMittal, Series MTUS (Luxembourg)(a) (c)	B+	6.000%	01/15/2016	N/A	9,936,901
						11,020,435
	Lodging – 1.0%					
3,960,000	MGM Resorts International(a) (c)	B+	4.250%	04/15/2015	N/A	4,860,900
	Machinery-Diversified – 0.4%					
111,000	AGCO Corp.(a)	BB+	1.250%	12/15/2036	12/19/13 @ 100	159,771
JPY 31,000,000	Ebara Corp., Series 6 (Japan)(e)	NR	0.000%	03/19/2018	N/A	404,393
JPY 100,000,000	IHI Corp. (Japan)(e)	NR	0.000%	03/29/2016	N/A	1,503,669
						2,067,833
	Media – 1.8%					
336,000	Liberty Interactive, LLC(b)	BB	0.750%	03/30/2043	04/05/23 @ 100	403,200
5,703,000	Liberty Interactive, LLC(a) (b)	BB	1.000%	09/30/2043	10/05/16 @ 100	5,877,654
2,172,000	Liberty Media Corp.(b)	NR	1.375%	10/15/2023	N/A	2,290,103
						8,570,957
	Metal Fabricate & Hardware – 0.1%					
375,000	RTI International Metals, Inc.	NR	1.625%	10/15/2019	N/A	404,531

Mining – 3.9%							
5,100,000	Glencore Finance Europe SA (Luxembourg)	BBB	5.000%	12/31/2014		N/A	6,033,300
3,583,000	Newmont Mining Corp., Series B(a)	BBB	1.625%	07/15/2017		N/A	3,887,555
8,705,000	Royal Gold, Inc.(a)	NR	2.875%	06/15/2019		N/A	8,318,716
							18,239,571
Oil & Gas – 4.4%							
7,683,000	Chesapeake Energy Corp.(a)	BB–	2.250%	12/15/2038	12/15/18 @ 100		7,274,841
7,162,000	Cobalt International Energy, Inc.(a)	NR	2.625%	12/01/2019		N/A	7,354,479
500,000	Lukoil International Finance BV (Netherlands)	BBB	2.625%	06/16/2015		N/A	559,250
2,505,000	Premier Oil Finance Jersey Ltd., Series PMO (Jersey)	NR	2.500%	07/27/2018		N/A	2,951,140
300,000	Seadrill Ltd. (Bermuda)	NR	3.375%	10/27/2017		N/A	496,950
1,698,000	Stone Energy Corp.(a)	B–	1.750%	03/01/2017		N/A	1,864,616
							20,501,276
Oil & Gas Services – 2.2%							
4,374,000	Hornbeck Offshore Services, Inc.(a)	BB–	1.500%	09/01/2019		N/A	5,552,246
EUR 3,538,000	Technip SA, Series TEC (France)	BBB+	0.500%	01/01/2016		N/A	4,698,506
							10,250,752

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
Pharmaceuticals – 10.8%						
2,760,000	Array BioPharma, Inc.(a)	NR	3.000%	06/01/2020	N/A	\$ 2,903,175
2,961,000	Auxilium Pharmaceuticals, Inc.(a)	NR	1.500%	07/15/2018	N/A	3,038,726
11,713,000	BioMarin Pharmaceutical, Inc.(a)	NR	1.500%	10/15/2020	N/A	12,079,031
1,288,000	Isis Pharmaceuticals, Inc.(a)	NR	2.750%	10/01/2019	N/A	2,746,660
2,637,000	Medivation, Inc.(a)	NR	2.625%	04/01/2017	N/A	3,733,003
112,000	Pacira Pharmaceuticals, Inc.(b)	NR	3.250%	02/01/2019	N/A	241,500
4,285,000	Salix Pharmaceuticals Ltd.(a)	NR	1.500%	03/15/2019	N/A	5,632,097
316,000,000	JPY Sawai Pharmaceutical Co. Ltd. (Japan)(e)	NR	0.000%	09/17/2015	N/A	4,905,392
3,135,000	Shire PLC, Series SHP (Jersey)	NR	2.750%	05/09/2014	N/A	4,285,545
4,263,000	Theravance, Inc.(a)	NR	2.125%	01/15/2023	N/A	6,450,452
4,837,000	Vivus, Inc.(a) (b)	NR	4.500%	05/01/2020	N/A	4,386,555
						50,402,136
Real Estate – 3.3%						
EUR 400,000	BENI Stabili SpA, REIT (Italy)	NR	3.375%	01/17/2018	N/A	579,908
9,500,000	SGD CapitalLand Ltd., Series REGS (Singapore)	NR	1.850%	06/19/2020	N/A	7,333,615
6,149,000	Forest City Enterprises, Inc.(a) (b)	BB-	3.625%	08/15/2020	08/15/18 @ 100	6,548,685
EUR 90,455	IMMOFINANZ AG (Austria)	NR	4.250%	03/08/2018	N/A	571,655
GBP 200,000	Unite Jersey Issuer Ltd., Series UTG (Jersey)	NR	2.500%	10/10/2018	N/A	330,444
						15,364,307
Real Estate Investment Trusts – 9.8%						
8,746,000	Annaly Capital Management, Inc.(a)	NR	5.000%	05/15/2015	N/A	8,904,521
1,538,000	BioMed Realty, LP(a) (b)	NR	3.750%	01/15/2030	01/21/15 @ 100	1,852,329
9,868,000	Boston Properties, LP(a) (b)	A-	3.625%	02/15/2014	N/A	10,009,852
293,000	DDR Corp.	BBB-	1.750%	11/15/2040	11/20/15 @ 100	348,670
GBP 300,000	Derwent London Capital Jersey Ltd. (Jersey)	BBB	2.750%	07/15/2016	N/A	596,692
2,000,000	GBP Derwent London Capital No. 2 Jersey Ltd., Series DLN (Jersey)	BBB	1.125%	07/24/2019	N/A	3,259,151
GBP 300,000	Great Portland Estates Capital Jersey Ltd., Series GPOR (Jersey)	NR	1.000%	09/10/2018	N/A	498,512
272,000	Host Hotels & Resorts, LP(a) (b)	BBB-	2.500%	10/15/2029	10/20/15 @ 100	396,440
727,000	NorthStar Realty Finance, LP(b)	NR	5.375%	06/15/2033	06/15/23 @ 100	748,356
304,000	Pennymac Corp.(b)	NR	5.375%	05/01/2020	N/A	296,210

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2,603,000	ProLogis, LP	BBB	3.250%	03/15/2015	N/A	3,056,898
8,400,000	SL Green Operating Partnership, LP(a) (b)	BB+	3.000%	10/15/2017	N/A	10,704,750
4,608,000	Starwood Property Trust, Inc.(a)	BB-	4.000%	01/15/2019	N/A	4,944,960
						45,617,341
	Retail – 0.1%					
253,000	Group 1 Automotive, Inc.(d)	BB	2.250%	06/15/2036	06/15/16 @ 100	303,758
EUR 208,047	Rallye SA, Series COFP (France)	NR	1.000%	10/02/2020	N/A	306,613
						610,371
	Semiconductors – 6.8%					
7,602,000	Advanced Micro Devices, Inc.(a)	B	6.000%	05/01/2015	N/A	7,934,588
320,000	Microchip Technology, Inc.	NR	2.125%	12/15/2037	N/A	532,800
2,901,000	Micron Technology, Inc.	BB-	1.875%	06/01/2014	N/A	3,725,972
5,504,000	Micron Technology, Inc., Series A(a) (c)	NR	1.500%	08/01/2031	08/05/15 @ 100	10,371,600
183,000	Novellus Systems, Inc.	BBB	2.625%	05/15/2041	N/A	305,724
357,000	ON Semiconductor Corp., Series B	BB+	2.625%	12/15/2026	12/20/16 @ 100	387,122
3,000,000	Semiconductor Manufacturing International Corp., Series REGS (Cayman Islands)(e)	NR	0.000%	11/07/2018	N/A	3,067,365

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Principal Amount~	Description	Rating *	Coupon	Maturity	Optional Call Provisions**	Value
<b>Semiconductors (continued)</b>						
4,100,000	SK Hynix, Inc. (South Korea)	NR	2.650%	05/14/2015	N/A	\$ 4,807,250
406,000	Xilinx, Inc.(a)	BBB+	2.625%	06/15/2017	N/A	647,570
						31,779,991
<b>Software – 4.2%</b>						
4,463,000	Allscripts Healthcare Solutions, Inc.(a) (b)	NR	1.250%	07/01/2020	N/A	4,744,727
251,000	Cornerstone OnDemand, Inc.(b)	NR	1.500%	07/01/2018	N/A	286,611
3,476,000	Electronic Arts, Inc.(a)	NR	0.750%	07/15/2016	N/A	3,871,395
9,995,000	Nuance Communications, Inc.(a)	BB-	2.750%	08/15/2027	08/20/14 @ 100	10,532,231
150,000	Salesforce.com, Inc.(b)	BB	0.250%	04/01/2018	N/A	164,062
						19,599,026
<b>Telecommunications – 7.7%</b>						
EUR 1,566,050	Alcatel-Lucent, Series ALU (France)	CCC+	4.250%	07/01/2018	N/A	6,908,747
6,401,000	Ciena Corp.(a)	B	0.875%	06/15/2017	N/A	6,657,040
404,000	Ciena Corp.(a) (b)	B	3.750%	10/15/2018	N/A	576,710
1,562,000	Ciena Corp.	NR	4.000%	12/15/2020	N/A	2,271,734
13,184,000	Clearwire Communications, LLC / Clearwire Finance, Inc.(a) (b)	NR	8.250%	12/01/2040	12/01/17 @ 100	15,095,680
355,000	Ixia	NR	3.000%	12/15/2015	N/A	398,487
1,302,000	JDS Uniphase Corp.(b)	NR	0.625%	08/15/2033	08/20/18 @ 100	1,372,796
JPY 20,000,000	KDDI Corp. (Japan)(e)	NR	0.000%	12/14/2015	12/16/13 @ 100	378,504
1,302,000	Level 3 Communications, Inc.(a)	CCC+	6.500%	10/01/2016	N/A	2,166,202
						35,825,900
<b>Transportation – 0.1%</b>						
JPY 20,000,000	Yamato Holdings Co. Ltd. (Japan)(e)	NR	0.000%	03/07/2016	N/A	257,058
<b>Total Convertible Bonds – 100.5%</b> (Cost \$442,290,017)						468,507,508
<b>Corporate Bonds – 32.0%</b>						
<b>Aerospace &amp; Defense – 0.2%</b>						
625,000	Kratos Defense & Security Solutions, Inc.(a)	B	10.000%	06/01/2017	06/01/14 @ 105	684,375

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Auto Manufacturers – 0.6%						
1,250,000	Allied Specialty Vehicles, Inc.(b)	B+	8.500%	11/01/2019	11/01/16 @ 104	1,256,250
1,250,000	Chrysler Group, LLC / CG Co.-Issuer, Inc.(a)	B	8.250%	06/15/2021	06/15/16 @ 104	1,420,312
						2,676,562
Auto Parts & Equipment – 1.0%						
1,075,000	Dana Holding Corp.(a)	BB	6.750%	02/15/2021	02/15/16 @ 103	1,174,437
1,000,000	Goodyear Tire & Rubber Co.(a)	B+	8.250%	08/15/2020	08/15/15 @ 104	1,135,000
500,000	Pittsburgh Glass Works, LLC(a) (b)	B	8.500%	04/15/2016	04/15/14 @ 102	524,700
300,000	Titan International, Inc.(b)	B+	6.875%	10/01/2020	10/01/16 @ 105	309,000
1,250,000	TRW Automotive, Inc.(a) (b)	BBB–	4.500%	03/01/2021	N/A	1,281,250
						4,424,387
Banks – 5.1%						
5,214,000	Ally Financial, Inc.(a)	B+	4.625%	06/26/2015	N/A	5,454,923
1,450,000	Ally Financial, Inc.(a)	B+	7.500%	09/15/2020	N/A	1,701,937
975,000	CIT Group, Inc.(a) (b)	BB–	5.500%	02/15/2019	N/A	1,060,313
9,769,000	Emigrant Bancorp, Inc.(a) (b)	B–	6.250%	06/15/2014	N/A	9,964,380
5,334,000	Synovus Financial Corp.(a)	B+	5.125%	06/15/2017	N/A	5,467,350
						23,648,903

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## PORTFOLIO OF INVESTMENTS continued

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
<b>Building Materials – 0.2%</b>						
1,050,000	Boise Cascade Co.(a)	B+	6.375%	11/01/2020	11/01/15 @ \$ 105	1,102,500
<b>Chemicals – 1.8%</b>						
1,250,000	Ashland, Inc.(a)	BB	4.750%	08/15/2022	05/15/22 @ 100	1,206,250
1,250,000	Celanese US Holdings, LLC(a)	BB+	4.625%	11/15/2022	N/A	1,232,812
1,250,000	Cornerstone Chemical Co., Series AI(a)	B–	9.375%	03/15/2018	03/15/15 @ 107	1,312,500
625,000	Phibro Animal Health Corp.(a) (b)	B	9.250%	07/01/2018	07/01/14 @ 105	676,562
625,000	Rain CII Carbon, LLC / CII Carbon Corp.(b)	BB–	8.250%	01/15/2021	01/15/16 @ 106	648,438
1,250,000	Rockwood Specialties Group, Inc.(a)	BB+	4.625%	10/15/2020	10/15/15 @ 103	1,290,625
625,000	Tronox Finance, LLC(a)	BB–	6.375%	08/15/2020	08/15/15 @ 105	640,625
1,275,000	Vertellus Specialties, Inc.(a) (b)	CCC+	9.375%	10/01/2015	10/01/14 @ 100	1,244,719
						8,252,531
<b>Coal – 0.2%</b>						
751,000	SunCoke Energy, Inc.(a)	B+	7.625%	08/01/2019	08/01/14 @ 106	809,203
<b>Commercial Services – 0.7%</b>						
925,000	ADT Corp.(a) (b)	BB–	6.250%	10/15/2021	N/A	982,812
925,000	Cenveo Corp.(a)	CCC+	8.875%	02/01/2018	02/01/14 @ 104	936,562
1,250,000	Prospect Medical Holdings, Inc.(a) (b)	B–	8.375%	05/01/2019	05/01/15 @ 106	1,348,438
						3,267,812
<b>Computers – 0.3%</b>						
1,250,000	Seagate HDD Cayman (Cayman Islands)(a) (b)	BBB–	4.750%	06/01/2023	N/A	1,221,875
<b>Diversified Financial Services – 0.4%</b>						
625,000	Denali Borrower, LLC / Denali Finance Corp.(b)	BB+	5.625%	10/15/2020	10/15/16 @ 104	620,312
250,000	Nationstar Mortgage, LLC / Nationstar Capital Corp.	B+	6.500%	08/01/2018	08/01/15 @ 103	260,000
150,000		B+	7.875%	10/01/2020		161,062

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	Nationstar Mortgage, LLC / Nationstar Capital Corp.(a)				10/01/16 @ 104	
825,000	Nationstar Mortgage, LLC / Nationstar Capital Corp.(a)	B+	6.500%	07/01/2021	01/01/17 @ 103	814,688
						1,856,062
	Electrical Components & Equipment – 0.1%					
625,000	International Wire Group Holdings, Inc.(a) (b)	B	8.500%	10/15/2017	10/15/15 @ 104	667,188
	Engineering & Construction – 0.2%					
1,077,000	MasTec, Inc.	BB–	4.875%	03/15/2023	03/15/18 @ 102	1,029,881
	Entertainment – 0.1%					
644,000	Six Flags Entertainment Corp.(a) (b)	BB–	5.250%	01/15/2021	01/15/16 @ 104	634,340
	Environmental Control – 0.5%					
1,250,000	Casella Waste Systems, Inc.	CCC	7.750%	02/15/2019	02/15/15 @ 104	1,268,750
1,250,000	Clean Harbors, Inc.(a)	BB+	5.125%	06/01/2021	12/01/16 @ 103	1,273,437
						2,542,187
	Food – 0.5%					
1,500,000	Land O’Lakes Capital Trust I(a) (b)	BB	7.450%	03/15/2028	N/A	1,477,500
950,000	Marfrig Holding Europe BV (Netherlands)(a) (b)	B	9.875%	07/24/2017	01/24/16 @ 105	953,563
						2,431,063
	Forest Products & Paper – 0.9%					
1,200,000	Appvion, Inc.(a)	CCC+	11.250%	12/15/2015	N/A	1,368,000
925,000	Catalyst Paper Corp. (Canada)(a) (i)	NR	11.000%	10/30/2017	12/15/13 @ 100	531,875
300,000	Neenah Paper, Inc.(b)	BB–	5.250%	05/15/2021	05/15/16 @ 104	293,250
1,200,000	Sappi Papier Holding GmbH (Austria)(a) (b)	BB	6.625%	04/15/2021	04/15/16 @ 103	1,134,000

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Forest Products & Paper (continued)					
300,000	Tembec Industries, Inc. (Canada)	CCC+	11.250%	12/15/2018	12/15/14 @ \$ 106	329,250
325,000	Verso Paper Holdings, LLC / Verso Paper, Inc.	B+	11.750%	01/15/2019	01/15/15 @ 109	338,000
						3,994,375
	Health Care Products – 0.3%					
1,250,000	Biomet, Inc.(a)	B–	6.500%	08/01/2020	08/01/15 @ 105	1,334,375
	Health Care Services – 2.1%					
1,250,000	Fresenius Medical Care US Finance, Inc.(a) (b)	BB+	5.750%	02/15/2021	N/A	1,328,125
2,575,000	HCA Holdings, Inc.(a)	B–	7.750%	05/15/2021	11/15/15 @ 104	2,826,063
1,875,000	Health Net, Inc.(a)	BB	6.375%	06/01/2017	N/A	2,010,938
625,000	HealthSouth Corp.(a)	BB–	8.125%	02/15/2020	02/15/15 @ 104	691,406
1,250,000	IASIS Healthcare, LLC / IASIS Capital Corp.(a)	CCC+	8.375%	05/15/2019	05/15/14 @ 106	1,331,250
1,625,000	Tenet Healthcare Corp.(a) (b)	B+	6.000%	10/01/2020	N/A	1,721,484
						9,909,266
	Household Products & Housewares – 0.4%					
1,875,000	Reynolds Group Issuer, Inc. / Reynolds Group Issuer, LLC	CCC+	9.000%	04/15/2019	10/15/14 @ 105	2,015,625
	Insurance – 0.1%					
300,000	Fidelity & Guaranty Life Holdings, Inc.(b)	BB–	6.375%	04/01/2021	04/01/16 @ 105	314,250
	Internet – 0.4%					
1,250,000	Equinix, Inc.(a)	BB	5.375%	04/01/2023	04/01/18 @ 103	1,246,875
500,000	NetFlix, Inc.(a) (b)	BB–	5.375%	02/01/2021	N/A	513,750
						1,760,625
	Iron & Steel – 0.3%					
300,000	Commercial Metals Co.	BB+	4.875%	05/15/2023	02/15/23 @ 100	286,500
835,000	Steel Dynamics, Inc.(a)	BB+	6.375%	08/15/2022	08/15/17 @ 103	905,975

1,192,475

## Leisure Time – 0.1%

300,000	Carlson Wagonlit BV (Netherlands)(b)	B+	6.875%	06/15/2019	06/15/15 @ 105	312,000
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## Lodging – 0.3%

900,000	Caesars Entertainment Operating Co., Inc.(a)	B–	8.500%	02/15/2020	02/15/16 @ 104	834,188
522,856	Inn of the Mountain Gods Resort & Casino(b)	NR	9.250%	11/30/2020	10/01/14 @ 107	499,327
16	MTR Gaming Group, Inc.	B–	11.500%	08/01/2019	08/01/15 @ 106	18

1,333,533

Machinery-Construction & Mining –  
0.0%+

150,000	Permian Holdings, Inc.(b)	B–	10.500%	01/15/2018	07/15/15 @ 108	148,875
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## Media – 0.9%

875,000	CCO Holdings, LLC / CCO Holdings Capital Corp.(a)	BB–	6.500%	04/30/2021	04/30/15 @ 105	914,375
625,000	CCO Holdings, LLC / CCO Holdings Capital Corp.	BB–	5.250%	09/30/2022	09/30/17 @ 103	590,625
625,000	Clear Channel Communications, Inc.	CCC+	9.000%	12/15/2019	07/15/15 @ 105	637,500
312,000	Clear Channel Communications, Inc.	CCC+	11.250%	03/01/2021	03/01/16 @ 108	336,570
625,000	DISH DBS Corp.	BB–	5.125%	05/01/2020	N/A	635,937
1,250,000	Starz, LLC / Starz Finance Corp.(a)	BB	5.000%	09/15/2019	09/15/15 @ 103	1,268,750

4,383,757

## Mining – 1.1%

1,250,000	American Gilsonite Co.(a) (b)	B–	11.500%	09/01/2017	09/01/14 @ 109	1,303,125
375,000	Baraminco Finance Pty Ltd. (Australia)(b)	B–	9.000%	06/01/2018	N/A	356,250
960,000	FMG Resources August 2006 Pty Ltd. (Australia)(a) (b)	BB–	8.250%	11/01/2019	11/01/15 @ 104	1,070,400

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Mining (continued)					
1,025,000	FQM Akubra, Inc. (Canada)(a) (b)	B+	8.750%	06/01/2020	06/01/16 @ \$ 104	1,137,750
1,250,000	St Barbara Ltd. (Australia)(a) (b)	B	8.875%	04/15/2018	10/15/15 @ 107	1,062,500
						4,930,025
	Miscellaneous Manufacturing – 0.7%					
925,000	Dispensing Dynamics International(a) (b)	B–	12.500%	01/01/2018	01/01/16 @ 106	985,125
1,250,000	LSB Industries, Inc.(a) (b)	B+	7.750%	08/01/2019	08/01/16 @ 104	1,334,375
1,075,000	Trinseo Materials Operating SCA / Trinseo Materials Finance, Inc. (Luxembourg)(a) (b)	B	8.750%	02/01/2019	08/01/15 @ 104	1,077,688
						3,397,188
	Oil & Gas – 4.9%					
2,542,000	Alta Mesa Holdings, LP / Alta Mesa Finance Services Corp.(a)	B	9.625%	10/15/2018	10/15/14 @ 105	2,719,940
1,100,000	Bill Barrett Corp.(a)	B	7.625%	10/01/2019	10/01/15 @ 104	1,166,000
800,000	BreitBurn Energy Partners, LP / BreitBurn Finance Corp.(a)	B–	7.875%	04/15/2022	01/15/17 @ 104	812,000
1,850,000	Chesapeake Oilfield Operating, LLC / Chesapeake Oilfield Finance, Inc.	BB–	6.625%	11/15/2019	11/15/15 @ 103	1,947,125
400,000	Clayton Williams Energy, Inc.(a)	B–	7.750%	04/01/2019	04/01/15 @ 104	411,000
1,250,000	Clayton Williams Energy, Inc.(b)	B3	7.750%	04/01/2019	04/01/15 @ 104	1,284,375
975,000	Drill Rigs Holdings, Inc. (Marshall Islands)(a) (b)	B	6.500%	10/01/2017	10/01/15 @ 103	1,031,063
175,000	EP Energy, LLC / EP Energy Finance, Inc.(a)	B	9.375%	05/01/2020	05/01/16 @ 105	203,000
300,000	Halcon Resources Corp.	CCC+	9.750%	07/15/2020	07/15/16 @ 105	327,750
30,000	Hercules Offshore, Inc.(b)	B	8.750%	07/15/2021	07/15/17 @ 104	33,150
300,000	Lightstream Resources Ltd. (Canada)(b)	B–	8.625%	02/01/2020	02/01/16 @ 104	302,250
350,000	Midstates Petroleum Co., Inc. / Midstates Petroleum Co., LLC	B–	9.250%	06/01/2021	06/01/16 @ 107	362,250
925,000	Oasis Petroleum, Inc.(a) (b)	B	6.875%	03/15/2022	09/15/17 @ 103	1,003,625

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350,000	Parker Drilling Co.	B+	9.125%	04/01/2018	04/01/14 @	376,250
					105	
1,250,000	PBF Holding Co., LLC / PBF Finance Corp.(a)	BB+	8.250%	02/15/2020	02/15/16 @	1,312,500
					104	
1,503,000	Plains Exploration & Production Co.(a)	BBB	6.125%	06/15/2019	06/15/16 @	1,643,972
					103	
625,000	Plains Exploration & Production Co.(a)	BBB	6.750%	02/01/2022	02/01/17 @	687,783
					103	
1,250,000	QEP Resources, Inc.(a)	BB+	5.250%	05/01/2023	02/01/23 @	1,209,375
					100	
1,450,000	Range Resources Corp.(a)	BB	5.000%	08/15/2022	02/15/17 @	1,455,438
					103	
1,250,000	Samson Investment Co.(a) (b)	CCC+	10.250%	02/15/2020	02/15/16 @	1,356,250
					105	
445,000	SandRidge Energy, Inc.(a)	B-	8.125%	10/15/2022	04/15/17 @	476,150
					104	
625,000	Talos Production, LLC / Talos Production Finance, Inc.(b)	CCC+	9.750%	02/15/2018	02/15/15 @	634,375
					105	
1,250,000	Tesoro Corp.(a)	BB+	5.375%	10/01/2022	10/01/17 @	1,243,750
					103	
250,000	Unit Corp.	BB-	6.625%	05/15/2021	05/15/16 @	262,500
					103	
500,000	W&T Offshore, Inc.(a)	B	8.500%	06/15/2019	06/15/15 @	541,250
					104	
						22,803,121
	Oil & Gas Services – 0.5%					
800,000	Forbes Energy Services Ltd.(a)	B	9.000%	06/15/2019	06/15/15 @	812,000
					105	
1,500,000	SESI, LLC(a)	BBB-	6.375%	05/01/2019	05/01/15 @	1,597,500
					103	
						2,409,500
	Pharmaceuticals – 0.3%					
1,250,000	Valeant Pharmaceuticals International(a) (b)	B	6.375%	10/15/2020	10/15/16 @	1,340,625
					103	
	Pipelines – 0.8%					
500,000	Crosstex Energy, LP / Crosstex Energy Finance Corp.(a)	B+	8.875%	02/15/2018	02/15/14 @	533,125
					104	
1,175,000	Eagle Rock Energy Partners, LP / Eagle Rock Energy Finance Corp.(a)	B	8.375%	06/01/2019	06/01/15 @	1,213,187
					104	
300,000	Genesis Energy, LP / Genesis Energy Finance Corp.	B	5.750%	02/15/2021	02/15/17 @	306,000
					103	
1,250,000	Regency Energy Partners, LP / Regency Energy Finance Corp.(a)	BB	5.750%	09/01/2020	06/01/20 @	1,296,875
					100	

See notes to financial statements.



## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating *	Coupon	Maturity	Optional Call Provisions**	Value
<b>Pipelines (continued)</b>						
400,000	Tesoro Logistics, LP / Tesoro Logistics Finance Corp.	BB-	5.875%	10/01/2020	10/01/16 @ \$ 103	411,000
						3,760,187
<b>Real Estate – 0.2%</b>						
750,000	Kennedy-Wilson, Inc.(a)	BB-	8.750%	04/01/2019	04/01/15 @ 104	828,750
<b>Real Estate Investment Trusts – 0.4%</b>						
1,000,000	Corrections Corp. of America(a)	BB+	4.625%	05/01/2023	02/01/23 @ 100	962,500
450,000	DuPont Fabros Technology, LP(b)	BB	5.875%	09/15/2021	09/15/16 @ 104	463,500
570,000	OMEGA Healthcare Investors, Inc.(a)	BBB-	5.875%	03/15/2024	03/15/17 @ 103	587,100
						2,013,100
<b>Retail – 0.4%</b>						
1,000,000	Fiesta Restaurant Group, Inc.(a)	B	8.875%	08/15/2016	02/15/14 @ 104	1,066,250
90,000	Hot Topic, Inc.(b)	B	9.250%	06/15/2021	06/15/16 @ 107	94,725
750,000	Jo-Ann Stores, Inc.(b)	CCC+	8.125%	03/15/2019	03/15/14 @ 104	776,250
						1,937,225
<b>Software – 0.2%</b>						
1,000,000	Activision Blizzard, Inc.(a) (b)	BB+	6.125%	09/15/2023	09/15/18 @ 103	1,047,500
<b>Telecommunications – 3.9%</b>						
7,794,000	Alcatel-Lucent USA, Inc.(a)	CCC+	6.450%	03/15/2029	N/A	6,897,690
1,250,000	Cincinnati Bell, Inc.(a)	CCC+	8.750%	03/15/2018	03/15/14 @ 104	1,331,250
1,350,000	EarthLink, Inc.(a)	B+	7.375%	06/01/2020	06/01/16 @ 106	1,346,625
300,000	Hughes Satellite Systems Corp.(a)	B+	6.500%	06/15/2019	N/A	323,250
625,000	Intelsat Luxembourg SA (Luxembourg)(b)	CCC+	7.750%	06/01/2021	06/01/17 @ 104	661,719
1,000,000	Level 3 Communications, Inc.	CCC+	11.875%	02/01/2019	02/01/15 @ 106	1,165,000
2,500,000	Sprint Corp.(a) (b)	BB-	7.875%	09/15/2023	N/A	2,718,750



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650,000	Telesat Canada / Telesat, LLC (Canada)(a) (b)	B-	6.000%	05/15/2017	05/15/14 @ 103	681,687
1,875,000	T-Mobile USA, Inc.(a)	BB	6.633%	04/28/2021	04/28/17 @ 103	1,989,844
500,000	Windstream Corp.(a)	B	7.750%	10/01/2021	10/01/16 @ 104	536,250
650,000	Windstream Corp.(a)	B	7.500%	06/01/2022	06/01/17 @ 104	684,125
						18,336,190
Transportation – 0.9%						
190,000	Gulfmark Offshore, Inc.(a)	BB-	6.375%	03/15/2022	03/15/17 @ 103	192,375
715,000	Navios Maritime Acquisition Corp. / Navios Acquisition Finance US, Inc. (Marshall Islands)(b)	B	8.125%	11/15/2021	11/01/16 @ 106	725,725
625,000	Navios Maritime Holdings, Inc. / Navios Maritime Finance II US, Inc. (Marshall Islands)(a)	B+	8.125%	02/15/2019	02/15/15 @ 104	637,500
950,000	Navios Maritime Holdings, Inc. / Navios Maritime Finance US, Inc. (Marshall Islands)(a)	BB-	8.875%	11/01/2017	11/01/14 @ 102	998,688
900,000	Navios South American Logistics, Inc. / Navios Logistics Finance US, Inc. (Marshall Islands)(a)	B+	9.250%	04/15/2019	04/15/14 @ 107	978,750
400,000	Swift Services Holdings, Inc.(a)	B+	10.000%	11/15/2018	11/15/14 @ 105	450,000
375,000	Ultrapetrol Bahamas Ltd. (Bahamas)(b)	B-	8.875%	06/15/2021	06/15/16 @ 107	403,125
						4,386,163
Total Corporate Bonds – 32.0% (Cost \$144,780,961)						149,137,599

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Term Loans – 0.8%(j)					
614,531	Caraustar Industries, Inc.	B+	7.500%	05/01/2019	N/A	\$ 627,334
625,000	Intrawest ULC	CCC	10.750%	12/04/2018	N/A	653,125
1,243,750	Sorenson Communication, Inc.	B–	9.500%	10/31/2014	N/A	1,262,406
1,250,000	Sprint Industrial Holdings LLC (Cost \$3,693,793)	CCC+	11.250%	5/14/19	N/A	1,262,500 3,805,365
Number of Shares	Description	Rating*	Coupon	Maturity		Value
	Convertible Preferred Stocks – 5.8%					
	Aerospace & Defense – 0.1%					
6,996	United Technologies Corp.	BBB+	7.500%	08/01/2015		442,707
	Auto Manufacturers – 2.3%					
205,246	General Motors Co., Series B(a)	BB–	4.750%	12/01/2013		10,533,225
	Diversified Financial Services – 0.2%					
16,230	AMG Capital Trust II(a)	BB+	5.150%	10/15/2037		980,900
	Electric – 0.1%					
5,800	NextEra Energy, Inc.	NR	5.799%	09/01/2016		294,930
	Hand & Machine Tools – 0.0%+					
1,806	Stanley Black & Decker, Inc.	Baa3	4.750%	11/17/2015		230,626
	Insurance – 0.6%					
25,000	Maiden Holdings Ltd., Series B (Bermuda)	NR	7.250%	09/15/2016		1,169,750
59,922	MetLife, Inc.(a)	BBB–	5.000%	03/26/2014		1,721,559 2,891,309
	Oil & Gas – 1.2%					
4,730	Chesapeake Energy Corp.(a) (b) (k)	B–	5.750%	-		5,597,364
	Real Estate Investment Trusts – 0.1%					
11,273	Alexandria Real Estate Equities, Inc., Series D(k)	NR	7.000%	-		287,462
3,965	Health Care REIT, Inc., Series I(k)	BB+	6.500%	-		233,776 521,238
	Savings & Loans – 0.0%+					
4,160	New York Community Capital Trust V	BB	6.000%	11/01/2051		203,965
	Telecommunications – 1.2%					

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53,100	Crown Castle International Corp., Series A	NR	4.500%	11/01/2016	5,434,785
Total Convertible Preferred Stocks – 5.8%					
	(Cost \$26,656,182)				27,131,049
Common Stocks – 9.7%					
Airlines – 0.7%					
130,200	Delta Air Lines, Inc.(c)				3,434,676
Auto Parts & Equipment – 0.6%					
62,500	Johnson Controls, Inc.(c)				2,884,375
Banks – 1.2%					
103,000	JPMorgan Chase & Co.(c)				5,308,620
Health Care Services – 0.3%					
49,747	Brookdale Senior Living, Inc.(a) (l)				1,347,149

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Number of Shares	Description	Value
	Insurance – 0.4%	
39,000	American International Group, Inc.(c)	\$ 2,014,350
	—MetLife, Inc.(m)	47
		2,014,397
	Internet – 0.9%	
130,100	Yahoo!, Inc.(c) (l)	4,284,193
	Media – 0.5%	
52,023	DISH Network Corp., Class A(a) (l)	2,507,508
	Oil & Gas – 0.8%	
78,069	BP PLC, ADR (United Kingdom)(a)	3,630,208
	Oil & Gas Services – 0.3%	
21,648	Hornbeck Offshore Services, Inc.(l)	1,196,485
	Pharmaceuticals – 0.1%	
52,094	MannKind Corp.(l)	254,740
	Real Estate Investment Trusts – 0.7%	
78,126	ProLogis, Inc.	3,121,134
	Retail – 0.6%	
36,500	Tiffany & Co.(c)	2,889,705
	Semiconductors – 0.8%	
156,100	Intel Corp.(c)	3,813,523
	Telecommunications – 1.8%	
195,754	Ixia(l)	2,775,792
149,916	Vodafone Group PLC, ADR (United Kingdom)(a)	5,519,907
		8,295,699
	Total Common Stocks – 9.7%	
	(Cost \$42,962,720)	44,982,412
	Warrants – 0.1%	
344,053	MannKind Corp., expiring 02/08/2016(a) (l)	660,238
	(Cost \$211,649)	
	Total Long-Term Investments – 148.9%	
	(Cost \$660,595,322)	694,224,171

Contracts

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(100 shares per contract)	Options Purchased(1)	Expiration Month	Exercise Price	Value
	Put Options Purchased – 0.1%			
470	Ctrip.com International Ltd.	November 2013	\$ 50.00	\$ 82,250
365	Ctrip.com International Ltd.	March 2014	46.00	138,700
182	SolarCity Corp.	January 2014	35.00	18,382
287	SolarCity Corp.	January 2014	40.00	65,436
3,126	SPDR S&P 500 ETF Trust	November 2013	173.00	9,378
1,304	SPDR S&P 500 ETF Trust	November 2013	174.00	6,520
1,042	SPDR S&P 500 ETF Trust	November 2013	171.00	40,638
	(Cost \$613,608)			361,304

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Number of Shares	Description	Value
	Short-Term Investments – 5.3%	
	Money Market – 5.3%	
24,650,746	Goldman Sachs Financial Prime Obligations – Administration Share Class(n)	\$ 24,650,746
	(Cost \$24,650,746)	
	Total Investments – 154.3%	
	(Cost \$685,859,676)	719,236,221
	Liabilities in excess of Other Assets – 2.5%	11,505,187
	Total Value of Options Written – (0.6%) (Premiums received \$2,115,490)	(2,710,091)
	Margin Loan – (36.5% of Net Assets or 23.6% of Total Investments)	(170,000,000)
	Reverse Repurchase Agreements – (19.7% of Net Assets or 12.8% of Total Investments)	(92,000,000)
	Net Assets – 100.0%	\$ 466,031,317

ADR – American Depositary Receipt

AG – Stock Corporation

BV – Limited Liability Company

CNY – Chinese Yuan Renminbi

EUR – Euro

GBP – Great Britain Pound

GmbH – Limited Liability

HKD – Hong Kong Dollar

JPY – Japanese Yen

LLC – Limited Liability Company

LP – Limited Partnership

N/A- Not Applicable

NV – Publicly Traded Company

PJSC – Private Joint Stock Company

PLC – Public Limited Company

Pty – Proprietary

REIT – Real Estate Investment Trust

S&P – Standard & Poor's

SA – Corporation

SAB de CV – Publicly Traded Company

SCA – Limited Partnership

SGD – Singapore Dollar

SpA – Limited Share Company

ULC – Unlimited Liability Company

All percentages shown in the Portfolio of Investments are based on Net Assets, unless otherwise noted.

~ The principal amount is denominated in U.S. Dollars unless otherwise noted.

\* Ratings shown are per Standard & Poor's Rating Group, Moody's Investor Services, Inc. or Fitch Ratings. Securities classified as NR are not rated. (For securities not rated by Standard & Poor's Rating Group, the rating by Moody's Investor Services, Inc. is provided. Likewise, for securities not rated by Standard & Poor's Rating Group and Moody's Investor Services, Inc., the rating by Fitch Ratings is provided.) All ratings are unaudited. The ratings apply to the credit worthiness of the issuers of the underlying securities and not to the Fund or its shares.

\*\* Date and price of the earliest optional call provision. There may be other call provisions at varying prices at later dates. All optional call provisions are unaudited.

+ Less than 0.1%

(a) All or a portion of these securities have been physically segregated in connection with borrowings and reverse repurchase agreements. As of October 31, 2013, the total amount segregated was \$461,206,339.

(b) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2013 these securities amounted to \$161,625,368, which represents 34.7% of net assets applicable to common shares.

(c) All or a portion of this security represents cover for outstanding written options.

(d) Security is a "step coupon" bond where the coupon increases or decreases at a predetermined date. The rate shown reflects the rate in effect at the end of the reporting period.

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## PORTFOLIO OF INVESTMENTS continued

October 31, 2013

- (e) Zero coupon bond.
- (f) Security becomes an accreting bond after December 15, 2013 with a 2.00% principal accretion rate.
- (g) Security becomes an accreting bond after December 15, 2016 with a 2.00% principal accretion rate.
- (h) Security becomes an accreting bond after March 1, 2018 with a 2.00% principal accretion rate.
- (i) The issuer of this security may elect on May 1 or November 1 of each year to pay the 11.000% coupon entirely in cash, or accrue interest at a rate of 13.000% per annum and make interest payments as follows: (1) 7.5% in cash and (2) 5.5% payment-in-kind shares issued out of the restructuring. During the year, the issuer has elected to pay the 11.000% coupon entirely in cash.
- (j) Term loans held by the Fund have a variable interest rate feature which is periodically adjusted based on an underlying interest rate benchmark. The rate presented is as of period end. In addition, term loans may include mandatory and/or optional prepayment terms. As a result, the actual maturity dates of the loan may be different than the amounts disclosed in the portfolio of investments. Term loans may be considered restricted in that the Fund may be contractually obligated to secure approval from the Agent Bank and/or Borrower prior to the sale or disposition of loan.
- (k) Security is perpetual and, thus does not have a predetermined maturity date. The coupon rate shown is in effect as of October 31, 2013.
- (l) Non-income producing security.
- (m) Represents less than one share.
- (n) All or a portion of this security has been set aside as collateral for forward exchange currency contracts. At October 31, 2013, the total amount segregated was \$24,650,746.

Contracts (100 shares per contract)	Options Written(a)	Expiration Month	Exercise Price	Value
Call Options Written – (0.6%)				
390	American International Group, Inc.	May 2014	\$ 55.00	\$ (91,260)
729	Ctrip.com International Ltd.	March 2014	65.00	(262,440)
1,302	Delta Air Lines, Inc.	March 2014	28.00	(220,038)
1,561	Intel Corp.	April 2014	26.00	(98,343)
625	Johnson Controls, Inc.	April 2014	47.00	(155,000)
1,030	JPMorgan Chase & Co.	March 2014	57.50	(64,890)
40	priceline.com, Inc.	April 2014	1,000.00	(512,000)
104	SolarCity Corp.	January 2015	65.00	(116,480)
758	SolarCity Corp.	January 2015	60.00	(1,023,300)
365	Tiffany & Co.	January 2014	85.00	(51,830)
1,041	Yahoo!, Inc.	January 2014	36.00	(114,510)
Total Value of Options Written – (0.6%)				

(Premiums received \$2,115,490)

\$ (2,710,091)

(a) Non-income producing security.

See notes to financial statements.

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## STATEMENT OF ASSETS AND LIABILITIES

October 31, 2013

Assets	
Investments in securities, at value (cost \$685,859,676)	\$ 719,236,221
Cash	4,749,113
Securities sold receivable	17,775,059
Interest receivable	5,724,496
Dividends receivable	76,697
Unrealized appreciation on forward exchange currency contracts	20,337
Other assets	51,284
Total assets	747,633,207
Liabilities	
Margin Loan	170,000,000
Reverse repurchase agreements	92,000,000
Payable for securities purchased	15,457,482
Options written, at value (premiums received of \$2,115,490)	2,710,091
Unrealized depreciation on forward exchange currency contracts	583,486
Advisory fee payable	332,586
Servicing fee payable	129,339
Administration fee payable	12,495
Interest due on borrowings	12,382
Trustees fee payable	12,304
Accrued expenses and other liabilities	351,725
Total liabilities	281,601,890
Net Assets	\$ 466,031,317
Composition of Net Assets	
Common Stock, \$0.001 par value per share; unlimited number of shares authorized, 23,580,877 shares issued and outstanding	\$ 23,581
Additional paid-in capital	551,198,020
Net unrealized appreciation on investments, written options and foreign currency translations	32,221,170
Accumulated net realized loss on investments, swaps, written options, futures and foreign currency transactions	(115,456,696)
Distributions in excess of net investment income	(1,954,758)
Net Assets	\$ 466,031,317
Net Asset Value (based on 23,580,877 shares outstanding)	\$ 19.76

See notes to financial statements.

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## STATEMENT OF OPERATIONS For the year ended October 31, 2013

October 31, 2013

Investment Income		
Interest	\$25,327,672	
Dividends	2,443,617	
Total income		\$27,771,289
Expenses		
Interest expense	3,937,552	
Advisory fee	3,788,795	
Servicing agent fee	1,473,420	
Professional fees	293,603	
Administration fee	145,244	
Trustees' fees and expenses	136,050	
Fund accounting	129,891	
Printing	103,318	
Auction Agent Fee-Preferred Shares	99,217	
Insurance	98,152	
Custodian	66,856	
ICI dues	36,500	
NYSE listing fee	23,755	
Transfer agent	20,794	
Rating agency fee	10,000	
Miscellaneous	45,891	
Total expenses		10,409,038
Net investment income		17,362,251
Realized and Unrealized Gain (Loss) on Investments, Written Options, and Foreign Currency Transactions:		
Net realized gain (loss) on:		
Investments		47,143,168
Written Options		(1,432,341 )
Foreign currency transactions		(1,247,969 )
Net change in unrealized appreciation (depreciation) on:		
Investments		24,363,575
Written Options		(598,691 )
Foreign currency translations		(597,198 )
Net realized and unrealized gain on investments, written options and foreign currency transactions		67,630,544
Distributions to Preferred Shareholders from net investment income		(455,304 )
Net Increase in Net Assets Resulting from Operations		\$84,537,491

See notes to financial statements.

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## STATEMENT OF CHANGES IN NET ASSETS

October 31, 2013

	For the Year Ended October 31, 2013	For the Year Ended October 31, 2012
<b>Change in Net Assets Resulting from Operations:</b>		
Net investment income	\$ 17,362,251	\$ 25,122,159
Net realized gain on investments, swaps, written options and foreign currency transactions	44,462,858	25,331,716
Net change in unrealized appreciation (depreciation) on investments, written options and foreign currency translations	23,167,686	(22,336,354 )
<b>Distributions to Preferred Shareholders:</b>		
From net investment income	(455,304 )	(3,915,928 )
Net increase in net assets applicable to Common Shareholders resulting from operations	84,537,491	24,201,593
<b>Distributions to Common Shareholders:</b>		
From and in excess of net investment income	(26,570,932 )	(31,782,306 )
<b>Capital Share Transactions:</b>		
Net increase resulting from tender and repurchase of Auction Market Preferred Shares (Note 7)	2,604,250	—
Total increase in net assets applicable to common shareholders	60,570,809	(7,580,713 )
<b>Net Assets</b>		
Beginning of period	405,460,508	413,041,221
End of period (including distributions in excess of net investment income of (\$1,954,758) and (\$928,031), respectively)	\$ 466,031,317	\$ 405,460,508

See notes to financial statements.

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## STATEMENT OF CASH FLOWS For the year ended October 31, 2013

October 31, 2013

## Cash Flows from Operating Activities:

Net increase in net assets resulting from operations	\$ 84,537,491
Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to	
Net Cash Provided by Operating and Investing Activities:	
Net change in unrealized appreciation on investments	(24,363,575)
Net change unrealized depreciation on written options	598,691
Net change in unrealized depreciation on foreign currency translations	597,198
Net realized gain on investments	(47,143,168)
Purchase of long-term investments	(1,607,480,092)
Proceeds from sale of long-term investments	1,624,062,693
Net proceeds (purchases) from sale of short-term investments	(6,037,841)
Net amortization/accretion of premium/discount	(483,034)
Net increase in premiums received on written options	1,389,606
Increase in securities sold receivable	(4,216,127)
Decrease in interest receivable	947,716
Decrease in dividends receivable	220,988
Increase in other assets	(3,282)
Increase in interest due on borrowings	12,382
Increase in payable for securities purchased	6,406,671
Increase in servicing fee payable	9,576
Increase in investment advisory fee payable	24,625
Increase in administrative fee payable	693
Increase in trustee fee payable	4,602
Decrease in accrued expenses and other liabilities	(218,817)
Decrease in due to custodian payable	(9,719)
Net Cash Provided by Operating and Investing Activities	28,857,277
Cash Flows From Financing Activities:	
Decrease in dividends payable – preferred shares	(141,482)
Dividends paid to common shareholders	(26,570,932)
Redemption of auction preferred shares	(259,395,750)
Reverse Repurchase Agreements	92,000,000
Margin Loan	170,000,000
Net Cash Used by Financing Activities	(24,108,164)
Net increase in cash	4,749,113
Cash at Beginning of Period	—
Cash at End of Period	\$ 4,749,113
Supplemental Disclosure of Cash Flow Information: Cash paid during the period for interest	\$ 3,925,170
Supplemental Disclosure of Non Cash Financing Activity: Increase resulting from tender and repurchase of Auction Market Preferred Shares	\$ 2,604,250

See notes to financial statements.

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## FINANCIAL HIGHLIGHTS

October 31, 2013

	For the Year Ended October 31, 2013		For the Year Ended October 31, 2012		For the Year Ended October 31, 2011		For the Year Ended October 31, 2010		For the Year Ended October 31, 2009	
Per share operating performance for a common share outstanding throughout the period										
Net asset value, beginning of period	\$ 17.19		\$ 17.52		\$ 19.38		\$ 16.28		\$ 12.52	
Income from investment operations										
Net investment income (a)	0.74		1.06		1.37		1.29		1.06	
Net realized and unrealized gain/loss on investments, unfunded loan commitments, swaps, options, futures and foreign currency transactions	2.87		0.13		(1.48 )		3.11		4.10	
Distributions to preferred shareholders from net investment income (common share equivalent basis)	(0.02 )		(0.17 )		(0.17 )		(0.17 )		(0.20 )	
Total from investment operations	3.59		1.02		(0.28 )		4.23		4.96	
Distributions to Common Shareholders:										
From and in excess of net investment income	(1.13 )		(1.35 )		(1.58 )		(1.13 )		(1.19 )	
Return of capital	—		—		—		—		(0.01 )	
Total distributions to Common Shareholders	(1.13 )		(1.35 )		(1.58 )		(1.13 )		(1.20 )	
Increase resulting from tender and repurchase of Auction Market Preferred Shares (Note 7)	0.11		N/A		N/A		N/A		N/A	
Net asset value, end of period	\$ 19.76		\$ 17.19		\$ 17.52		\$ 19.38		\$ 16.28	
Market value, end of period	\$ 17.81		\$ 16.84		\$ 15.87		\$ 18.19		\$ 14.24	
Total investment return (b)										
Net asset value	22.09	%(g)	6.18	%	-1.91	%	26.65	%	42.52	%
Market value	12.90	%	15.54	%	-4.82	%	36.74	%	20.34	%
Ratios and supplemental data										
Net assets, applicable to Common Shareholders, end of period (thousands)	\$ 466,031		\$ 405,461		\$ 413,041		\$ 457,050		\$ 383,925	
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (thousands)	N/A		\$ 262,000		\$ 262,000		\$ 262,000		\$ 262,000	
Preferred shares asset coverage per share (c)	N/A		\$ 63,689		\$ 64,412		\$ 68,612		\$ 61,634	
Ratios to Average Net Assets:										
Net operating expenses	1.47	%(d)	1.72	%(d)	1.58	%	1.50	%	1.77	%
Interest expense (f)	0.90	%	N/A		N/A		N/A		N/A	
Total net expenses	2.37	%(d)	1.72	%(d)	1.58	%	1.50	%	1.77	%
Fee waiver	0.00	%	0.00	%	0.01	%	0.07	%	0.18	%
Total gross expenses	2.37	%(d)	1.72	%(d)	1.59	%	1.57	%	1.95	%

Net Investment Income, after fee waiver, prior to effect of dividends to preferred shares, including interest expense	3.96	%	6.23	%	7.11	%	7.12	%	7.98	%
Net Investment Income, before fee waiver, prior to effect of dividends to preferred shares, including interest expense	3.96	%	6.23	%	7.10	%	7.05	%	7.80	%
Net Investment Income, after fee waiver, after effect of dividends to preferred shares, including interest expense	3.85	%	5.26	%	6.25	%	6.18	%	6.47	%
Net Investment Income, before fee waiver, after effect of dividends to preferred shares, including interest expense	3.85	%	5.26	%	6.24	%	6.11	%	6.29	%
Portfolio turnover rate	240	%	218	%	93	%	65	%	121	%
Senior Indebtedness										
Total borrowings outstanding (in thousands)	\$262,000		N/A		N/A		N/A		N/A	
Asset coverage per \$1,000 of indebtedness (e)	\$2,779		N/A		N/A		N/A		N/A	

- (a) Based on average shares outstanding during the period.
- (b) Total investment return is calculated assuming a purchase of a common share at the beginning of the period and a sale on the last day of the period reported either at net asset value (“NAV”) or market price per share. Dividends and distributions are assumed to be reinvested at NAV for NAV returns or the prices obtained under the Fund’s Dividend Reinvestment Plan for market value returns. Total investment return does not reflect brokerage commissions. A return calculated for a period of less than one year is not annualized.
- (c) Calculated by subtracting the Fund’s total liabilities from the Fund’s total assets and dividing by the total number of preferred shares outstanding.
- (d) Expense ratio does not reflect the fees and expenses incurred indirectly by the Fund as a result of its investment in shares of business development companies. If these fees were included in the expense ratio, the increase to the expense ratio would be approximately 0.02% and 0.08%, respectively, for the years ended October 31, 2013 and 2012.
- (e) Calculated by subtracting the Fund’s total liabilities (not including the borrowings) from the Fund’s total assets and dividing by the total borrowings.
- (f) Interest expense ratio relates to interest associated with borrowings and reverse repurchase agreements.
- (g) Included in the total investment return at net asset value is the impact of the tender and repurchase by the Fund of a portion of its AMPS at 99% of the AMPS’ per share liquidation preference. Had this transaction not occurred, the total return at net asset value would have been lower by 0.67%.

N/A Not Applicable

See notes to financial statements.





NOTES TO FINANCIAL STATEMENTS

October 31, 2013

Note 1 – Organization:

Advent Claymore Convertible Securities and Income Fund (the “Fund”) was organized as a Delaware statutory trust on February 19, 2003. 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 provide total return through a combination of capital appreciation and current income. The Fund pursues its investment objective by investing at least 80% of its assets in a diversified portfolio of convertible securities and non-convertible income producing securities.

Note 2 – Accounting Policies:

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies followed by the Fund:

(a) Valuation of Investments

Equity securities listed on an exchange are valued at the last reported sale price on the primary exchange on which they are traded. Equity securities traded on an exchange for which there are no transactions on a given day are valued at the mean of the closing bid and ask prices. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. Equity securities not listed on a securities exchange or NASDAQ are valued at the mean of the closing bid and ask prices. Debt securities are valued by independent pricing services or dealers using the mean of the closing bid and ask prices for such securities or, if such prices are not available, at prices for securities of comparable maturity, quality and type. If sufficient market activity is limited or does not exist, the pricing providers or broker-dealers may utilize proprietary valuation models which consider market characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, or other unique security features in order to estimate relevant cash flows, which are then discounted to calculate a security’s fair value. Exchange-traded funds are valued at the last sale price or official closing price on the exchange where the security is principally traded. Exchange-traded options are valued at the closing price, if traded that day. If not traded, they are valued at the mean of the bid and ask prices on the primary exchange on which they are traded. Futures contracts are valued using the settlement price established each day on the exchange on which they are traded. Swaps are valued daily by independent pricing services or dealers using the mid price. Forward exchange currency contracts are valued daily at current exchange rates. The Fund values money market funds at net asset value. Short-term securities with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates market value.

For those securities where quotations or prices are not available, the valuations are determined in accordance with procedures established in good faith by management and approved by the Board of Trustees. A valuation committee consisting of representatives from investment management, fund administration, legal and compliance is responsible for the oversight of the valuation process of the Fund and convenes monthly, or more frequently as needed. The valuation committee reviews monthly Level 3 fair valued securities methodology, price overrides, broker quoted securities, price source changes, illiquid securities, unchanged priced securities, halted securities, price challenges, fair valued securities sold and back testing trade prices in relation to prior day closing prices. On a quarterly basis, the valuations and methodologies of all Level 3 fair valued securities are presented to the Fund’s Board of Trustees.

Valuations in accordance with these procedures are intended to reflect each security’s (or asset’s) fair value. Such fair value is the amount that the Fund might reasonably expect to receive for the security (or asset) upon its current sale.

Each such determination is based on a consideration of all relevant factors, which are likely to vary from one security to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security, (iii) the existence of any contractual restrictions on the security's disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company's financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security). There were no securities fair valued in accordance with such procedures established by the Board of Trustees at October 31, 2013.

GAAP requires disclosure of fair valuation measurements as of each measurement date. In compliance with GAAP, the Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and summarized in the following fair value hierarchy:

Level 1 – quoted prices in active markets for identical securities

Level 2 – quoted prices in inactive markets or other significant observable inputs (e.g. quoted prices for similar securities; interest rates; prepayment speed; credit risk; yield curves)

Level 3 – significant unobservable inputs (e.g. discounted cash flow analysis; non-market based methods used to determine fair value)

Observable inputs are those based upon market data obtained from independent sources, and unobservable inputs reflect the Fund's own assumptions based on the best information available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

## NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

The following are certain inputs and techniques that are generally utilized to evaluate how to classify each major type of investment in accordance with GAAP.

Equity Securities (Common and Preferred Stock) – Equity securities traded in active markets where market quotations are readily available are categorized as Level 1. Equity securities traded in inactive markets and certain foreign equities are valued using inputs which include broker quotes, prices of securities closely related where the security held is not trading but the related security is trading, and evaluated price quotes received from independent pricing providers. To the extent that these inputs are observable, such securities are categorized as Level 2. To the extent that these inputs are unobservable, such securities are categorized as Level 3.

Convertible Bonds & Notes – Convertible bonds and notes are valued by independent pricing providers who employ matrix pricing models utilizing various inputs such as market prices, broker quotes, prices of securities with comparable maturities and qualities, and closing prices of corresponding underlying securities. To the extent that these inputs are observable, such securities are categorized as Level 2. To the extent that these inputs are unobservable, such securities are categorized as Level 3.

Corporate Bonds & Notes – Corporate bonds and notes are valued by independent pricing providers who employ matrix pricing models utilizing various inputs such as market prices, broker quotes, and prices of securities with comparable maturities and qualities, and closing prices of corresponding underlying securities. To the extent that these inputs are observable, such securities are categorized as Level 2. To the extent that these inputs are unobservable, such securities are categorized as Level 3.

The Fund did not hold any Level 3 securities during the year ended October 31, 2013.

Transfers between levels, if any, are in comparison to the valuation levels at the end of the previous fiscal year, and are effective using the fair value as of the end of the current fiscal period.

The following table represents the Fund's investments carried on the Statement of Assets and Liabilities by caption and by level within the fair value hierarchy as of October 31, 2013:

Description (value in \$000s)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Convertible Bonds	\$–	\$468,508	\$ –	\$468,508
Corporate Bonds	–	149,138	–	149,138
Term Loans	–	3,805	–	3,805
Convertible Preferred Stocks	27,131	–	–	27,131
Common Stocks	44,982	–	–	44,982
Warrants	–	660	–	660
Put Options Purchased	361	–	–	361
Money Market Fund	24,651	–	–	24,651

Forward Exchange				
Currency Contracts	–	20	–	20
Total	\$97,125	\$622,131	\$ –	\$719,256
Liabilities:				
Call Options Written	\$2,710	\$–	\$ –	\$2,710
Forward Exchange				
Currency Contracts	–	583	–	583
Total	\$2,710	\$583	\$ –	\$3,293

If not referenced in the table, please refer to the Portfolio of Investments for a breakdown of investment type by industry category.

There were no transfers between levels during the year ended October 31, 2013.

(b) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts on debt securities purchased are accreted to interest income over the lives of the respective securities using the effective interest method. Premiums on debt securities purchased are amortized to interest income up to the next call date of the respective securities using the effective interest method.

(c) Cash and Cash Equivalents

The Fund considers all demand deposits to be cash equivalents. Cash and cash equivalents are held at the Bank of New York Mellon.

NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

(d) Restricted Cash

A portion of cash on hand is pledged with a broker for current or potential holdings, which includes options, swaps, forward exchange currency contracts and securities purchased on a when issued or delayed delivery basis.

At October 31, 2013, there was no restricted cash outstanding.

(e) Convertible Securities

The Fund invests in preferred stocks and fixed-income securities which are convertible into common stock. Convertible securities may be converted either at a stated price or rate within a specified period of time into a specified number of shares of common stock. Traditionally, convertible securities have paid dividends or interest greater than on the related common stocks, but less than fixed income non-convertible securities. By investing in a convertible security, the Fund may participate in any capital appreciation or depreciation of a company's stock, but to a lesser degree than if it had invested in that company's common stock. Convertible securities rank senior to common stock in a corporation's capital structure and, therefore, entail less risk than the corporation's common stock.

(f) Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the mean of the bid and ask price of respective exchange rates on the last day of the period. Purchases and sales of investments denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Foreign exchange realized gain or loss resulting from the holding of a foreign currency, expiration of a currency exchange contract, difference in exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends or interest actually received compared to the amount shown in the Fund's accounting records on the date of receipt are included as net realized gains or losses on foreign currency transactions in the Fund's Statement of Operations.

Foreign exchange gain or loss on assets and liabilities, other than investments, are included in unrealized appreciation (depreciation) on foreign currency translations in the Fund's Statement of Operations.

(g) Covered Call and Put Options

The Fund will pursue its objective by employing an option strategy of writing (selling) covered call options or put options on up to 25% of the securities held in the portfolio of the Fund. The Fund seeks to generate current gains from option premiums as a means to enhance distributions payable to shareholders.

When an option is written, the premium received is recorded as an asset with an equal liability and is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written, at value, in the Statement of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss.

(h) Swaps

A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Fund may enter into swap agreements to manage its exposure to interest rates and/or credit risk or to generate income. The swaps are valued daily by independent pricing services or dealers using the mid price and any unrealized gain or loss is included in the Statement of Assets and Liabilities. Gain or loss is realized upon periodic payments and ultimately upon the termination of the swap and is equal to the difference between the Fund's basis in the swap and the proceeds of the closing transaction, including any fees. During the period that the swap agreement is open, the Fund may be subject to risk from the potential inability of the other party (the "Counterparty") to meet the terms of the agreement. The swaps involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. Upon termination of a swap agreement, a payable to or receivable from the swap counterparty is established on the Statement of Assets and Liabilities to reflect the net gain/loss, including interest income/expense, on terminated swap positions, according to the terms of the swap agreement.

Realized gain (loss) upon termination of swap contracts is recorded on the Statement of Operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation (depreciation) of swap contracts. Upfront premiums paid and/or received by the Fund are recognized as a realized gain or loss when the contract matures or is terminated. Net periodic payments received by the Fund are included as part of realized gain (loss) and, in the case of accruals for periodic payments, are included as part of unrealized appreciation (depreciation) on the Statement of Operations.

At October 31, 2013, there were no swap agreements outstanding.

(i) Futures

The Fund may enter into futures contracts to hedge against market and other risks in the Fund's portfolio. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. Fluctuations in the value of open futures contracts are recorded for financial reporting purposes as unrealized appreciation or depreciation by the Fund.

NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the Statement of Assets and Liabilities. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

At October 31, 2013, there were no futures contracts outstanding.

(j) Forward Exchange Currency Contracts

The Fund entered into forward exchange currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign portfolio holdings, to hedge certain firm purchases and sales commitments denominated in foreign currencies and for investment purposes. Forward exchange currency contracts are agreements between two parties to buy and sell currencies at a set price on a future date. Fluctuations in the value of open forward exchange currency contracts are recorded for financial reporting purposes as unrealized appreciation and depreciation by the Fund until the contracts are closed. When the contracts are closed, realized gains and losses are recorded, and included on the Statement of Operations.

Forward exchange currency contracts involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities.

(k) Term Loans

Term loans in which the Fund typically invests are not listed on a securities exchange or board of trade. Term loans are typically bought and sold by institutional investors in individually negotiated transactions. The term loan market generally has fewer trades and less liquidity than the secondary market for other types of securities. Due to the nature of the term loan market, the actual settlement date may not be certain at the time of purchase or sale. Interest income on term loans is not accrued until settlement date. Typically, term loans are valued by independent pricing services using broker quotes.

(l) Reverse Repurchase Agreements

In a reverse repurchase agreement, the Fund sells to a counterparty a security that it holds with a contemporaneous agreement to repurchase the same security at an agreed-upon price and date. Reverse repurchase agreements are valued based on the amount of cash received, which represents fair value. Reverse repurchase agreements are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made are recorded as a component of interest expense on the Statement of Operations. The Fund monitors collateral market value for the reverse repurchase agreement, including accrued interest, throughout the life of the agreement, and when necessary, delivers or receives cash or securities in order to manage credit exposure and liquidity. If the counterparty defaults or enters insolvency proceeding, realization or return of the collateral to the Fund may be delayed or limited.

(m) Risks and Other Considerations

In the normal course of business, the Fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or the potential inability of a counterparty to meet the terms of an agreement (counterparty risk). The Fund is also exposed to other risks such as, but not limited to, concentration, interest rate, credit and financial leverage risks.

**Concentration of Risk.** It is the Fund's policy to invest a significant portion of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund's investments include features which render them more sensitive to price changes in their underlying securities. Consequently, this exposes the Fund to greater downside risk than traditional convertible securities, but still less than that of the underlying common stock.



**Credit Risk.** Credit risk is the risk that one or more of the securities in the Fund's portfolio will decline in price, or fail to pay interest and principal when due, because the issuer of the security experiences a decline in its financial status. In general, lower rated, lower grade and non-investment grade securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative impact on the Fund's net asset value or dividends.

**Interest Rate Risk.** Convertible and nonconvertible income securities are subject to certain interest rate risks. If interest rates go up, the value of convertible and nonconvertible income securities in the Fund's portfolio generally will decline. Also during periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full) and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Lower grade securities have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem a lower grade security if the issuer can refinance the security at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

**Structured and Synthetic Convertible Securities Risk.** The value of structured convertible securities can be affected by interest rate changes and credit risks of the issuer. Such securities may be structured in ways that limit their potential for capital appreciation and the entire value of the security may be at a risk of loss depending on the performance of the underlying equity security. Structured convertible securities may be less liquid than other convertible securities. The value of a synthetic convertible security will respond differently to market fluctuations than a convertible security because a synthetic convertible security is composed of two or more separate securities, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value.

**Foreign Securities and Emerging Markets Risk.** Investing in non-U.S. issuers may involve unique risks, such as currency, political, economic and market risk. In addition, investing in emerging markets entails additional risk including, but not limited to: news and events unique to a country or

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region; smaller market size, resulting in lack of liquidity and price volatility; and certain national policies which may restrict the Fund's investment opportunities; less uniformity in accounting and reporting requirements; unreliable securities valuation; and custody risk.

**Financial Leverage Risk.** Certain risks are associated with the leveraging of common stock, including the risk that both the net asset value and the market value of shares of common stock may be subject to higher volatility and a decline in value.

**Counterparty Risk.** The Fund is subject to counterparty credit risk, which is the risk that the counterparty fails to perform on agreements with the Fund such as swap and option contracts, and reverse repurchase agreements.

(n) Distributions to Shareholders

The Fund declares and pays monthly dividends to common shareholders. These dividends consist of investment company taxable income, which generally includes qualified dividend income, ordinary income and short-term capital gains. Any net realized long-term gains are distributed annually to common shareholders. Dividends and distributions to preferred shareholders are accrued and determined as described in Note 7.

Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

(o) Recent Accounting Pronouncements

In December 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-11, Disclosures about Offsetting Assets and Liabilities, as clarified with ASU 2013-01 "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" issued in January 2013. These common disclosure requirements are intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. In addition, ASU 2011-11 facilitates comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset and disclose instruments and transactions subject to an agreement similar to a master netting agreement. The ASU is effective for interim and annual periods beginning on or after January 1, 2013. The Investment Adviser is currently evaluating the impact, if any, of applying this provision.

Note 3 – Investment Management Agreement, Servicing Agreement and Other Agreements:

Pursuant to the Investment Management Agreement (the "Agreement") between the Fund and the Investment Adviser, the Investment Adviser is responsible for the daily management for the Fund's portfolio of investments, which includes buying and selling securities for the Fund, as well as investment research. The Investment Adviser will receive an annual fee from the Fund based on the average value of the Fund's Managed Assets. Managed Assets means the total of assets of the Fund (including any assets attributable to preferred shares in the use of financial leverage, if any) less the sum of accrued liabilities (other than debt representing financial leverage, if any). In addition, subject to the approval of the Fund's Board of Trustees, a pro rata portion of the salaries, bonuses, health insurance, retirement benefits and similar employment costs for the time spent on Fund operations (other than the provision of services required under the Agreement) of all personnel employed by the Investment Adviser who devote substantial time to Fund operations may be reimbursed by the Fund to the Investment Adviser. For the year ended October 31, 2013, the Investment Adviser was not reimbursed by the Fund for these items. The annual fee will be determined as follows:

(a) If the average value of the Fund’s Managed Assets (calculated monthly) is greater than \$250 million, the fee will be a maximum amount equal to 0.54% of the average value of the Fund’s Managed Assets.

Pursuant to a Servicing Agreement between the Fund and Guggenheim Funds Distributors, LLC, the Fund’s servicing agent (the “Servicing Agent”), the Servicing Agent will act as servicing agent to the Fund. The Servicing Agent will receive an annual fee from the Fund, which will be based on the average value of the Fund’s Managed Assets. The fee will be determined as follows:

(a) If the average value of the Fund’s Managed Assets (calculated monthly) is greater than \$250 million, the fee will be a maximum amount equal to 0.21% of the average value of the Fund’s Managed Assets.

The Bank of New York Mellon (“BNY”) acts as the Fund’s custodian, accounting agent and auction agent. As custodian, BNY is responsible for the custody of the Fund’s assets. As accounting agent, BNY is responsible for maintaining the books and records of the Fund’s securities and cash. As auction agent, BNY is responsible for conducting the auction of the preferred shares.

Prior to June 20, 2013, under a separate Fund Administration Agreement, Guggenheim Funds Investment Adviser, LLC (“GFIA”) provided Fund Administration services to the Fund. As compensation for its services performed under the Fund Administration Agreement, GFIA receives an administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Fund:

Managed Assets	Rate
First \$200,000,000	0.0275 %
Next \$300,000,000	0.0200 %
Next \$500,000,000	0.0150 %
Over \$1,000,000,000	0.0100 %

Effective June 20, 2013, the Board of Trustees approved Rydex Fund Services, LLC (“RFS”), as the Administrator of the Fund. Both RFS and GFIA are affiliates of Guggenheim Partners, LLC, a global diversified financial services firm. There is no impact to the Fund as a result of this change.

Certain officers and trustees of the Fund are also officers and directors of the Adviser or Servicing Agent. The Fund does not compensate its officers or trustees who are officers of the aforementioned firms.

## NOTES TO FINANCIAL STATEMENTS continued

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## Note 4 – Federal Income Taxes:

The Fund intends to continue to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Fund avoids a 4% federal excise tax that is assessed on the amount of the under distribution.

In order to present paid-in capital in excess of par, distributions in excess of net investment income and accumulated net realized gains or losses on the Statement of Assets and Liabilities that more closely represent their tax character, certain adjustments have been made to distributions in excess of net investment income, accumulated net realized gains or losses and paid-in capital. For the year ended October 31, 2013, the adjustments were to decrease paid-in capital by \$8,969,907, decrease accumulated net realized loss by \$332,649 and increase distributions in excess of net investment income by \$8,637,258 due to the difference in the treatment for book and tax purposes of distributions to shareholders and of contingent payment debt instruments, real estate investment trusts, and foreign currency.

At October 31, 2013, the cost and related gross unrealized appreciation and depreciation on investments for tax purposes, excluding swaps, written options, futures contracts, forward exchange currency contracts and foreign currency translations are as follows:

Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments	Net Tax Unrealized Depreciation on Derivatives and Foreign Currency
\$ 688,362,747	\$ 44,312,680	\$ (13,439,206 )	\$ 30,873,474	\$ (714,208)

The differences between book basis and tax basis unrealized appreciation/(depreciation) are attributable to the tax deferral of losses on wash sales and income adjustments for tax purposes on certain convertible securities.

As of October 31, 2013, the components of accumulated earnings/(losses) (excluding paid-in capital) on a tax basis were as follows:

Undistributed Ordinary Income/(Accumulated Ordinary Loss)	Undistributed Long-Term Gains/(Accumulated Capital Loss)
\$ -	\$ (112,827,635)

The differences between book basis and tax basis undistributed long-term gains/(accumulated capital losses) are attributable to the tax deferral of losses on wash sales and straddles.

At October 31, 2013, for federal income tax purposes, the Fund had a capital loss carryforward of \$112,827,635 available to offset possible future capital gains. Of the capital loss carryforward, \$111,535,992 expires on October 31, 2017 and \$1,291,643 expires on October 31, 2019. For the year ended October 31, 2013, the Fund utilized \$45,599,073 of capital losses. Per the Regulated Investment Company Modernization Act of 2010, capital loss carryforwards generated in taxable years beginning after December 22, 2010 must be fully used before capital loss

carryforwards generated in taxable years prior to December 22, 2010; therefore, under certain circumstances, capital loss carryforwards available as of the report date, if any, may expire unused.

For the years ended October 31, 2013 and 2012, the tax character of distributions paid, as reflected in the Statement of Changes in Net Assets, of \$27,026,236 and \$35,698,234 was ordinary income.

For all open tax years and all major jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e. generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Note 5 – Investments in Securities:

For the year ended October 31, 2013, purchases and sales of investments, other than short-term securities, were \$1,607,480,092 and \$1,624,062,693, respectively.

Note 6 – Derivatives:

(a) Covered Call and Put Options

An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or “strike” price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price (in the case of a call) or to pay the exercise price upon delivery of the underlying security (in the case of a put).

There are several risks associated with transactions in options on securities. As the writer of a covered call option, the Fund forgoes, during the option’s life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. A writer of a put option is exposed to the risk of loss if the fair value of the underlying security declines, but profits only to the extent of the premium received if the underlying security increases in value. The writer of an option has no control over the time when it may be required to fulfill its obligation as writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing

