

Edgar Filing: Advent Claymore Convertible Securities & Income Fund II - Form N-CSR

Advent Claymore Convertible Securities & Income Fund II
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 811-22022

Advent Claymore Convertible Securities and Income Fund II
(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:

GUGGENHEIMINVESTMENTS.COM/AGC

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

The shareholder report you are reading right now is just the beginning of the story. Online at guggenheiminvestments.com/agc, you will find:

- Daily, weekly and monthly data on share prices, net asset values, distributions 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 way we are working to keep you better informed about your investment in the Fund.

(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 II (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 Manager”) serves as the Fund’s Investment Manager. 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 Investment Advisors, LLC (the “Investment Adviser”) serves as the Investment Adviser to the Fund. The Investment Adviser 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 50% of its managed assets in convertible securities. The Fund may invest up to 40% of its managed assets 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 16.35% and a return of 22.50% based on NAV. As of October 31, 2013, the Fund’s market price of \$7.15 represented a discount of 12.59% to NAV of \$8.18. 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 \$0.047 per share. The current monthly distribution represents an annualized distribution rate of 7.89% based upon the last closing market price of \$7.15 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 43 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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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.

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DEAR SHAREHOLDER continued (Unaudited)

October 31, 2013

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 II 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/agc.

Sincerely,

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

November 30, 2013

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REPORT

QUESTIONS & ANSWERS (Unaudited)

October 31, 2013

Advent Claymore Convertible Securities and Income Fund II (the “Fund”) is managed by a team of seasoned professionals at Advent Capital Management, LLC (“Advent” or the “Investment Manager”), 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-producing securities, including U.S. and non-U.S. issuers, with at least 50% of its managed assets in convertible securities and up to 40% of its managed assets in non-convertible income-producing 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 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 \$600,000 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 expansion, 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

QUESTIONS & ANSWERS continued (Unaudited)

October 31, 2013

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 16.35% and a return of 22.50% based on NAV. As of October 31, 2013, the Fund’s market price of \$7.15 represented a discount of 12.59% to NAV of \$8.18. As of October 31, 2012, the Fund’s market price of \$6.66 represented a discount of 7.24% to NAV of \$7.18.

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 Manager 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 \$170 million, approximately 38% 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 \$0.047 per share. The current monthly distribution represents an annualized distribution rate of 7.89% based upon the last closing market price of \$7.15 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 it influence performance?

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

As of October 31, 2012, 63.0% of the Fund's total investments were in convertible securities. High-yield bonds represented 29.7% and equity positions 2.6% of total investments. The rest, 4.7%, was in cash and other investments.

As of October 31, 2013, 69.7% of the Fund's total investments were in convertible securities. High-yield bonds represented 20.0% and equity positions 5.7% of total investments. The rest, 4.6%, was in cash and other investments.

Advent increased exposure to convertible and equity securities relative to high yield securities due to our belief that 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.

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QUESTIONS & ANSWERS continued (Unaudited)

October 31, 2013

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

Among top-performing investments were the convertible bonds of Gilead Sciences (1.8% of long-term investments at period end). 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 Micron Technology (2.1% of long-term investments at period end) were another large contributor to return. 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.

Convertible bonds of Ciena Corp. (1.2% 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.

Another detractor from performance was convertible bonds of voice and health care software maker Nuance Communications (1.6% 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.

A third large detractor was convertible bonds 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.

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 stimulus 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.

QUESTIONS & ANSWERS continued (Unaudited)

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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.

AGC 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/agc for a more detailed discussion about Fund risks and considerations.

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FUND SUMMARY (Unaudited)

October 31, 2013

Fund Statistics

Share Price	\$	7.15
Net Asset Value	\$	8.18
Premium/Discount to NAV		-12.59%
Net Assets (\$000)	\$	263,568

Total Returns

(Inception 5/29/07)	Market	NAV
One Year	16.35%	22.50%
Three Year - average annual	-0.08%	4.31%
Five Year - average annual	14.32%	13.66%
Since Inception -average annual	-5.64%	-3.76%

Top Ten Industries	% of Long-Term Investments
Telecommunications	9.3%
Oil & Gas	7.7%
Pharmaceuticals	7.2%
Real Estate Investment Trusts	6.7%
Health Care Products	5.5%
Semiconductors	5.4%
Internet	5.2%
Banks	3.9%
Mining	3.5%
Computers	3.2%

Top Ten Issuers	% of Long-Term Investments
Hologic, Inc.	2.5%
Micron Technology, Inc.	2.1%
Chesapeake Energy Corp.	2.0%
Clearwire Communications, LLC / Clearwire Finance, Inc.	2.0%
Gilead Sciences, Inc.	1.8%
EMC Corp., Series B	1.6%
Nuance Communications, Inc.	1.6%
BioMarin Pharmaceutical, Inc.	1.6%
General Motors Co., Series B	1.6%
ArcelorMittal	1.4%

Past performance does not guarantee future results and does not reflect the deductions 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. The above summaries are provided for informational purposes only and should not be viewed as recommendations.

FUND SUMMARY continued (Unaudited)

October 31, 2013

Country Breakdown	% of Long-Term Investments
United States	77.2%
Cayman Islands	3.6%
Luxemburg	2.5%
France	2.5%
Japan	2.4%
Jersey	1.9%
United Kingdom	1.7%
British Virgin Islands	1.2%
Singapore	1.1%
Netherlands	1.0%
South Korea	0.8%
Marshall Islands	0.6%
Mexico	0.6%
Hong Kong	0.5%
Canada	0.5%
Austria	0.4%
Australia	0.3%
Germany	0.3%
Bermuda	0.3%
United Arab Emirates	0.3%
Italy	0.2%
Bahamas	0.1%
Malaysia	0.0%*
Subject to change daily.	
* Less than 0.1%	

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PORTFOLIO OF INVESTMENTS

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Long-Term Investments – 156.4%					
	Convertible Bonds – 104.4%					
	Aerospace & Defense – 0.3%					
699,000	L-3 Communications Holdings, Inc.(a)	BB+	3.000%	08/01/2035	11/22/13 @ 100	\$ 801,229
	Airlines – 0.1%					
189,000	United Airlines, Inc.(a)	B	4.500%	01/15/2015	N/A	351,658
	Apparel – 0.3%					
EUR 200,000	Adidas AG, Series ADS (Germany)	NR	0.250%	06/14/2019	N/A	341,289
272,000	Iconix Brand Group, Inc.(a) (b)	NR	1.500%	03/15/2018	N/A	349,520
	Auto Manufacturers – 1.2%					
1,471,000	Navistar International Corp.(a) (h)	CCC–	3.000%	10/15/2014	N/A	1,517,888
835,000	Navistar International Corp.(a) (b)	CCC–	4.500%	10/15/2018	N/A	844,916
EUR 500,000	Volkswagen International Finance NV (Netherlands)(b)	BBB	5.500%	11/09/2015	N/A	793,142
	3,155,946					
	Auto Parts & Equipment – 1.6%					
EUR 3,343,000	Faurecia, Series EO (France)	B3	3.250%	01/01/2018	N/A	1,212,890
3,195,000	Meritor, Inc.(a) (c)	B–	4.000%	02/15/2027	02/15/19 @ 100	2,945,391
	4,158,281					
	Banks – 0.2%					
600,000	National Bank of Abu Dhabi PJSC, Series NBAD (United Arab Emirates)	AA–	1.000%	03/12/2018	N/A	646,815
	Biotechnology – 4.6%					
2,263,000	Cubist Pharmaceuticals, Inc.(a) (b)	NR	1.125%	09/01/2018	N/A	2,452,526
2,364,000	Gilead Sciences, Inc., Series C(a)	A–	1.000%	05/01/2014	N/A	7,456,943
745,000	InterMune, Inc.(a)	NR	2.500%	12/15/2017	N/A	982,003
1,528,000	Merrimack Pharmaceuticals, Inc.(a)	NR	4.500%	07/15/2020	N/A	1,169,875
	12,061,347					
	Building Materials – 0.9%					
2,145,000	Cemex SAB de CV (Mexico)(a)	NR	4.875%	03/15/2015	N/A	2,488,200

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Chemicals – 0.0%***							
2,840,000	ShengdaTech, Inc.(a) (b) (d) (e) (f)	NR	6.500%	12/15/2015	N/A	41,180	
Commercial Services – 0.2%							
JPY 40,000,000	Park24 Co. Ltd. (Japan)(g)	NR	0.000%	04/26/2018	N/A	430,028	
Computers – 4.8%							
EUR 840,000	AtoS, Series ATOS (France)	NR	1.500%	07/01/2016	N/A	732,833	
EUR 3,734	Capital Gemini SA, Series CAP (France)(g)	BBB	0.000%	01/01/2019	N/A	371,479	
4,415,000	EMC Corp., Series B(a)	A	1.750%	12/01/2013	N/A	6,674,950	
EUR 443,500	Ingenico, Series ING (France)	NR	2.750%	01/01/2017	N/A	358,362	
4,372,000	SanDisk Corp.(a) (b)	BB	0.500%	10/15/2020	N/A	4,475,835	
						12,613,459	
Diversified Financial Services – 1.2%							
503,000	Air Lease Corp.(a)	NR	3.875%	12/01/2018	N/A	650,128	
900,000	Hong Kong Exchanges and Clearing Ltd. (Hong Kong)	NR	0.500%	10/23/2017	N/A	963,000	
356,000	Portfolio Recovery Associates, Inc.(a) (b)	NR	3.000%	08/01/2020	N/A	418,300	
HKD 1,520,000	Power Regal Group Ltd. (British Virgin Islands)	NR	2.250%	06/02/2014	N/A	284,961	
805,000	Walter Investment Management Corp.(a)	NR	4.500%	11/01/2019	N/A	840,722	
						3,157,111	

See notes to financial statements.

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October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Electric – 0.5%					
CNY 5,900,000	China Power International Development Ltd. (Hong Kong)	NR	2.250%	05/17/2016	N/A	\$ 1,406,629
	Electrical Components & Equipment – 0.6%					
JPY 130,000,000	Nidec Corp. (Japan)(g)	NR	0.000%	09/18/2015	N/A	1,482,392
	Electronics – 1.1%					
2,500,000	TPK Holding Co. Ltd., Series REGS (Cayman Islands)(g)	NR	0.000%	10/01/2017	N/A	2,350,000
345,000	Vishay Intertechnology, Inc.(a) (b)	BB+	2.250%	11/15/2040	N/A	346,078
JPY 25,000,000	Yaskawa Electric Corp. (Japan)(g)	NR	0.000%	03/16/2017	N/A	332,854
						3,028,932
	Energy-Alternate Sources – 1.2%					
2,851,000	SolarCity Corp.(h)	NR	2.750%	11/01/2018	N/A	3,280,432
	Engineering & Construction – 0.1%					
200,000	YTL Corp. Finance Labuan Ltd. (Malaysia)	NR	1.875%	03/18/2015	N/A	218,500
	Food – 0.6%					
GBP 900,000	J Sainsbury PLC (United Kingdom)	NR	4.250%	07/16/2014	N/A	1,554,387
	Gas – 1.1%					
2,500,000	ENN Energy Holdings Ltd. (Cayman Islands)(g)	NR	0.000%	02/26/2018	N/A	2,959,375
	Hand & Machine Tools – 1.1%					
EUR 600,000	KUKA AG, Series KU2 (Germany)	NR	2.000%	02/12/2018	N/A	947,598
JPY 160,000,000	OSG Corp. (Japan)(g)	NR	0.000%	04/04/2022	N/A	1,984,303
						2,931,901
	Health Care Products – 8.2%					
4,262,000	HeartWare International, Inc.(a)	NR	3.500%	12/15/2017	N/A	4,725,492
HKD 18,000,000	Hengan International Group Co. Ltd. (Cayman Islands)(g)	NR	0.000%	06/27/2018	N/A	2,484,184
5,250,000	Hologic, Inc.(a) (c) (i)	B+	2.000%	12/15/2037	06/15/14 @ 101	5,253,308

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2,921,000	Hologic, Inc., Series 2010(a) (c) (j)	B+	2.000%	12/15/2037	12/15/16 @	3,435,826
					100	
1,546,000	Hologic, Inc., Series 2012(a) (c) (k)	B+	2.000%	03/01/2042	03/06/18 @	1,620,401
					100	
1,495,000	Volcano Corp.(a)	NR	1.750%	12/01/2017	N/A	1,447,347
2,199,000	Wright Medical Group, Inc.(a)	NR	2.000%	08/15/2017	N/A	2,776,238
						21,742,796
	Health Care Services – 1.6%					
275,000	Brookdale Senior Living, Inc.(a)	NR	2.750%	06/15/2018	N/A	334,297
2,675,000	LifePoint Hospitals, Inc.(a)	B	3.500%	05/15/2014	N/A	2,904,047
618,000	Molina Healthcare, Inc.(a) (b)	NR	1.125%	01/15/2020	N/A	632,291
275,000	WellPoint, Inc.(a) (b)	A-	2.750%	10/15/2042	N/A	358,531
						4,229,166
	Holding Companies-Diversified – 0.5%					
600,000	Giant Great Ltd. (British Virgin Islands)	NR	3.000%	07/21/2016	N/A	764,400
400,000	Siem Industries, Inc., Series SUBC (Cayman Islands)	NR	1.000%	09/12/2019	N/A	426,360
						1,190,760
	Home Builders – 2.8%					
2,694,000	Lennar Corp.(a) (b)	BB-	2.000%	12/01/2020	12/02/13 @	3,455,055
					100	
833,000	Lennar Corp.(b)	BB-	3.250%	11/15/2021	11/20/16 @	1,394,754
					100	
1,639,000	Ryland Group, Inc.(a)	BB-	1.625%	05/15/2018	N/A	2,405,233
						7,255,042

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Household Products & Housewares – 0.3%					
720,000	Jarden Corp.(a) (b)	BB–	1.500%	06/15/2019	N/A	\$ 824,400
	Insurance – 1.2%					
2,228,000	Radian Group, Inc.(a)	B–	3.000%	11/15/2017	N/A	3,245,917
	Internet – 7.0%					
441,000	BroadSoft, Inc.(a)	NR	1.500%	07/01/2018	N/A	479,863
3,888,000	Ctrip.com International Ltd. (Cayman Islands)(b) (h)	NR	1.250%	10/15/2018	N/A	4,055,670
2,492,000	Equinix, Inc.(a)	B+	3.000%	10/15/2014	N/A	3,627,417
3,578,000	priceline.com, Inc.(a) (h)	BBB	1.000%	03/15/2018	N/A	4,756,504
5,500,000	WebMD Health Corp.(a)	NR	2.500%	01/31/2018	N/A	5,403,750
						18,323,204
	Investment Companies – 1.6%					
EUR 300,000	Aabar Investments PJSC, Series REGs (United Arab Emirates)	NR	4.000%	05/27/2016	N/A	477,796
3,700,000	Billion Express Investments Ltd. (British Virgin Islands)	NR	0.750%	10/18/2015	N/A	3,867,425
						4,345,221
	Iron & Steel – 0.2%					
555,000	Allegheny Technologies, Inc.(a)	BBB–	4.250%	06/01/2014	N/A	575,466
	Lodging – 1.2%					
2,583,000	MGM Resorts International(a) (h)	B+	4.250%	04/15/2015	N/A	3,170,632
	Machinery-Diversified – 0.7%					
136,000	AGCO Corp.(a)	BB+	1.250%	12/15/2036	12/19/13 @ 100	195,755
JPY 39,000,000	Ebara Corp., Series 6 (Japan)(g)	NR	0.000%	03/19/2018	N/A	508,753
JPY 80,000,000	IHI Corp. (Japan)(g)	NR	0.000%	03/29/2016	N/A	1,202,936
						1,907,444
	Media – 1.5%					
410,000	Liberty Interactive, LLC(a) (b)	BB	0.750%	03/30/2043	04/05/23 @ 100	492,000
1,785,000	Liberty Interactive, LLC(a) (b)	BB	1.000%	09/30/2043	10/05/16 @ 100	1,839,665
1,434,000	Liberty Media Corp.(a) (b)	NR	1.375%	10/15/2023	N/A	1,511,974

3,843,639

Metal Fabricate & Hardware – 0.2%						
455,000	RTI International Metals, Inc.(a)	NR	1.625%	10/15/2019	N/A	490,831
Mining – 4.4%						
3,300,000	Glencore Finance Europe SA (Luxembourg)	BBB	5.000%	12/31/2014	N/A	3,903,900
2,240,000	Newmont Mining Corp., Series B(a)	BBB	1.625%	07/15/2017	N/A	2,430,400
5,511,000	Royal Gold, Inc.(a)	NR	2.875%	06/15/2019	N/A	5,266,449
11,600,749						
Miscellaneous Manufacturing – 0.8%						
1,750,000	Siemens Financieringsmaatschappij NV, Series REGS (Netherlands)	A+	1.050%	08/16/2017	N/A	1,985,725
Oil & Gas – 4.9%						
4,813,000	Chesapeake Energy Corp.(a)	BB–	2.250%	12/15/2038	12/15/18 @ 100	4,557,309
4,254,000	Cobalt International Energy, Inc.(a)	NR	2.625%	12/01/2019	N/A	4,368,326
600,000	Lukoil International Finance BV (Netherlands)	BBB	2.625%	06/16/2015	N/A	671,100
1,585,000	Premier Oil Finance Jersey Ltd., Series PMO (Jersey)	NR	2.500%	07/27/2018	N/A	1,867,289
300,000	Seadrill Ltd. (Bermuda)	NR	3.375%	10/27/2017	N/A	496,950
902,000	Stone Energy Corp.(a)	B–	1.750%	03/01/2017	N/A	990,509
12,951,483						

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
Oil & Gas Services – 2.1%						
1,620,000	Hornbeck Offshore Services, Inc.(a)	BB–	1.500%	09/01/2019	N/A	\$ 2,056,387
EUR 2,606,500	Technip SA, Series TEC (France)	BBB+	0.500%	01/01/2016	N/A	3,461,463
						5,517,850
Pharmaceuticals – 11.0%						
1,599,000	Array BioPharma, Inc.(a)	NR	3.000%	06/01/2020	N/A	1,681,948
1,821,000	Auxilium Pharmaceuticals, Inc.(a)	NR	1.500%	07/15/2018	N/A	1,868,801
6,429,000	BioMarin Pharmaceutical, Inc.(a)	NR	1.500%	10/15/2020	N/A	6,629,906
692,000	Isis Pharmaceuticals, Inc.(a)	NR	2.750%	10/01/2019	N/A	1,475,690
1,814,000	Medivation, Inc.(a)	NR	2.625%	04/01/2017	N/A	2,567,944
139,000	Pacira Pharmaceuticals, Inc.(a) (b)	NR	3.250%	02/01/2019	N/A	299,719
1,939,000	Salix Pharmaceuticals Ltd.(a)	NR	1.500%	03/15/2019	N/A	2,548,573
JPY 215,000,000	Sawai Pharmaceutical Co. Ltd. (Japan)(g)	NR	0.000%	09/17/2015	N/A	3,337,529
1,905,000	Shire PLC, Series SHP (Jersey)	NR	2.750%	05/09/2014	N/A	2,604,135
2,352,000	Theravance, Inc.(a)	NR	2.125%	01/15/2023	N/A	3,558,870
2,577,000	Vivus, Inc.(a) (b)	NR	4.500%	05/01/2020	N/A	2,337,017
						28,910,132
Real Estate – 3.1%						
SGD 5,750,000	CapitaLand Ltd., Series REGS (Singapore)	NR	1.850%	06/19/2020	N/A	4,438,768
2,488,000	Forest City Enterprises, Inc.(a) (b)	BB–	3.625%	08/15/2020	08/15/18 @ 100	2,649,720
EUR 112,545	IMMOFINANZ AG (Austria)	NR	4.250%	03/08/2018	N/A	711,258
GBP 200,000	Unite Jersey Issuer Ltd., Series UTG (Jersey)	NR	2.500%	10/10/2018	N/A	330,444
						8,130,190
Real Estate Investment Trusts – 9.2%						
5,168,000	Annaly Capital Management, Inc.(a)	NR	5.000%	05/15/2015	N/A	5,261,670
EUR 500,000	BENI Stabili SpA (Italy)	NR	3.375%	01/17/2018	N/A	724,885
835,000	BioMed Realty, LP(a) (b)	NR	3.750%	01/15/2030	01/21/15 @ 100	1,005,653
4,614,000	Boston Properties, LP(a) (b)	A–	3.625%	02/15/2014	N/A	4,680,326
365,000	DDR Corp.(a)	BBB–	1.750%	11/15/2040	11/20/15 @ 100	434,350
GBP 300,000	Derwent London Capital Jersey Ltd. (Jersey)	BBB	2.750%	07/15/2016	N/A	596,692

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GBP 1,100,000	Derwent London Capital No. 2 Jersey Ltd., Series DLN (Jersey)	BBB	1.125%	07/24/2019	N/A	1,792,533
GBP 300,000	Great Portland Estates Capital Jersey Ltd., Series GPOR (Jersey)	NR	1.000%	09/10/2018	N/A	498,512
333,000	Host Hotels & Resorts, LP(a) (b)	BBB-	2.500%	10/15/2029	10/20/15 @ 100	485,348
889,000	NorthStar Realty Finance, LP(a) (b)	NR	5.375%	06/15/2033	06/15/23 @ 100	915,114
372,000	Pennymac Corp.(a) (b)	NR	5.375%	05/01/2020	N/A	362,468
1,389,000	ProLogis, LP	BBB	3.250%	03/15/2015	N/A	1,631,207
1,900,000	SL Green Operating Partnership LP(a) (b)	BB+	3.000%	10/15/2017	N/A	2,421,312
3,092,000	Starwood Property Trust, Inc.(a)	BB-	4.000%	01/15/2019	N/A	3,318,103
						24,128,173
	Retail – 0.3%					
308,000	Group 1 Automotive, Inc.(a) (c)	BB	2.250%	06/15/2036	06/15/16 @ 100	369,793
EUR 253,916	Rallye SA, Series COFP (France)	NR	1.000%	10/02/2020	N/A	374,213
						744,006
	Semiconductors – 7.6%					
4,087,000	Advanced Micro Devices, Inc.(a)	B	6.000%	05/01/2015	N/A	4,265,806
392,000	Microchip Technology, Inc.(a)	NR	2.125%	12/15/2037	N/A	652,680

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Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
Semiconductors (continued)						
1,754,000	Micron Technology, Inc.(a)	BB-	1.875%	06/01/2014	N/A	\$ 2,252,794
3,318,000	Micron Technology, Inc., Series A(a) (h)	NR	1.500%	08/01/2031	08/05/15 @ 100	6,252,356
224,000	Novellus Systems, Inc.(a)	BBB	2.625%	05/15/2041	N/A	374,220
436,000	ON Semiconductor Corp., Series B(a)	BB+	2.625%	12/15/2026	12/20/16 @ 100	472,788
1,900,000	Semiconductor Manufacturing International Corp., Series REGS (Cayman Islands)(g)	NR	0.000%	11/07/2018	N/A	1,942,664
2,700,000	SK Hynix, Inc. (South Korea)	NR	2.650%	05/14/2015	N/A	3,165,750
489,000	Xilinx, Inc.(a)	BBB+	2.625%	06/15/2017	N/A	779,955
						20,159,013
Software – 4.8%						
2,902,000	Allscripts Healthcare Solutions, Inc.(a) (b)	NR	1.250%	07/01/2020	N/A	3,085,189
307,000	Cornerstone OnDemand, Inc.(a) (b)	NR	1.500%	07/01/2018	N/A	350,555
2,111,000	Electronic Arts, Inc.(a)	NR	0.750%	07/15/2016	N/A	2,351,126
6,328,000	Nuance Communications, Inc.(a)	BB-	2.750%	08/15/2027	08/20/14 @ 100	6,668,130
189,000	Salesforce.com, Inc.(a) (b)	BB	0.250%	04/01/2018	N/A	206,719
						12,661,719
Telecommunications – 7.4%						
EUR 831,324	Alcatel-Lucent, Series ALU (France)	CCC+	4.250%	07/01/2018	N/A	3,667,448
2,807,000	Ciena Corp.(a)	B	0.875%	06/15/2017	N/A	2,919,280
496,000	Ciena Corp.(a) (b)	B	3.750%	10/15/2018	N/A	708,040
835,000	Ciena Corp.(a)	NR	4.000%	12/15/2020	N/A	1,214,403
7,210,000	Clearwire Communications, LLC / Clearwire Finance, Inc.(a) (b)	NR	8.250%	12/01/2040	12/01/17 @ 100	8,255,450
433,000	Ixia(a)	NR	3.000%	12/15/2015	N/A	486,042
698,000	JDS Uniphase Corp.(a) (b)	NR	0.625%	08/15/2033	08/20/18 @ 100	735,954
JPY 20,000,000	KDDI Corp. (Japan)(g)	NR	0.000%	12/14/2015	12/16/13 @ 100	378,504
697,000	Level 3 Communications, Inc.(a)	CCC+	6.500%	10/01/2016	N/A	1,159,634
						19,524,755
Transportation – 0.1%						
JPY 20,000,000	Yamato Holdings (Japan)(g)	NR	0.000%	03/07/2016	N/A	257,058

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Total Convertible Bonds – 104.4%						
(Cost \$261,959,149)						
275,173,982						
Corporate Bonds – 32.5%						
Aerospace & Defense – 0.2%						
375,000	Kratos Defense & Security Solutions, Inc.(a)	B	10.000%	06/01/2017	06/01/14 @ 105	410,625
Auto Manufacturers – 0.6%						
750,000	Allied Specialty Vehicles, Inc.(a) (b)	B+	8.500%	11/01/2019	11/01/16 @ 104	753,750
750,000	Chrysler Group, LLC / CG Co.-Issuer, Inc.(a)	B	8.250%	06/15/2021	06/15/16 @ 104	852,187
1,605,937						
Auto Parts & Equipment – 0.9%						
675,000	Dana Holding Corp.(a)	BB	6.750%	02/15/2021	02/15/16 @ 103	737,438
570,000	Goodyear Tire & Rubber Co.(a)	B+	8.250%	08/15/2020	08/15/15 @ 104	646,950
200,000	Titan International, Inc.(a) (b)	B+	6.875%	10/01/2020	10/01/16 @ 105	206,000
750,000	TRW Automotive, Inc.(a) (b)	BBB–	4.500%	03/01/2021	N/A	768,750
2,359,138						
Banks – 4.7%						
2,786,000	Ally Financial, Inc.(a)	B+	4.625%	06/26/2015	N/A	2,914,733
800,000	Ally Financial, Inc.(a)	B+	7.500%	09/15/2020	N/A	939,000

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Banks (continued)						
525,000	CIT Group, Inc.(a) (b)	BB-	5.500%	02/15/2019	N/A	\$ 570,937
5,231,000	Emigrant Bancorp, Inc.(a) (b)	B-	6.250%	06/15/2014	N/A	5,335,620
2,666,000	Synovus Financial Corp.(a)	B+	5.125%	06/15/2017	N/A	2,732,650
						12,492,940
Building Materials – 0.3%						
650,000	Boise Cascade Co.(a)	B+	6.375%	11/01/2020	11/01/15 @ 105	682,500
Chemicals – 1.8%						
750,000	Ashland, Inc.(a)	BB	4.750%	08/15/2022	05/15/22 @ 100	723,750
750,000	Celanese US Holdings, LLC(a)	BB+	4.625%	11/15/2022	N/A	739,687
750,000	Cornerstone Chemical Co., Series AI(a)	B-	9.375%	03/15/2018	03/15/15 @ 107	787,500
375,000	Phibro Animal Health Corp.(a) (b)	B	9.250%	07/01/2018	07/01/14 @ 105	405,937
375,000	Rain CII Carbon, LLC / CII Carbon Corp.(a) (b)	BB-	8.250%	01/15/2021	01/15/16 @ 106	389,063
750,000	Rockwood Specialties Group, Inc.(a)	BB+	4.625%	10/15/2020	10/15/15 @ 103	774,375
375,000	Tronox Finance, LLC(a)	BB-	6.375%	08/15/2020	08/15/15 @ 105	384,375
675,000	Vertellus Specialties, Inc.(a) (b)	CCC+	9.375%	10/01/2015	10/01/14 @ 100	658,969
						4,863,656
Coal – 0.2%						
500,000	SunCoke Energy, Inc.(a)	B+	7.625%	08/01/2019	08/01/14 @ 106	538,750
Commercial Services – 0.8%						
575,000	ADT Corp.(a) (b)	BB-	6.250%	10/15/2021	N/A	610,937
575,000	Cenveo Corp.(a)	CCC+	8.875%	02/01/2018	02/01/14 @ 104	582,187
750,000	Prospect Medical Holdings, Inc.(a) (b)	B-	8.375%	05/01/2019	05/01/15 @ 106	809,063
						2,002,187
Computers – 0.3%						
750,000	Seagate HDD Cayman (Cayman Islands)(a) (b)	BBB-	4.750%	06/01/2023	N/A	733,125

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Diversified Financial Services – 0.5%						
375,000	Denali Borrower, LLC / Denali Finance Corp.(a) (b)	BB+	5.625%	10/15/2020	10/15/16 @ 104	372,187
250,000	Nationstar Mortgage, LLC / Nationstar Capital Corp.(a)	B+	6.500%	08/01/2018	08/01/15 @ 103	260,000
100,000	Nationstar Mortgage, LLC / Nationstar Capital Corp.(a)	B+	7.875%	10/01/2020	10/01/16 @ 104	107,375
475,000	Nationstar Mortgage, LLC / Nationstar Capital Corp.(a)	B+	6.500%	07/01/2021	01/01/17 @ 103	469,063
						1,208,625
Electrical Components & Equipment – 0.2%						
375,000	International Wire Group Holdings, Inc.(a) (b)	B	8.500%	10/15/2017	10/15/15 @ 104	400,313
Engineering & Construction – 0.2%						
648,000	MasTec, Inc.	BB–	4.875%	03/15/2023	03/15/18 @ 102	619,650
Entertainment – 0.1%						
356,000	Six Flags Entertainment Corp.(a) (b)	BB–	5.250%	01/15/2021	01/15/16 @ 104	350,660
Environmental Control – 0.6%						
750,000	Casella Waste Systems, Inc.(a)	CCC	7.750%	02/15/2019	02/15/15 @ 104	761,250
750,000	Clean Harbors, Inc.(a)	BB+	5.125%	06/01/2021	12/01/16 @ 103	764,062
						1,525,312
Food – 0.6%						
1,000,000	Land O’Lakes Capital Trust I(a) (b)	BB	7.450%	03/15/2028	N/A	985,000
550,000	Marfrig Holding Europe BV (Netherlands)(a) (b)	B	9.875%	07/24/2017	01/24/16 @ 105	552,063
						1,537,063

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Forest Products & Paper – 1.0%						
800,000	Appvion, Inc.(a)	CCC+	11.250%	12/15/2015	N/A	\$ 912,000
575,000	Catalyst Paper Corp. (Canada)(a) (l)	NR	11.000%	10/30/2017	12/15/13 @ 100	330,625
200,000	Neenah Paper, Inc.(a) (b)	BB–	5.250%	05/15/2021	05/15/16 @ 104	195,500
800,000	Sappi Papier Holding GmbH (Austria)(a) (b)	BB	6.625%	04/15/2021	04/15/16 @ 103	756,000
200,000	Tembec Industries, Inc. (Canada)(a)	CCC+	11.250%	12/15/2018	12/15/14 @ 106	219,500
175,000	Verso Paper Holdings, LLC / Verso Paper, Inc.(a)	B+	11.750%	01/15/2019	01/15/15 @ 109	182,000
						2,595,625
Health Care Products – 0.3%						
750,000	Biomet, Inc.(a)	B–	6.500%	08/01/2020	08/01/15 @ 105	800,625
Health Care Services – 2.2%						
750,000	Fresenius Medical Care US Finance, Inc.(a) (b)	BB+	5.750%	02/15/2021	N/A	796,875
1,425,000	HCA Holdings, Inc.(a)	B–	7.750%	05/15/2021	11/15/15 @ 104	1,563,937
1,125,000	Health Net, Inc.(a)	BB	6.375%	06/01/2017	N/A	1,206,563
375,000	HealthSouth Corp.(a)	BB–	8.125%	02/15/2020	02/15/15 @ 104	414,844
750,000	IASIS Healthcare, LLC / IASIS Capital Corp.(a)	CCC+	8.375%	05/15/2019	05/15/14 @ 106	798,750
1,000,000	Tenet Healthcare Corp.(a) (b)	B+	6.000%	10/01/2020	N/A	1,059,375
						5,840,344
Household Products & Housewares – 0.5%						
1,125,000	Reynolds Group Issuer, Inc.(a)	CCC+	9.000%	04/15/2019	10/15/14 @ 105	1,209,375
Insurance – 0.1%						
200,000	Fidelity & Guaranty Life Holdings, Inc.(a) (b)	BB–	6.375%	04/01/2021	04/01/16 @ 105	209,500
Internet – 0.4%						
750,000	Equinix, Inc.(a)	BB	5.375%	04/01/2023	04/01/18 @ 103	748,125
250,000	NetFlix, Inc.(a) (b)	BB–	5.375%	02/01/2021	N/A	256,875

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							1,005,000
Iron & Steel – 0.3%							
200,000	Commercial Metals Co.(a)	BB+	4.875%	05/15/2023	02/15/23 @	100	191,000
100,000	Permian Holdings, Inc.(a) (b)	B–	10.500%	01/15/2018	07/15/15 @	108	99,250
500,000	Steel Dynamics, Inc.(a)	BB+	6.375%	08/15/2022	08/15/17 @	103	542,500
							832,750
Leisure Time – 0.1%							
200,000	Carlson Wagonlit BV (Netherlands)(a) (b)	B+	6.875%	06/15/2019	06/15/15 @	105	208,000
Lodging – 0.3%							
600,000	Caesars Entertainment Operating Co., Inc.(a)	B–	8.500%	02/15/2020	02/15/16 @	104	556,125
325,129	Inn of the Mountain Gods Resort & Casino(b)	NR	9.250%	11/30/2020	10/01/14 @	107	310,498
8	MTR Gaming Group, Inc.	B–	11.500%	08/01/2019	08/01/15 @	106	9
							866,632
Media – 1.0%							
625,000	CCO Holdings, LLC / CCO Holdings Capital Corp.(a)	BB–	6.500%	04/30/2021	04/30/15 @	105	653,125
375,000	CCO Holdings, LLC / CCO Holdings Capital Corp.(a)	BB–	5.250%	09/30/2022	09/30/17 @	103	354,375
375,000	Clear Channel Communications, Inc.(a)	CCC+	9.000%	12/15/2019	07/15/15 @	105	382,500
188,000	Clear Channel Communications, Inc.(a)	CCC+	11.250%	03/01/2021	03/01/16 @	108	202,805
375,000	DISH DBS Corp.(a)	BB–	5.125%	05/01/2020	N/A		381,562
750,000	Starz, LLC / Starz Finance Corp.(a)	BB	5.000%	09/15/2019	09/15/15 @	103	761,250
							2,735,617

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PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Principal Amount~	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Mining – 1.1%					
750,000	American Gilsonite Co.(a) (b)	B–	11.500%	09/01/2017	09/01/14 @ 109	\$ 781,875
125,000	Barmingo Finance Pty Ltd. (Australia)(a) (b)	B–	9.000%	06/01/2018	N/A	118,750
565,000	FMG Resources August 2006 Pty Ltd. (Australia)(a) (b)	B+	8.250%	11/01/2019	11/01/15 @ 104	629,975
725,000	FQM Akubra, Inc. (Canada)(a) (b)	B+	8.750%	06/01/2020	06/01/16 @ 104	804,750
750,000	St Barbara Ltd. (Australia)(a) (b)	B	8.875%	04/15/2018	10/15/15 @ 107	637,500
						2,972,850
	Miscellaneous Manufacturing – 0.8%					
575,000	Dispensing Dynamics International(a) (b)	B–	12.500%	01/01/2018	01/01/16 @ 106	612,375
750,000	LSB Industries, Inc.(a) (b)	B+	7.750%	08/01/2019	08/01/16 @ 104	800,625
675,000	Trinseo Materials Operating SCA / Trinseo Materials Finance, Inc. (Luxembourg)(a) (b)	B	8.750%	02/01/2019	08/01/15 @ 104	676,688
						2,089,688
	Oil & Gas – 4.9%					
1,108,000	Alta Mesa Holdings, LP / Alta Mesa Finance Services Corp.(a)	B	9.625%	10/15/2018	10/15/14 @ 105	1,185,560
650,000	Bill Barrett Corp.(a)	B	7.625%	10/01/2019	10/01/15 @ 104	689,000
500,000	BreitBurn Energy Partners, LP / BreitBurn Finance Corp.(a)	B–	7.875%	04/15/2022	01/15/17 @ 104	507,500
1,150,000	Chesapeake Oilfield Operating, LLC / Chesapeake Oilfield Finance, Inc.	BB–	6.625%	11/15/2019	11/15/15 @ 103	1,210,375
750,000	Clayton Williams Energy, Inc.(a) (b)	B3	7.750%	04/01/2019	04/01/15 @ 104	770,625
625,000	Drill Rigs Holdings, Inc. (Marshall Islands)(a) (b)	B	6.500%	10/01/2017	10/01/15 @ 103	660,937
125,000	EP Energy, LLC / EP Energy Finance, Inc.(a)	B	9.375%	05/01/2020	05/01/16 @ 105	145,000
200,000	Halcon Resources Corp.(a)	CCC+	9.750%	07/15/2020	07/15/16 @ 105	218,500
200,000	Lightstream Resources Ltd. (Canada)(a) (b)	B–	8.625%	02/01/2020	02/01/16 @ 104	201,500

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225,000	Midstates Petroleum Co., Inc. / Midstates Petroleum Co., LLC(a)	B-	9.250%	06/01/2021	06/01/16 @ 107	232,875
575,000	Oasis Petroleum, Inc.(a) (b)	B	6.875%	03/15/2022	09/15/17 @ 103	623,875
225,000	Parker Drilling Co.(a)	B+	9.125%	04/01/2018	04/01/14 @ 105	241,875
750,000	PBF Holding Co., LLC / PBF Finance Corp.(a)	BB+	8.250%	02/15/2020	02/15/16 @ 104	787,500
911,000	Plains Exploration & Production Co.(a)	BBB	6.125%	06/15/2019	06/15/16 @ 103	996,446
375,000	Plains Exploration & Production Co.(a)	BBB	6.750%	02/01/2022	02/01/17 @ 103	412,670
750,000	QEP Resources, Inc.(a)	BB+	5.250%	05/01/2023	02/01/23 @ 100	725,625
870,000	Range Resources Corp.(a)	BB	5.000%	08/15/2022	02/15/17 @ 103	873,263
1,000,000	Samson Investment Co.(a) (b)	CCC+	10.250%	02/15/2020	02/15/16 @ 105	1,085,000
300,000	SandRidge Energy, Inc.(a)	B-	8.125%	10/15/2022	04/15/17 @ 104	321,000
375,000	Talos Production, LLC / Talos Production Finance, Inc.(a) (b)	CCC+	9.750%	02/15/2018	02/15/15 @ 105	380,625
750,000	Tesoro Corp.(a)	BB+	5.375%	10/01/2022	10/01/17 @ 103	746,250
						13,016,001
Oil & Gas Services – 0.1%						
350,000	Forbes Energy Services Ltd. (h)	B	9.000%	06/15/2019	06/15/15 @ 105	355,250
Pharmaceuticals – 0.3%						
750,000	Valeant Pharmaceuticals International(a) (b)	B	6.375%	10/15/2020	10/15/16 @ 103	804,375
Pipelines – 0.8%						
750,000	Eagle Rock Energy Partners, LP(a)	B	8.375%	06/01/2019	06/01/15 @ 104	774,375
200,000	Genesis Energy, LP / Genesis Energy Finance Corp.(a)	B	5.750%	02/15/2021	02/15/17 @ 103	204,000
750,000	Regency Energy Partners, LP / Regency Energy Finance Corp.(a)	BB	5.750%	09/01/2020	06/01/20 @ 100	778,125
250,000	Tesoro Logistics, LP / Tesoro Logistics Finance Corp.(a)	BB-	5.875%	10/01/2020	10/01/16 @ 103	256,875
						2,013,375
Real Estate – 0.2%						
500,000	Kennedy-Wilson, Inc.(a)	BB-	8.750%	04/01/2019	04/01/15 @ 104	552,500

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
Real Estate Investment Trusts – 0.5%						
663,000	Corrections Corp. of America(a)	BB+	4.625%	05/01/2023	02/01/23 @ 100	\$ 638,138
300,000	DuPont Fabros Technology, LP(a) (b)	BB	5.875%	09/15/2021	09/15/16 @ 104	309,000
360,000	OMEGA Healthcare Investors, Inc.(a)	BBB-	5.875%	03/15/2024	03/15/17 @ 103	370,800
						1,317,938
Retail – 0.4%						
500,000	Fiesta Restaurant Group, Inc.(a)	B	8.875%	08/15/2016	02/15/14 @ 104	533,125
60,000	Hot Topic, Inc.(a) (b)	B	9.250%	06/15/2021	06/15/16 @ 107	63,150
500,000	Jo-Ann Stores, Inc.(a) (b)	CCC+	8.125%	03/15/2019	03/15/14 @ 104	517,500
						1,113,775
Software – 0.2%						
625,000	Activision Blizzard, Inc.(a) (b)	BB+	6.125%	09/15/2023	09/15/18 @ 103	654,687
Telecommunications – 4.1%						
4,188,000	Alcatel-Lucent USA, Inc.(a)	CCC+	6.450%	03/15/2029	N/A	3,706,380
750,000	Cincinnati Bell, Inc.(a)	CCC+	8.750%	03/15/2018	03/15/14 @ 104	798,750
825,000	EarthLink, Inc.(a)	B+	7.375%	06/01/2020	06/01/16 @ 106	822,937
375,000	Intelsat Luxembourg SA (Luxembourg)(a) (b)	CCC+	7.750%	06/01/2021	06/01/17 @ 104	397,031
750,000	Level 3 Communications, Inc.(a)	CCC+	11.875%	02/01/2019	02/01/15 @ 106	873,750
1,500,000	Sprint Corp.(a) (b)	BB-	7.875%	09/15/2023	N/A	1,631,250
350,000	Telesat Canada / Telesat, LLC (Canada)(a) (b)	B-	6.000%	05/15/2017	05/15/14 @ 103	367,063
1,125,000	T-Mobile USA, Inc.(a)	BB	6.633%	04/28/2021	04/28/17 @ 103	1,193,906
1,000,000	Windstream Corp.(a)	B	7.500%	06/01/2022	06/01/17 @ 104	1,052,500
						10,843,567
Transportation – 0.9%						
120,000	Gulfmark Offshore, Inc.(a)	BB-	6.375%	03/15/2022		121,500

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					03/15/17 @	
					103	
435,000	Navios Maritime Acquisition Corp. / Navios Acquisition Finance US, Inc.					
	(Marshall Islands)(b)	B	8.125%	11/15/2021	11/01/16 @	441,525
					106	
375,000	Navios Maritime Holdings, Inc. / Navios Maritime Finance II US, Inc.					
	(Marshall Islands)(a)	B+	8.125%	02/15/2019	02/15/15 @	382,500
					104	
550,000	Navios Maritime Holdings, Inc. / Navios Maritime Finance US, Inc.					
	(Marshall Islands)(a)	BB-	8.875%	11/01/2017	11/01/14 @	578,188
					102	
550,000	Navios South American Logistics, Inc. / Navios Logistics Finance US, Inc.					
	(Marshall Islands)(a)	B+	9.250%	04/15/2019	04/15/14 @	598,125
					107	
250,000	Ultrapetrol Bahamas Ltd.	B-	8.875%	06/15/2021	06/15/16 @	268,750
	(Bahamas)(a) (b)				107	
						2,390,588
	Total Corporate Bonds – 32.5%					
	(Cost \$83,292,536)					85,758,543
	Term Loans – 0.9%(m)					
368,719	Caraustar Industries, Inc.	B+	7.500%	05/01/2019	N/A	376,400
375,000	Intrawest ULC	CCC	10.750%	12/04/2018	N/A	391,875
746,250	Sorenson Communication, Inc.	B-	9.500%	10/31/2014	N/A	757,444
750,000	Sprint Industrial Holdings LLC	CCC+	11.250%	05/14/2019	N/A	757,500
	(Cost \$2,216,357)					2,283,219

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PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Number of Shares	Description	Rating*	Coupon	Maturity	Value
	Convertible Preferred Stocks – 9.1%				
	Aerospace & Defense – 0.2%				
8,542	United Technologies Corp.(a)	BBB+	7.500%	08/01/2015	\$ 540,538
	Auto Manufacturers – 2.5%				
126,237	General Motors Co., Series B(a)	BB–	4.750%	12/01/2013	6,478,483
	Diversified Financial Services – 0.5%				
19,904	AMG Capital Trust II(a)	BB+	5.150%	10/15/2037	1,202,948
	Electric – 0.1%				
7,100	NextEra Energy, Inc.(a)	NR	5.799%	09/01/2016	361,035
	Hand & Machine Tools – 0.1%				
2,205	Stanley Black & Decker, Inc.(a)	Baa3	4.750%	11/17/2015	281,578
	Insurance – 0.7%				
15,000	Maiden Holdings Ltd., Series B (Bermuda)	NR	7.250%	09/15/2016	701,850
42,599	MetLife, Inc.(a)	BBB–	5.000%	03/26/2014	1,223,869
					1,925,719
	Iron & Steel – 2.1%				
230,873	ArcelorMittal, Series MTUS (Luxembourg)(a) (h)	B+	6.000%	01/15/2016	5,591,467
	Oil & Gas – 1.5%				
3,269	Chesapeake Energy Corp.(a) (b) (n)	B–	5.750%	–	3,868,453
	Real Estate Investment Trusts – 0.2%				
14,027	Alexandria Real Estate Equities, Inc., Series D(a) (n)	NR	7.000%	–	357,688
4,935	Health Care REIT, Inc., Series I(a) (n)	BB+	6.500%	–	290,968
					648,656
	Savings & Loans – 0.0%***				
2,220	New York Community Capital Trust V	BB	6.000%	11/01/2051	108,847
	Telecommunications – 1.2%				
30,300	Crown Castle International Corp., Series A(a)	NR	4.500%	11/01/2016	3,101,205

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	Total Convertible Preferred Stocks – 9.1%	
	(Cost \$23,708,392)	24,108,929
	Common Stocks – 9.3%	
	Airlines – 0.7%	
69,500	Delta Air Lines, Inc.(h)	1,833,410
	Auto Parts & Equipment – 0.6%	
33,300	Johnson Controls, Inc.(h)	1,536,795
	Banks – 1.1%	
56,000	JPMorgan Chase & Co.(h)	2,886,240
	Health Care Services – 0.3%	
30,253	Brookdale Senior Living, Inc.(a) (h) (o)	819,251
	Insurance – 0.4%	
21,000	American International Group, Inc.(h)	1,084,650
	Internet – 0.9%	
69,600	Yahoo!, Inc.(h) (o)	2,291,928
	Media – 0.5%	
27,774	DISH Network Corp., Class A(a) (o)	1,338,707
	Oil & Gas – 0.7%	
41,770	BP PLC, ADR (United Kingdom)(a)	1,942,305
	Oil & Gas Services – 0.2%	
11,755	Hornbeck Offshore Services, Inc.(a) (o)	649,699

See notes to financial statements.

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PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Number of Shares	Description		Value	
	Pharmaceuticals – 0.1%			
27,898	MannKind Corp.(o)		\$ 136,421	
	Real Estate Investment Trusts – 0.6%			
41,662	ProLogis, Inc.		1,664,397	
	Retail – 0.6%			
19,500	Tiffany & Co.(h)		1,543,815	
	Semiconductors – 0.8%			
83,600	Intel Corp.(h)		2,042,348	
	Telecommunications – 1.8%			
104,665	Ixia(o)		1,484,150	
90,706	Vodafone Group PLC, ADR (United Kingdom)(a)		3,339,795	
			4,823,945	
	Total Common Stocks – 9.3%			
	(Cost \$23,423,526)		24,593,911	
	Warrants – 0.2%			
207,331	MannKind Corp.(a) (o), expiring 02/08/16		397,868	
	(Cost \$127,499)			
	Total Long-Term Investments – 156.4%			
	(Cost \$394,727,459)		412,316,452	
Contracts (100 shares per contract)	Options Purchased (o)	Expiration Date	Exercise Price	Value
	Put Options Purchased – 0.1%			
250	Ctrip.com International Ltd.	November 2013	\$50.00	\$ 43,750
195	Ctrip.com International Ltd.	March 2014	46.00	74,100
98	SolarCity Corp.	January 2014	35.00	9,898
153	SolarCity Corp.	January 2014	40.00	34,884
556	SPDR S&P 500 ETF Trust	November 2013	171.00	21,684
1,668	SPDR S&P 500 ETF Trust	November 2013	173.00	5,004
696	SPDR S&P 500 ETF Trust		174.00	3,480

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November
2013

	(Cost \$327,657)	192,800
Number of Shares	Description	Value
	Money Market – 6.4%	
16,862,109	Goldman Sachs Financial Prime Obligations – Administration Shares Class (p)	\$ 16,862,109
	(Cost \$16,862,109)	
	Total Investments – 162.9%	
	(Cost \$411,917,225)	429,371,361
	Other Assets in excess of Liabilities – 2.2%	5,680,260
	Total Value of Options Written – (0.6%) (Premiums received \$1,149,374)	(1,483,517)
	Reverse Repurchase Agreements – (26.6% of Net Assets or 16.3% of Total Investments)	(70,000,000)
	Margin Loan – (37.9% of Net Assets or 23.3% of Total Investments)	(100,000,000)
	Net Assets – 100.0%	\$ 263,568,104

ADR – American Depositary Receipt

AG – Stock Corporation

BV – Limited Liability Company

CNY – Chinese Yuan

EUR – Euro

See notes to financial statements.

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PORTFOLIO OF INVESTMENTS continued

October 31, 2013

GBP – British Pound

GmbH – Limited Liability

HKD – Hong Kong Dollars

JPY – Japanese Yen

LLC – Limited Liability Company

LP – Limited Partnership

N/A – Not Applicable

NV – Publicly Traded Company

PLC – Public Limited Company

PJSC – Private Joint Stock Company

Pty – Proprietary

SA – Corporation

S&P – Standard & Poor's

SAB de CV – Publicly Traded Company

SCA – Limited Partnership

SGD – Singapore Dollars

SpA – Limited Share Company

ULC – Unlimited Liability Company

* 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%.

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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.
- (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 \$294,205,796.
 - (b) Security is 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 \$88,686,552, which represents 33.6% of net assets.
 - (c) 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.
 - (d) Non-income producing as security is in default.
 - (e) Security is valued in accordance with Fair Valuation procedures established in good faith by management and approved by the Board of Trustees. The total market value of such securities is \$41,180 which represents less than 0.01% of net assets.
 - (f) Illiquid security.
 - (g) Zero coupon bond.
 - (h) All or a portion of this security is segregated as collateral (or a potential collateral for future transactions) for written options.
 - (i) Security becomes an accreting bond after December 15, 2013 with a 2.00% principal accretion rate.
 - (j) Security becomes an accreting bond after December 15, 2016 with a 2.00% principal accretion rate.
 - (k) Security becomes an accreting bond after March 1, 2018 with a 2.00% principal accretion rate.
 - (l) 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.
 - (m) 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.
 - (n) Security is perpetual and, thus does not have a predetermined maturity date. The coupon rate shown is in effect as of October 31, 2013.
 - (o) Non-income producing security.

- (p) All or a portion of these securities have been physically set aside as collateral for forward exchange currency contracts. As of October 31, 2013, the total amount segregated was \$16,862,109.

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PORTFOLIO OF INVESTMENTS continued

October 31, 2013

Contracts (100 shares per contract)	Options Written (a)	Expiration Month	Exercise Price	Value
Call Options Written				
210	American International Group, Inc.	May 2014	\$55.00	\$ (49,140)
391	Ctrip.com International Ltd.	March 2014	65.00	(140,760)
695	Delta Air Lines, Inc.	March 2014	28.00	(117,455)
836	Intel Corp.	April 2014	26.00	(52,668)
333	Johnson Controls, Inc.	April 2014	47.00	(82,584)
560	JPMorgan Chase & Co.	March 2014	57.50	(35,280)
24	priceline.com, Inc.	April 2014	1,000.00	(307,200)
405	SolarCity Corp.	January 2015	60.00	(546,750)
56	SolarCity Corp.	January 2015	65.00	(62,720)
195	Tiffany & Co.	January 2014	85.00	(27,690)
557	Yahoo!, Inc.	January 2014	36.00	(61,270)
Total Value of Call Options Written				
(Premiums Received \$1,149,374)				\$ (1,483,517)

(a) Non-income producing security.

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STATEMENT OF ASSETS AND LIABILITIES

October 31, 2013

Assets	
Investments in securities, at value (cost \$411,917,225)	\$ 429,371,361
Securities sold receivable	9,612,987
Interest receivable	3,277,837
Cash and cash equivalents	1,136,718
Dividends receivable	57,618
Unrealized appreciation on forward exchange currency contracts	15,304
Tax claim receivable	9,279
Other assets	31,091
Total assets	443,512,195
Liabilities	
Margin loan	100,000,000
Reverse repurchase agreements	70,000,000
Payable for securities purchased	7,375,715
Options written, at value (premiums received of \$1,149,374)	1,483,517
Unrealized depreciation on forward exchange currency contracts	434,396
Investment management fee payable	219,929
Investment advisory fee payable	146,620
Administration fee payable	8,567
Interest due on borrowings	8,002
Trustees fees payable	2,352
Accrued expenses and other liabilities	264,993
Total liabilities	179,944,091
Net Assets	\$ 263,568,104
Composition of Net Assets	
Common Stock, \$0.001 par value per share; unlimited number of shares authorized, 32,240,720 shares issued and outstanding	\$ 32,241
Additional paid-in capital	544,300,933
Net unrealized appreciation on investments, written options, unfunded commitments and foreign currency translations	16,703,093
Accumulated net realized loss on investments, written options, swaps, futures contracts, unfunded commitments and foreign currency transactions	(296,343,044)
Distributions in excess of net investment income	(1,125,119)
Net Assets	\$ 263,568,104
Net Asset Value (based on 32,240,720 shares outstanding)	\$ 8.18

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	\$ 14,860,889	
Dividends (net of foreign withholding taxes of \$5,441)	1,523,673	
Total income		\$ 16,384,562
Expenses		
Interest expense	2,544,840	
Investment management fee	2,518,476	
Investment advisory fee	1,678,984	
Professional fees	241,591	
Trustees' fees and expenses	150,866	
Fund accounting	131,536	
Administration fee	98,949	
Printing	72,131	
Insurance	59,732	
Custodian	59,664	
Auction agent fee - preferred shares	42,955	
NYSE listing fee	28,485	
Transfer agent	20,224	
Rating agency fee	9,600	
Miscellaneous	37,856	
Total expenses		7,695,889
Net investment income		8,688,673
Realized and Unrealized Gain on Investments, Written Options and Foreign Currency Transactions		
Net realized gain (loss) on:		
Investments		27,110,091
Written Options		(831,680)
Foreign currency transactions		(776,996)
Change in net unrealized appreciation (depreciation) on:		
Investments		15,426,043
Written Options		(347,066)
Foreign currency translations		(437,185)
Net Realized and Unrealized Gain on Investments, Written Options and Foreign Currency Transactions		40,143,207
Distributions to Preferred Shareholders from net investment income		(286,317)
Net Increase in Net Assets Resulting from Operations		\$ 48,545,563

See notes to financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS APPLICABLE TO COMMON
SHAREHOLDERSOctober 31,
2013

	For the Year Ended October 31, 2013	For the Year Ended October 31, 2012
Change in Net Assets from Operations		
Net investment income	\$ 8,688,673	\$ 12,800,165
Net realized gain (loss) on investments, written options, swaps, futures contracts and foreign currency transactions	25,501,415	(5,704,945)
Net change in unrealized appreciation on investments, swaps, written options, unfunded commitments and foreign currency translations	14,641,792	8,284,529
Distributions to Preferred Shareholders from:		
Net investment income	(286,317)	(2,492,501)
Net increase in net assets applicable to common shareholders resulting from operations	48,545,563	12,887,248
Distributions to Common Shareholders:		
From and in excess of net investment income	(18,183,766)	(11,581,644)
Return of capital	—	(8,478,532)
Total dividends and distributions to common shareholders	(18,183,766)	(20,060,176)
Capital Share Transactions:		
Net increase resulting from tender and repurchase of Auction Market Preferred Shares (Note 7)	1,694,000	—
Total increase (decrease) in net assets applicable to common shareholders	32,055,797	(7,172,928)
Net Assets		
Beginning of period	231,512,307	238,685,235
End of period (including distributions in excess of net investment income of (\$1,125,119) and (\$681,141), respectively)	\$ 263,568,104	\$ 231,512,307

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	\$ 48,545,563
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	(15,426,043)
Net change unrealized depreciation on written options	347,066
Net change in unrealized depreciation on foreign currency translations	437,185
Net realized gain on investments	(27,110,091)
Purchase of long-term investments	(959,490,205)
Proceeds from sale of long-term investments	968,209,638
Net proceeds (purchases) from sale of short-term investments	730,613
Net amortization/accretion of premium/discount	(85,519)
Net increase in premiums received on written options	733,445
Increase in securities sold receivable	(2,061,717)
Decrease in interest receivable	698,167
Decrease in dividends receivable	113,314
Decrease in tax reclaims receivable	4,676
Increase in other assets	(1,764)
Increase in interest due on borrowings	8,002
Increase in payable for securities purchased	2,126,196
Increase in investment management fee payable	14,038
Increase in investment advisory fee payable	9,359
Increase in administrative fee payable	471
Decrease in trustee fee payable	(4,553)
Decrease in accrued expenses and other liabilities	(138,271)
Decrease in due to custodian payable	(6,155)
Net Cash Provided by Operating and Investing Activities	17,653,415
Cash Flows From Financing Activities:	
Dividends paid to common shareholders	(18,183,766)
Decrease in dividends payable - preferred shares	(26,949)
Redemption of auction preferred shares	(168,306,000)
Reverse repurchase agreements	70,000,000
Margin loan	100,000,000
Net Cash Used by Financing Activities	(16,516,715)
Net increase in cash	1,136,700
Cash at Beginning of Period	18
Cash at End of Period	\$ 1,136,718
Supplemental Disclosure of Cash Flow Information: Cash paid during the period for	
interest	\$ 2,536,838
Supplemental Disclosure of Non Cash Financing Activity: Increase resulting from	
tender and repurchase of Auction Market Preferred Shares	\$ 1,694,000

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 share of common stock outstanding throughout the period					
Net asset value, beginning of period	\$ 7.18	\$ 7.40	\$ 9.25	\$ 8.37	\$ 6.81
Income from investment operations					
Net investment income (a)	0.27	0.40	0.44	0.55	0.58
Net realized and unrealized gain(loss) on investments, options, swaps, futures contracts, unfunded commitments and foreign currency transactions	1.25	0.08	(1.41)	1.21	1.90
Distributions to preferred shareholders from net investment income (common share equivalent basis)	(0.01)	(0.08)	(0.08)	(0.08)	(0.09)
Total from investment operations	1.51	0.40	(1.05)	1.68	2.39
Distributions to common shareholders					
From and in excess of net investment income	(0.56)	(0.36)	(0.35)	(0.80)	(0.54)
Return of capital	—	(0.26)	(0.45)	—	(0.29)
Total distributions to common shareholders	(0.56)	(0.62)	(0.80)	(0.80)	(0.83)
Increase resulting from tender and repurchase of Auction Market Preferred Shares (Note 7)	0.05	—	—	—	—
Net asset value, end of period	\$ 8.18	\$ 7.18	\$ 7.40	\$ 9.25	\$ 8.37
Market value, end of period	\$ 7.15	\$ 6.66	\$ 6.87	\$ 9.36	\$ 7.33
Total investment return (b)					
Net asset value	22.50%(g)	5.80%	-12.43%	20.87%	38.26%
Market value	16.35%	6.42%	-19.43%	39.98%	39.85%
Ratios and supplemental data					
Net assets, applicable to Common Shareholders, end of period (thousands)	\$ 263,568	\$ 231,512	\$ 238,685	\$ 297,056	\$ 266,589
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (thousands)	N/A	\$ 170,000	\$ 170,000	\$ 170,000	\$ 170,000
Preferred shares asset coverage per share (c)	N/A	\$ 59,046	\$ 60,101	\$ 68,685	\$ 64,204
Ratios to Average Net Assets applicable to Common Shares:					
Operating Expense	2.07%(e)	2.35%(e)	1.99%	1.99%	2.34%
Interest Expense(f)	1.02%	N/A	N/A	N/A	N/A

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Total Expense		3.09%(e)	2.35%(e)	1.99%	1.99%	2.34%
Net Investment Income, prior to effect of dividends to preferred shares, including interest expense		3.48%	5.54%	4.92%	6.19%	8.29%
Net Investment Income, after effect of dividends to preferred shares, including interest expense		3.37%	4.46%	4.04%	5.27%	7.02%
Portfolio turnover rate		239%	219%	125%	125%	166%
Senior Indebtedness						
Total Borrowings outstanding (in thousands)	\$	170,000	N/A	N/A	N/A	N/A
Asset Coverage per \$1,000 of indebtedness(d)	\$	2,550	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 net assets and dividing by the total number of preferred shares outstanding.
- (d) Calculated by subtracting the Fund’s total liabilities (not including the borrowings) from the Fund’s total assets and dividing by the total borrowings.
- (e) The expense ratio does not reflect fees and expenses incurred 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 0.09%, respectively, for the years ended October 31, 2013 and 2012.
- (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 0.74%.

N/A - Not Applicable

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

October 31, 2013

Note 1 – Organization:

Advent Claymore Convertible Securities and Income Fund II (the “Fund”) was organized as a Delaware statutory trust on February 26, 2007. 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 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. 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. Futures contracts are valued using the settlement price established each day on the exchange on which they are 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. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value. The Fund values money market funds at net asset 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 (“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).

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

NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

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.

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, 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.

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	\$ —	\$ 275,133	\$ 41	\$ 275,174
Corporate Bonds	—	85,759	—	85,759
Term Loans	—	2,283	—	2,283
Convertible Preferred Stocks	24,109	—	—	24,109
Common Stocks	24,594	—	—	24,594
Warrants	—	397	—	397
Put Options Purchased	193	—	—	193

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Money Market Fund	16,862	—	—	16,862
Forward Exchange				
Currency Contracts	—	15	—	15
Total	\$ 65,758	\$ 363,587	\$ 41	\$ 429,386
Liabilities:				
Call Options Written	\$ 1,484	—	—	1,484
Forward Exchange				
Currency Contracts	—	434	—	434
Total	\$ 1,484	\$ 434	—	1,918

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.

The following table presents the activity of the Fund's investment measured at fair value using significant unobservable inputs (Level 3 valuation) for the year ended October 31, 2013.

Level 3 Holdings	Corporate Bonds
Beginning Balance at 10/31/12	\$ 60
Net Realized Gain/Loss	—
Change in Unrealized Gain/Loss	(19)*
Purchases	—
Sales	—
Transfers In	—
Transfers Out	—
Ending Balance at 10/31/13	\$ 41

* Amount represents the change in unrealized gain (loss) for ShengdaTech, Inc. as of October 31, 2013.

The following table summarizes valuation techniques and inputs used in determining the fair value of holdings categorized as Level 3 at October 31, 2013:

Investments, at Value	Value as of October 31, 2013	Valuation Technique	Unobservable Inputs
Convertible Bond	\$41,180	Last Available Transaction	Discount on Last Transaction Price

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NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

A significant change in unobservable inputs would have the following impact to Level 3 valuations:

Unobservable Input	Impact to Value if Input Increases	Impact to Value if Input Decreases
Discount on Last Transaction Price	Increases	Decreases

(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 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.

(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 and income and expenses 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 holding of 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 is shown as net realized gains or losses on foreign currency transactions in the Fund's Statement of Operations.

Foreign exchange unrealized gain or loss on assets and liabilities, other than investments, is shown as 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 the liability 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) 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.

NOTES TO FINANCIAL STATEMENTS continued

October 31, 2013

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.

(i) Futures Contracts

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.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. 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.

There were no futures contracts outstanding at October 31, 2013.

(j) 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 as well as to attempt to enhance return. 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 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.

(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) 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 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.

(m) 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.

(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 and Advisory Agreements and other agreements:

Pursuant to an Investment Advisory Agreement (the “Agreement”) between Guggenheim Funds Investment Advisors, LLC (“GFIA”) and the Fund, the Investment Adviser furnishes offices, necessary facilities and equipment, provides administrative services to the Fund, oversees the activities of Advent Capital Management, LLC (the “Investment Manager”), provides personnel and compensates the Trustees and Officers of the Fund who are its affiliates. As compensation for these services, the Fund pays the Investment Adviser an annual fee, payable monthly in arrears, at an annual rate equal to 0.40% of the average Managed Assets during such month. Managed Assets means the total of assets of the Fund (including any assets attributable to any preferred shares that may be outstanding or otherwise attributable to the use of leverage, if any) minus the sum of accrued liabilities (other than debt representing financial leverage, if any).

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Pursuant to an Investment Management Agreement between the Investment Manager and the Fund, the Fund pays the Investment Manager an annual fee, payable monthly in arrears, at an annual rate equal to 0.60% of the average Managed Assets during such month for the services and facilities provided by the Investment Manager to the Fund. These services include the day-to-day management of the Fund's portfolio of securities, which includes buying and selling securities for the Fund and investment research.

The Bank of New York Mellon ("BNY") acts as the Fund's custodian and accounting 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.

Prior to June 20, 2013, under a separate Fund Administration Agreement, the Investment Adviser provided Fund Administration services to the Fund. The Investment Adviser received a fund administration fee payable monthly at the annual rate set forth below as a percentage of the average daily net 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 Investment Manager. The Fund does not compensate its Officers or Trustees who are Officers of the aforementioned firms.

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 and accumulated net realized gains or losses on investments. For the year ended October 31, 2013, the adjustments were to decrease paid-in capital in excess of par by \$9,019,631, increase distributions in excess of net investment income by \$9,337,432 and increase accumulated net realized loss by \$317,801 due to the difference in treatment for book and tax purposes of convertible bonds, convertible preferred securities, 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 written options, unfunded loan commitments, forward exchange currency contracts and foreign currency translations are as follows:

Net Tax

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Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments	Unrealized Depreciation on Derivatives and Foreign Currency
\$413,425,646	\$ 26,817,961	\$ (10,872,246)	\$ 15,945,715	\$ (408,827)

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

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

Undistributed Ordinary Income/(Accumulated Ordinary Loss)	Undistributed Long-Term Gains/(Accumulated Capital Loss)
\$ —	\$ (294,803,552)

The differences between book and tax basis undistributed long-term gains/(accumulated capital loss) are attributable to 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 \$294,803,552 available to offset possible future capital gains. The capital loss carryforward is set to expire as follows: \$137,071,454 expires on October 31, 2016, \$155,338,152 expires on October 31, 2017, and \$2,393,946 expires on October 31, 2019. For the year ended October 31, 2013, the Fund utilized \$26,097,449 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 circumstances, capital loss carryforwards available as of the report date may expire unused.

For the years ended October 31, 2013 and October 31, 2012, the tax character of distributions paid, as reflected in the Statements of Changes in Net Assets, of \$18,470,083 and \$14,074,145 was ordinary income and \$0 and \$8,478,532 was return of capital, respectively.

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. Uncertain tax positions are tax positions taken or expected to be taken in the course of preparing the Fund's tax returns that would not meet a more-likely-than-not threshold of being sustained by the applicable tax authority and would be recorded as a tax expense in the current year. Open tax years are those that are open for examination by taxing authorities (i.e. generally the last

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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 written options and short-term securities, were \$959,490,205 and \$968,209,638, 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).

The Fund will follow a strategy of writing covered call options, which is a strategy designed to produce income from option premiums and offset a portion of a market decline in the underlying security. This strategy will be the Fund’s principal investment strategy in seeking to pursue its primary investment objective. The Fund will only “sell” or “write” options on securities held in the Fund’s portfolio. It may not sell “naked” call options, i.e., options on securities that are not held by the Fund or on more shares of a security than are held in the Fund’s portfolio. The Fund will consider a call option written with respect to a security underlying a convertible security to be covered so long as (i) the convertible security, pursuant to its terms, grants to the holders of such security the right to convert the convertible security into the underlying security and (ii) the convertible security, upon conversion, will convert into enough shares of the underlying security to cover the call option written by the Fund.

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 purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

The Fund entered into written option contracts for the year ended October 31, 2013.

Details of the transactions were as follows:

	Number of Contracts	Premiums Received
Options outstanding, beginning of year	1,312	\$ 415,929
Options written during the period	61,048	7,774,871
Options expired during the period	(5,407)	(361,486)
Options closed during the period	(52,691)	(6,679,940)
Options assigned during the period	—	—

Options outstanding, end of period	4,262	\$	1,149,374
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(b) Forward Exchange Currency Contracts

A forward exchange currency contract is a commitment to purchase or sell a foreign currency on a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts would be included in net realized gain or loss on foreign currency transactions.

Risk may arise from the potential inability of a Counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. The face or contract amount, in U.S. dollars, reflects the total exposure the Fund has in that particular currency contract.

At October 31, 2013, the following forward exchange currency contracts were outstanding:

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Contracts to Sell	Counterparty	Settlement Date	Settlement Value	Value at 10/30/13	Net Unrealized Appreciation/Depreciation
EUR 5,142,000					
for 6,872,154 USD	The Bank of New York Mellon	12/19/2013	\$6,872,154	\$6,991,116	\$(118,962)
EUR 256,000					
for 345,837 USD	The Bank of New York Mellon	12/19/2013	345,837	348,060	(2,223)
EUR 105,000					
for 141,833 USD	The Bank of New York Mellon	12/19/2013	141,833	142,759	(926)
EUR 239,000					
for 322,553 USD	The Bank of New York Mellon	12/19/2013	322,553	324,947	(2,394)
EUR 332,000					
for 448,701 USD	The Bank of New York Mellon	12/19/2013	448,701	451,391	(2,690)
EUR 653,000					
for 892,140 USD	The Bank of New York Mellon	12/19/2013	892,140	887,825	4,315
EUR 2,156,000					
for 2,881,440 USD	The Bank of New York Mellon	12/19/2013	2,881,440	2,931,320	(49,880)
EUR 1,720,000					
for 2,329,331 USD	The Bank of New York Mellon	12/19/2013	2,329,331	2,338,530	(9,199)
EUR 848,000					
for 1,159,465 USD	The Bank of New York Mellon	12/19/2013	1,159,465	1,152,950	6,515
GBP 941,000					
for 1,495,630 USD	The Bank of New York Mellon	12/19/2013	1,495,630	1,511,237	(15,607)
GBP 208,000					
for 333,624 USD	The Bank of New York Mellon	12/19/2013	333,624	334,046	(422)
GBP 2,098,000					
for 3,334,572 USD	The Bank of New York Mellon	12/19/2013	3,334,572	3,369,368	(34,796)
HKD 10,600,000					
for 1,367,125 USD	The Bank of New York Mellon	11/4/2013	1,367,125	1,367,204	(79)
HKD 4,245,000					
for 547,494 USD	The Bank of New York Mellon	11/4/2013	547,494	547,526	(32)
JPY 492,000,000					

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for	4,964,356	The Bank of New York	12/19/2013	4,964,356	5,016,454	(52,098)
USD		Mellon				
JPY	451,000,000					
for	4,550,660	The Bank of New York	12/19/2013	4,550,660	4,598,416	(47,756)
USD		Mellon				
JPY	142,000,000					
for	1,446,100	The Bank of New York	12/19/2013	1,446,100	1,447,838	(1,738)
USD		Mellon				
SGD	954,000					
for	757,110	The Bank of New York	12/19/2013	757,110	769,158	(12,048)
USD		Mellon				
SGD	5,434,000					
for	4,312,510	The Bank of New York	12/19/2013	4,312,510	4,381,137	
USD		Mellon				