

VAN KAMPEN HIGH INCOME CORPORATE BOND FUND

Form N-30D

October 29, 2002

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You have a time-tested partner in Van Kampen.

This report must be preceded or accompanied by a prospectus for the fund being offered.

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

OVERVIEW

LETTER TO SHAREHOLDERS

September 20, 2002

Dear Shareholder,

Due to events in the markets and the well-publicized controversies surrounding certain companies, the recent months have been challenging for many investors.

Against this backdrop, you may be re-evaluating your investments. In this regard, your financial advisor is a particularly valuable resource. Your advisor can help you review your current asset allocation and determine whether it remains appropriate for your goals, risk tolerance and time horizon.

You also have a time-tested partner in Van Kampen. With roots extending to 1927, our legacy spans other market downturns and periods of uncertainty. While the causes of turbulence have changed, our generations of experience have taught us the enduring value of patience, discipline and long-term

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focus.

Thank you for your continued trust in Van Kampen. We appreciate the opportunity to help you and your loved ones enjoy life's true wealth--family, friends and life's daily pleasures.

Sincerely,

[SIG]

Richard F. Powers, III
President and CEO
Van Kampen Asset Management Inc.

ECONOMIC SNAPSHOT

THE ECONOMY

THE STRENGTH OF THE ECONOMY'S APPARENT, YET FRAGILE, RECOVERY GARNERED CONSIDERABLE ATTENTION THROUGHOUT THE REPORTING PERIOD. WEAK SECOND-QUARTER GROWTH, FOLLOWED BY ANECDOTAL EVIDENCE OF A MID-SUMMER ECONOMIC PERFORMANCE THAT WAS BELOW EXPECTATIONS, LEFT MANY WONDERING WHETHER THE THIRD QUARTER WOULD RECORD ANY POSITIVE PROGRESS. AS SUCH, AUGUST'S POSITIVE DEVELOPMENTS--IMPROVED CORPORATE PROFITS, STRONG RETAIL SALES, AND MODEST EMPLOYMENT GAINS--HELPED DOWNPLAY SUCH CONCERNS.

CONSUMER SPENDING REMAINED UNEXPECTEDLY STRONG THROUGHOUT THE REPORTING PERIOD, BOLSTERED BY 0-PERCENT FINANCING DEALS OFFERED BY AUTO MANUFACTURERS AND HISTORICALLY LOW MORTGAGE RATES THAT SPARKED ANOTHER SURGE IN HOME MORTGAGE REFINANCING. IN CONTRAST, BUSINESS SPENDING REMAINED AT SUBDUED, ALBEIT GRADUALLY GROWING LEVELS. BUT THE ONGOING CONCERN OF WAR WITH IRAQ AND SLOW JOB GROWTH COMBINED TO DRAG CONSUMER CONFIDENCE BACK TO LEVELS WITNESSED IN THE FOURTH QUARTER OF 2001.

AGAINST THIS BACKDROP, THE FED TOOK A WAIT-AND-SEE APPROACH AND LEFT ITS INTEREST RATE TARGET FOR FEDERAL FUNDS AT 1.75 PERCENT. HOWEVER, DURING ITS REGULARLY SCHEDULED AUGUST 12 MEETING, THE FED SHIFTED ITS BIAS FROM ECONOMIC NEUTRALITY TO CONCERN OVER POTENTIAL ECONOMIC WEAKNESS. THIS POLICY SHIFT ONLY REINFORCED INVESTORS' CONCERNS ABOUT SLOW GROWTH.

U.S. GROSS DOMESTIC PRODUCT

SEASONALLY ADJUSTED ANNUALIZED RATES

(June 30, 2000--June 30, 2002)

[BAR GRAPH]

U.S. GROSS DOMESTIC PRODUCT

| | U.S. GROSS DOMESTIC PRODUCT |
|--------|-----------------------------|
| Jun 00 | 4.80% |
| Sep 00 | 0.60% |
| Dec 00 | 1.10% |
| Mar 01 | -0.60% |
| Jun 01 | -1.60% |

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| | |
|--------|--------|
| Sep 01 | -0.30% |
| Dec 01 | 2.70% |
| Mar 02 | 5.00% |
| Jun 02 | 1.30% |

Source: Bureau of Economic Analysis

INTEREST RATES AND INFLATION

(August 31, 2000--August 31, 2002)

[LINE GRAPH]

| | INTEREST RATES ----- |
|--------|-------------------------|
| Aug 00 | 6.50 |
| | 6.50 |
| | 6.50 |
| Nov 00 | 6.50 |
| | 6.50 |
| | 5.50 |
| Feb 01 | 5.50 |
| | 5.00 |
| | 4.50 |
| May 01 | 4.00 |
| | 3.75 |
| | 3.75 |
| Aug 01 | 3.50 |
| | 3.00 |
| | 2.50 |
| Nov 01 | 2.00 |
| | 1.75 |
| | 1.75 |
| Feb 02 | 1.75 |
| | 1.75 |
| | 1.75 |
| May 02 | 1.75 |
| | 1.75 |
| | 1.75 |
| Aug 02 | 1.75 |

Interest rates are represented by the closing midline federal funds target rate on the last day of each month. Inflation is indicated by the annual percentage change of the Consumer Price Index for all urban consumers at the end of each month.

Source: Bloomberg

PERFORMANCE SUMMARY

PERFORMANCE OF A \$10,000 INVESTMENT
(August 31, 1992--August 31, 2002)

[LINE GRAPH]

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| | HIGH INCOME CORPORATE BOND FUND | CHASE GLOBAL HIGH YIELD INDEX IS A BROAD-BAS UNMANAGED INDEX THAT REFLECTS THE GENERA PERFORMANCE OF THE GL HIGH-YIELD CORPORATE MARKET.* |
|-------|------------------------------------|---|
| | ----- | ----- |
| 8/92 | 9524.000 | |
| | 9580.000 | |
| | 9618.000 | |
| | 10246.000 | |
| | 10812.000 | |
| | 10945.000 | |
| 12/93 | 11457.000 | 10000.000 |
| | 11391.000 | 9820.000 |
| | 11291.000 | 9805.000 |
| | 11168.000 | 9858.000 |
| 12/94 | 11043.000 | 9843.000 |
| | 11563.000 | 10428.000 |
| | 12113.000 | 11046.000 |
| | 12584.000 | 11397.000 |
| 12/95 | 12968.000 | 11764.000 |
| | 13380.000 | 12019.000 |
| | 13738.000 | 12238.000 |
| | 14305.000 | 12798.000 |
| 12/96 | 14739.000 | 13294.000 |
| | 14944.000 | 13408.000 |
| | 15632.000 | 14028.000 |
| | 16359.000 | 14696.000 |
| 12/97 | 16543.000 | 14941.000 |
| | 17356.000 | 15444.000 |
| | 17511.000 | 15576.000 |
| | 16074.000 | 14673.000 |
| 12/98 | 16619.000 | 15086.000 |
| | 17080.000 | 15372.000 |
| | 17029.000 | 15533.000 |
| | 16920.000 | 15272.000 |
| 12/99 | 17267.000 | 15595.000 |
| | 17196.000 | 15334.000 |
| | 17346.000 | 15413.000 |
| | 17229.000 | 15471.000 |
| 12/00 | 15848.000 | 14708.000 |
| | 16362.000 | 15489.000 |
| | 15742.000 | 15379.000 |
| | 14800.000 | 14725.000 |
| 12/01 | 15429.000 | 15601.000 |
| | 15020.000 | 15988.000 |
| | 13967.000 | 15616.000 |
| 8/02 | 13412.000 | 15300.000 (1) |

(1)The figure shown represents the performance of the Chase Global High Yield Index since its inception date of 12/31/93.

This chart compares your fund's performance to that of the Chase Global High Yield Index and the Lipper High Yield Bond Fund Index over time.

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These indexes are unmanaged broad-based, statistical composites and their performance does not include any sales charges or fees that would be paid by an investor purchasing the securities they represent. Such costs would lower performance. The historical performance of the index is shown for illustrative purposes only; it is not meant to forecast, imply, or guarantee the future performance of any investment vehicle. It is not possible to invest directly in an index.

The above chart reflects the performance of Class A shares of the fund. The performance of Class A shares will differ from that of other share classes of the fund because of the difference in sales charges and/or expenses paid by shareholders investing in the different share classes. The fund's performance assumes reinvestment of all distributions, and includes payment of the maximum sales charge (4.75% for Class A shares) and combined Rule 12b-1 fees and service fees of up to 0.25 percent. The performance above does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Results are hypothetical.

While past performance is no guarantee of future results, the above information provides a broader vantage point from which to evaluate the discussion of the fund's performance found in the following pages.

Source:

- * Bloomberg
- ** Lipper Inc.

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RETURN HIGHLIGHTS

(as of August 31, 2002)

| | A SHARES | B SHARES | C SHARES |
|---|----------|----------|----------|
| One-year total return based on NAV(1) | -15.75% | -16.12% | -16.04% |
| One-year total return(2) | -19.73% | -19.11% | -16.79% |
| Five-year average annual total return(2) | -4.40% | -4.33% | -4.18% |
| Ten-year average annual total return(2) | 2.98% | 2.99%(3) | N/A |
| Life-of-Fund average annual total return(2) | 6.53% | 3.26%(3) | 1.57% |
| Commencement date | 10/02/78 | 07/02/92 | 07/06/93 |
| Distribution rate(4) | 12.11% | 11.77% | 11.89% |
| SEC Yield(5) | 10.86% | 10.58% | 10.69% |

N/A = Not Applicable

(1) Assumes reinvestment of all distributions for the period and does not

include payment of the maximum sales charge (4.75% for Class A Shares) or contingent deferred sales charge (CDSC) for Class B and Class C Shares. On purchases of Class A Shares of \$1 million or more, a CDSC of 1% may be imposed on certain redemptions made within one year of purchase. Returns for Class B Shares are calculated without the effect of the maximum 4% CDSC, charged on certain redemptions made within the first and second year of purchase and declining to 0% after the fifth year. Returns for Class C Shares are calculated without the effect of the maximum 1% CDSC, charged on certain redemptions made within one year of purchase. If the sales charges were included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to .25% for Class A Shares and 1% for Class B and Class C Shares and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

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- (2) Assumes reinvestment of all distributions for the period and includes payment of the maximum sales charge (4.75% for Class A Shares) or CDSC for Class B and Class C Shares and combined Rule 12b-1 fees and service fees. On purchases of Class A Shares of \$1 million or more, a CDSC of 1% may be imposed on certain redemptions made within one year of purchase. Returns for Class B Shares are calculated with the effect of the maximum 4% CDSC, charged on certain redemptions made within the first and second year of purchase and declining to 0% after the fifth year. Returns for Class C Shares are calculated with the effect of the maximum 1% CDSC, charged on certain redemptions made within one year of purchase. The combined Rule 12b-1 fees and service fees for Class A Shares is up to .25% and for Class B and Class C Shares is 1%. These returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
- (3) Reflects the conversion of Class B Shares into Class A Shares six years after the end of the calendar month in which the shares were purchased. See Footnote 3 in the Notes to Financial Statements for additional information.
- (4) Distribution rate represents the monthly annualized distributions of the Fund at the end of the period and not the earnings of the Fund.
- (5) SEC Yield is a standardized calculation prescribed by the Securities and Exchange Commission for determining the amount of net income a portfolio should theoretically generate for the 30-day period ended August 31, 2002.

See the Comparative Performance section of the current prospectus. An investment in the Fund is subject to investment risks, and you could lose money on your investment in the Fund. Please review the Risk/Return Summary of the Prospectus for further details on investment risks. Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost. As a result of recent market activity, current performance may vary from the figures shown. For more up-to-date information, please visit vankampen.com or speak with your financial advisor.

Market forecasts provided in this report may not necessarily come to pass.

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PORTFOLIO AT A GLANCE

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CREDIT QUALITY
(as a percentage of corporate debt obligations)

As of August 31, 2002

| | | |
|------------------|-------|-------------|
| - BBB/Baa..... | 12.0% | [PIE CHART] |
| - BB/Ba..... | 32.1% | |
| - B/B..... | 45.9% | |
| - CCC/Caa..... | 5.4% | |
| - CC/Ca..... | 2.5% | |
| - C/C..... | 0.9% | |
| - Non-Rated..... | 1.2% | |

As of August 31, 2001

| | | |
|------------------|-------|-------------|
| - BBB/Baa..... | 6.2% | [PIE CHART] |
| - BB/Ba..... | 19.4% | |
| - B/B..... | 65.1% | |
| - CCC/Caa..... | 5.8% | |
| - CC/Ca..... | 1.0% | |
| - C/C..... | 0.3% | |
| - Non-Rated..... | 2.2% | |

Based upon the credit quality ratings as issued by Standard & Poor's Credit Market Services/Moody's Investor Services, respectively. Subject to change daily.

TWELVE-MONTH DIVIDEND HISTORY
(for the year ended August 31, 2002)

[BAR GRAPH]

| | DIVIDENDS ----- |
|-------|--------------------|
| 9/01 | 0.0427 |
| 10/01 | 0.0427 |
| 11/01 | 0.0427 |
| 12/01 | 0.0393 |
| 1/02 | 0.0393 |
| 2/02 | 0.0383 |
| 3/02 | 0.0383 |
| 4/02 | 0.0358 |
| 5/02 | 0.0358 |
| 6/02 | 0.0334 |
| 7/02 | 0.0334 |
| 8/02 | 0.0334 |

The dividend history represents dividends that were paid on the fund's Class A shares and is no guarantee of the fund's future dividends.

TOP FIVE INDUSTRIES
(as a percentage of long-term investments)

[BAR GRAPH]

AUGUST 31, 2002

| | |
|-------------------------|-------|
| Energy | 10.5% |
| Gaming & Leisure | 9.8% |
| Housing | 6.2% |
| Wireless Communications | 6.2% |
| Manufacturing | 6.1% |

Subject to change daily. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities in the industries shown above. Morgan Stanley and others affiliated with it may hold positions in or may seek to perform investment-banking services for the companies listed.

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Q&A WITH YOUR PORTFOLIO MANAGERS

WE RECENTLY SPOKE WITH THE PORTFOLIO MANAGEMENT TEAM FOR THE VAN KAMPEN HIGH INCOME CORPORATE BOND FUND ABOUT THE KEY EVENTS AND ECONOMIC FORCES THAT SHAPED THE MARKETS AND INFLUENCED THE FUND'S RETURN DURING THE 12-MONTH PERIOD ENDED AUGUST 31, 2002. THE FUND IS MANAGED BY THE ADVISER'S HIGH YIELD TEAM. MEMBERS OF THE TEAM(1) INCLUDE STEPHEN ESSER, MANAGING DIRECTOR; GORDON LOERY, EXECUTIVE DIRECTOR; AND DEANNE LOUGHNANE, EXECUTIVE DIRECTOR. THE FOLLOWING DISCUSSION REFLECTS THEIR VIEWS ON THE FUND'S PERFORMANCE.

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

Q HOW WOULD YOU CHARACTERIZE THE MARKET ENVIRONMENT OF THE PAST 12 MONTHS?

A The past 12 months have been an extraordinarily turbulent time for the high-yield market. The period began with the terrorist attacks of September 11, which precipitated one of the worst single months in the history of the high-yield market. All sectors related to travel, including airlines, gaming and hotels, were especially hard hit as travel dropped around the world. Economically sensitive sectors also suffered as business activity nationwide came to a halt for several days. Sectors that had already been performing poorly, such as telecom and wireless, joined in the general decline.

Much of that trend reversed, however, when investors' expectations for the economy turned positive in October. Fears of a prolonged recession gave way to an anticipation of imminent growth. At the same time, it appeared that many investors saw high-yield securities as an attractively valued asset class after the September sell-off. As a result, the high-yield market rallied strongly through the end of 2001, and managing over that time to regain a large portion of its September losses.

The high-yield market continued to perform strongly through the first four months of 2002 as the economy appeared to be getting back on track. Those gains came to an end in May, however, when the high-yield market began to slump in tandem with the equity markets. Credit concerns began to overwhelm the market when Qwest and WorldCom, two large investment-grade issuers, were downgraded to junk status. The market environment turned worse shortly after that when a

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stream of accounting scandals began to seriously undermine investor confidence in the financial statements of public companies. The high-yield sector experienced significant outflows

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through the month of July, including a 10-consecutive-week run of asset losses.

Against this volatile backdrop, sector performance varied highly. Many sectors, including those most sensitive to broader economic activity, experienced alternating periods of weak and strong performance in keeping with more pervasive investor expectations for economic growth. Telecom continued its losing streak, with its already weak relative performance worsened by WorldCom's default. The cable and wireless sectors also underperformed, with the cable sector experiencing a high-profile business scandal and many wireless companies showing lower growth during this period.

Q HOW DID THE FUND PERFORM
IN THIS ENVIRONMENT?

A The fund continued to provide shareholders with what we believe to be an attractive level of income, as its monthly dividend of \$0.0334 per Class A share translates to a distribution rate of 12.11 percent based on the fund's maximum offering price as of August 31, 2002. For the 12-month period ended August 31, 2002, the fund generated a total return of -15.75 percent.

Performance information for the fund reflects Class A shares at net asset value, including combined Rule 12b-1 fees and service fees of up to 0.25 percent and excluding a maximum sales charge of 4.75 percent; if the maximum sales charge were included, the return would be lower. The return above does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Of course, past performance is no guarantee of future results. Performance of other share classes will vary. Investment return and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost. As a result of recent market activity, current performance may vary from the figures shown. For more up-to-date information, please visit vankampen.com or speak with your financial advisor.

By comparison, the Chase Global High Yield Index posted a total return of -2.75 percent and the Lipper High Yield Bond Fund Index posted a total return of -8.77 percent for the same period. The Chase Global High Yield Index is a broad-based, unmanaged index that reflects the general performance of the global high-yield corporate debt market. The Lipper High Yield Bond Fund Index is an index of funds with similar return objectives. These index returns do not include any sales charges or fees that would be paid by an investor purchasing the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. For additional performance results, please refer to the chart and footnotes on page 5.

Q WHAT WERE THE KEY DRIVERS OF
THE FUND'S PERFORMANCE RELATIVE TO THESE BENCHMARKS?

A Toward the beginning of the period, our analysis indicated that the most prudent course for the portfolio would be to trim several overweighted positions in order to reduce the fund's overall risk profile. We successfully took some of these positions down over the course of the period, including the fund's above-market holdings in the

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telecom, wireless and cable sectors. However, we were not able to sell out before accounting scandals overwhelmed the market, and the fund suffered somewhat from the fallout.

Q WHAT STRATEGIES DID YOU USE
IN MANAGING THE FUND?

A As mentioned, one of the primary strategies we employed involved a reduction in the fund's holdings in sectors that we thought most likely to underperform in the coming months. The biggest change was in the wireless sector, where we cut the fund's exposure by two-thirds over the course of the period. We also reduced the fund's holdings in several sectors where we identified individual companies that had either met our performance targets or we believed were unlikely to deliver strong performance. For example, we sold the bonds of several cable companies whose business prospects no longer warranted keeping an exposure to them in the portfolio.

We put the proceeds from these sales to work in a variety of situations. The bulk of these were ideas generated by our bottom-up research at the company level. Through this process we added what we believed to be attractively priced bonds in the energy, gaming and media sectors.

We also began to position the fund selectively to possibly gain from any upturn in economic activity by adding to holdings in such economically sensitive sectors as manufacturing and transportation. We also concluded that the U.S. consumer sectors were unlikely to participate as fully as others in a recovery. As a result, we kept the fund underweighted in consumer-related issues in order to protect shareholders from any weakness there.

Q WHAT IS YOUR OUTLOOK FOR THE
HIGH-YIELD MARKET?

A We are confident that the current state of mistrust regarding public companies is likely to sort itself out in the coming months. With both management and auditors under enormous pressure to produce clean results, we believe that the worst is behind us in terms of the sheer number of negative announcements and revisions. This is likely to be a positive force for investor confidence and, by extension, the high-yield market.

As for the high-yield market itself, spreads are currently at close to all-time high levels. These attractive prices, coupled with low interest rates in the broader economy, could well begin to lure investors back to the high-yield asset class. While this is of course impossible to predict with certainty, we believe that the current level of valuations may prove beneficial for high-yield investors. The most significant unknown in this equation is the state of the U.S. economy. As always, we will continue to watch the market and economy closely for opportunities.

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ANNUAL HOUSEHOLDING NOTICE

To reduce fund expenses, the fund attempts to eliminate duplicate mailings to the same address. The fund delivers a single copy of certain shareholder documents to investors who share an address, even if the accounts are registered under different names. The fund's prospectuses and shareholder reports (including annual privacy notices) will be delivered to you in this manner indefinitely unless you instruct us otherwise. You can request multiple copies of these documents by either calling (800) 341-2911 or writing to Van Kampen

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Investor Services at 1 Parkview Plaza, P.O. Box 5555, Oakbrook Terrace, IL 60181. Once Investor Services has received your instructions, we will begin sending individual copies for each account within 30 days.

GLOSSARY OF TERMS

A HELPFUL GUIDE TO SOME OF THE COMMON TERMS YOU'RE LIKELY TO SEE IN THIS REPORT AND OTHER FINANCIAL PUBLICATIONS.

CREDIT RATING: An evaluation of a bond issuer's credit history and capability of repaying debt obligations. Standard & Poor's Ratings Group and Moody's Investors Service are two companies that assign credit ratings. Standard & Poor's ratings range from a high of AAA to a low of D, while Moody's ratings range from a high of Aaa to a low of C.

CREDIT SPREAD: Also called quality spread, the difference in yield between higher-quality issues (such as Treasury securities) and lower-quality issues. Normally, lower-quality issues provide higher yields to compensate investors for the additional credit risk.

DEFAULT: The failure to make required debt payments on time.

NET ASSET VALUE (NAV): The value of a mutual fund share, calculated by deducting a fund's liabilities from the total assets in its portfolio and dividing this amount by the number of shares outstanding. The NAV does not include any initial or contingent deferred sales charges.

YIELD: The annual rate of return on an investment, expressed as a percentage.

BY THE NUMBERS

YOUR FUND'S INVESTMENTS

August 31, 2002

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

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------|---|---------|----------|--------------|
| | CORPORATE BONDS 84.0% | | | |
| | AEROSPACE 0.5% | | | |
| \$4,110 | Air Canada (Canada)..... | 10.250% | 03/15/11 | \$ 2,650,950 |
| 300 | Jet Equipment Trust, Ser 95-D, 144A--Private Placement (a)..... | 11.440 | 11/01/14 | 166,459 |
| 200 | Jet Equipment Trust, Ser C1, 144A--Private Placement (a)..... | 11.790 | 06/15/13 | 30,000 |
| | | | | ----- |
| | | | | 2,847,409 |
| | | | | ----- |
| | BROADCASTING 2.8% | | | |
| 3,290 | Interop National Radio Sales, Inc., Ser B..... | 10.000 | 07/01/08 | 2,961,000 |

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| | | | | |
|-------|--|----------|----------|------------|
| 3,605 | Nextmedia Operating, Inc. | 10.750 | 07/01/11 | 3,496,850 |
| 3,150 | Radio Unica Corp. (b)..... | 0/11.750 | 08/01/06 | 1,756,125 |
| 5,560 | TV Azteca SA, Ser B (Mexico)..... | 10.500 | 02/15/07 | 5,407,100 |
| 835 | Young Broadcasting, Inc. | 10.000 | 03/01/11 | 768,200 |
| | | | | ----- |
| | | | | 14,389,275 |
| | | | | ----- |
| | CABLE 5.5% | | | |
| 7,175 | British Sky Broadcasting Group PLC (United Kingdom)..... | 8.200 | 07/15/09 | 7,226,014 |
| 9,470 | Callahan Nordrhein Westfallen (Germany) (c) (d)..... | 14.000 | 07/15/10 | 272,262 |
| 100 | Charter Communications Holdings..... | 10.250 | 01/15/10 | 70,000 |
| 900 | Charter Communications Holdings (b)..... | 0/11.750 | 05/15/11 | 342,000 |
| 3,530 | Charter Communications Holdings LLC..... | 8.250 | 04/01/07 | 2,453,350 |
| 2,225 | Charter Communications Holdings LLC (b)... | 0/11.750 | 01/15/10 | 945,625 |
| 275 | Echostar DBS Corp. | 9.250 | 02/01/06 | 275,000 |
| 6,475 | Echostar DBS Corp., 144A--Private Placement (a)..... | 9.125 | 01/15/09 | 6,345,500 |
| 5,500 | International Cabletel, Inc., Ser B (c) (d)..... | 11.500 | 02/01/06 | 907,500 |
| 3,425 | Multicanal Participacoes, Ser B (Brazil)..... | 12.625 | 06/18/04 | 1,447,062 |
| 1,135 | NTL, Inc. (b) (c) (d)..... | 0/9.750 | 04/01/08 | 170,250 |
| 4,710 | Ono Finance PLC (United Kingdom)..... | 13.000 | 05/01/09 | 965,550 |
| 810 | Pegasus Communications Corp., Ser B..... | 9.750 | 12/01/06 | 386,775 |
| 1,085 | Pegasus Communications Corp., Ser B..... | 12.500 | 08/01/07 | 518,087 |
| 1,350 | Quebecor Media, Inc. (Canada) (b)..... | 0/13.750 | 07/15/11 | 648,000 |
| 2,085 | Quebecor Media, Inc. (Canada)..... | 11.125 | 07/15/11 | 1,751,400 |
| 6,250 | Satelites Mexicanos SA (Mexico)..... | 10.125 | 11/01/04 | 2,328,125 |

See Notes to Financial Statements

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------|---|----------|----------|--------------|
| | CABLE (CONTINUED) | | | |
| \$6,665 | Telewest Communications PLC (United Kingdom)..... | 11.000% | 10/01/07 | \$ 1,033,075 |
| 785 | Telewest Communications PLC (United Kingdom) (b)..... | 0/11.375 | 02/01/10 | 98,125 |
| 4,500 | UIH Australia/Pacific, Inc., Ser B (c).... | 14.000 | 05/15/06 | 33,750 |
| 4,415 | United Pan-Europe Communication, Ser B (Netherlands) (c)..... | 10.875 | 11/01/07 | 176,600 |
| 4,260 | United Pan-Europe Communication, Ser B (Netherlands) (b) (c)..... | 0/12.500 | 08/01/09 | 117,150 |
| | | | | ----- |
| | | | | 28,511,200 |
| | | | | ----- |
| | CHEMICALS 4.7% | | | |
| 2,220 | Acetex Corp. (Canada)..... | 10.875 | 08/01/09 | 2,319,900 |

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| | | | | |
|-------|--|----------|----------|------------|
| 3,505 | Equistar Chemicals LP..... | 10.125 | 09/01/08 | 3,382,325 |
| 3,780 | Huntsman ICI Chemicals LLC..... | 10.125 | 07/01/09 | 3,383,100 |
| 2,800 | Huntsman ICI Chemicals LLC (Euro)..... | 10.125 | 07/01/09 | 2,243,173 |
| 1,185 | ISP Chemco, Inc., Ser B..... | 10.250 | 07/01/11 | 1,190,925 |
| 4,413 | ISP Holdings, Inc., Ser B..... | 10.625 | 12/15/09 | 3,817,245 |
| 2,610 | Lyondell Chemical Co., Ser B..... | 9.875 | 05/01/07 | 2,590,425 |
| 2,800 | Messer Griesham (Germany) (Euro)..... | 10.375 | 06/01/11 | 2,809,021 |
| 1,105 | PCI Chemicals Canada, Inc. (Canada)..... | 10.000 | 12/31/08 | 747,064 |
| 368 | Pioneer Cos., Inc. | 5.355 | 12/31/06 | 245,339 |
| 2,020 | Terra Industries, Inc., Ser B..... | 10.500 | 06/15/05 | 1,626,100 |
| | | | | ----- |
| | | | | 24,354,617 |
| | | | | ----- |
| | CONSUMER PRODUCTS 0.8% | | | |
| 3,000 | Elizabeth Arden, Inc. | 11.750 | 02/01/11 | 3,060,000 |
| 4,000 | Sleepmaster LLC (c) (d)..... | 11.000 | 05/15/09 | 825,000 |
| | | | | ----- |
| | | | | 3,885,000 |
| | | | | ----- |
| | DIVERSIFIED MEDIA 5.4% | | | |
| 4,410 | Alliance Atlantis Communications, Inc. (Canada)..... | 13.000 | 12/15/09 | 4,685,625 |
| 2,980 | AOL Time Warner, Inc. | 6.875 | 05/01/12 | 2,690,258 |
| 3,720 | Hollinger Participation Trust, 144A--Private Placement (a)..... | 12.125 | 11/15/10 | 3,124,464 |
| 3,855 | Mail Well I Corp., 144A--Private Placement (a)..... | 9.625 | 03/15/12 | 2,679,225 |
| 3,235 | MDC Corporation, Inc. (Canada)..... | 10.500 | 12/01/06 | 2,701,225 |
| 5,415 | Muzak LLC..... | 9.875 | 03/15/09 | 4,548,600 |
| 5,000 | Premier Parks, Inc. (b)..... | 0/10.000 | 04/01/08 | 4,362,500 |
| 3,950 | Primedia, Inc. | 8.875 | 05/15/11 | 3,100,750 |
| | | | | ----- |
| | | | | 27,892,647 |
| | | | | ----- |

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|--|--------|----------|-----------------|
| | ENERGY 9.6% | | | |
| \$4,895 | BRL Universal Equipment..... | 8.875% | 02/15/08 | \$ 4,980,662 |
| 6,040 | Chesapeake Energy Corp. | 8.125 | 04/01/11 | 5,949,400 |
| 4,385 | Frontier Oil Corp. | 11.750 | 11/15/09 | 4,461,737 |
| 4,200 | Grey Wolf, Inc. | 8.875 | 07/01/07 | 4,284,000 |
| 3,945 | Hanover Equipment Trust, 144A--Private Placement (a)..... | 8.500 | 09/01/08 | 3,688,575 |
| 2,180 | Hanover Equipment Trust, 144A--Private Placement (a)..... | 8.750 | 09/01/11 | 2,016,500 |
| 5,575 | Husky Oil Ltd. (Variable Rate Coupon) (Canada)..... | 8.900 | 08/15/28 | 6,197,900 |

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| | | | | |
|-------|--|--------|----------|------------|
| 1,730 | Magnum Hunter Resources, Inc., 144A--Private Placement (a)..... | 9.600 | 03/15/12 | 1,773,250 |
| 3,966 | Port Arthur Finance Corp. | 12.500 | 01/15/09 | 4,184,557 |
| 2,115 | Stone Energy Corp. | 8.250 | 12/15/11 | 2,152,012 |
| 4,670 | Tesoro Petroleum Corp., 144A--Private Placement (a)..... | 9.625 | 04/01/12 | 3,455,800 |
| 6,430 | Vintage Petroleum, Inc. | 7.875 | 05/15/11 | 6,012,050 |
| | | | | ----- |
| | | | | 49,156,443 |
| | | | | ----- |
| | FINANCIAL 2.6% | | | |
| 3,395 | Americo Life, Inc. (e)..... | 9.250 | 06/01/05 | 3,344,075 |
| 2,945 | Anthem Insurance Cos., Inc., 144A--Private Placement (a)..... | 9.125 | 04/01/10 | 3,410,940 |
| 2,785 | Health Net, Inc. | 8.375 | 04/15/11 | 3,161,304 |
| 3,620 | Istar Financial, Inc. | 8.750 | 08/15/08 | 3,710,500 |
| | | | | ----- |
| | | | | 13,626,819 |
| | | | | ----- |
| | FOOD & DRUG 0.5% | | | |
| 2,219 | California Farm Lease Trust, 144A--Private Placement (a)..... | 8.500 | 07/15/17 | 2,401,926 |
| 1,200 | Jitney-Jungle Stores America, Inc. (c) (d)..... | 12.000 | 03/01/06 | 120 |
| | | | | ----- |
| | | | | 2,402,046 |
| | | | | ----- |
| | FOOD & TOBACCO 1.6% | | | |
| 2,800 | Michael Foods, Inc., Ser B..... | 11.750 | 04/01/11 | 3,080,000 |
| 5,520 | Smithfield Foods, Inc. | 7.625 | 02/15/08 | 5,133,600 |
| | | | | ----- |
| | | | | 8,213,600 |
| | | | | ----- |
| | FOREST PRODUCTS 5.5% | | | |
| 5,275 | Owens-Illinois, Inc. | 7.500 | 05/15/10 | 4,510,125 |
| 1,775 | Owens-Illinois, Inc. | 7.800 | 05/15/18 | 1,428,875 |
| 5,200 | Pacifica Papers, Inc. (Canada)..... | 10.000 | 03/15/09 | 5,330,000 |
| 2,090 | Pliant Corp. | 13.000 | 06/01/10 | 2,110,900 |
| 2,545 | Radnor Holdings Corp., Ser B (Canada)..... | 10.000 | 12/01/03 | 2,277,775 |

See Notes to Financial Statements

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|---------------------------------------|---------|----------|-----------------|
| | FOREST PRODUCTS (CONTINUED) | | | |
| \$3,040 | Riverwood International Corp. | 10.875% | 04/01/08 | \$ 3,100,800 |
| 4,025 | Tekni-Plex, Inc., Ser B..... | 12.750 | 06/15/10 | 4,025,000 |
| 5,800 | Tembec Industries, Inc. (Canada)..... | 7.750 | 03/15/12 | 5,626,000 |
| | | | | ----- |
| | | | | 28,409,475 |

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| ----- | | | | |
|-------|---|--------|----------|------------|
| | GAMING & LEISURE | 9.0% | | |
| 2,650 | Harrahs Operating Co., Inc. | 7.875 | 12/15/05 | 2,769,250 |
| 1,910 | Harrahs Operating Co., Inc. | 8.000 | 02/01/11 | 2,098,962 |
| 2,250 | Hilton Hotels Corp. | 7.950 | 04/15/07 | 2,295,137 |
| 1,225 | HMH Properties, Inc. | 7.875 | 08/01/05 | 1,206,625 |
| 4,825 | HMH Properties, Inc., Ser B..... | 7.875 | 08/01/08 | 4,607,875 |
| 5,365 | Horseshoe Gaming LLC..... | 8.625 | 05/15/09 | 5,593,012 |
| 4,785 | International Game Technology..... | 8.375 | 05/15/09 | 5,167,800 |
| 1,660 | Park Place Entertainment Corp. | 7.875 | 12/15/05 | 1,684,900 |
| 2,845 | Park Place Entertainment Corp. | 8.875 | 09/15/08 | 2,951,688 |
| 3,725 | Prime Hospitality Corp., Ser B..... | 8.375 | 05/01/12 | 3,576,000 |
| 850 | Starwood Hotels Resorts, 144A--Private Placement (a)..... | | | 835,125 |
| 4,515 | Starwood Hotels Resorts, 144A--Private Placement (a)..... | 7.375 | 05/01/07 | 4,435,988 |
| 2,975 | Station Casinos, Inc. | 8.875 | 12/01/08 | 3,071,688 |
| 2,800 | Station Casinos, Inc. | 9.875 | 07/01/10 | 3,003,000 |
| 2,820 | Venetian Casino Resort LLC, 144A--Private Placement (a)..... | 11.000 | 06/15/10 | 2,844,675 |
| | | | | ----- |
| | | | | 46,141,725 |
| | | | | ----- |
| | HEALTHCARE | 4.4% | | |
| 3,690 | Amerisourcebergen Corp. | 8.125 | 09/01/08 | 3,856,050 |
| 1,555 | Columbia HCA..... | 6.910 | 06/15/05 | 1,626,045 |
| 2,300 | Fisher Scientific International, Inc. | 7.125 | 12/15/05 | 2,317,250 |
| 615 | Fisher Scientific International, Inc. | 9.000 | 02/01/08 | 639,600 |
| 800 | Fresenius Medical Care Capital Trust II... | 7.875 | 02/01/08 | 678,000 |
| 5,085 | Fresenius Medical Care Capital Trust IV... | 7.875 | 06/15/11 | 4,220,550 |
| 3,840 | HCA--The Healthcare Co. | 8.750 | 09/01/10 | 4,383,348 |
| 3,570 | HEALTHSOUTH Corp., 144A--Private Placement (a)..... | 7.625 | 06/01/12 | 2,865,246 |
| 1,755 | Omnicare, Inc., Ser B..... | 8.125 | 03/15/11 | 1,833,975 |
| | | | | ----- |
| | | | | 22,420,064 |
| | | | | ----- |
| | HOUSING | 5.6% | | |
| 3,400 | CB Richard Ellis Service, Inc. | 11.250 | 06/15/11 | 3,026,000 |
| 4,200 | Louisiana Pacific Corp. | 10.875 | 11/15/08 | 4,436,250 |
| 1,180 | Louisiana Pacific Corp. | 8.875 | 08/15/10 | 1,236,721 |

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|---|--------|----------|-----------------|
| | HOUSING (CONTINUED) | | | |
| \$4,855 | Schuler Homes, Inc. | 9.375% | 07/15/09 | \$ 4,915,688 |
| 2,300 | Tech Olympic USA, Inc., 144A--Private Placement (a)..... | 9.000 | 07/01/10 | 2,179,250 |

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| | | | | |
|-------|---|--------|----------|------------|
| 2,100 | Tech Olympic USA, Inc., 144A--Private Placement (a)..... | 10.375 | 07/01/12 | 1,937,250 |
| 5,025 | Toll Corp. | 8.250 | 02/01/11 | 4,999,875 |
| 5,600 | Webb (Del E.) Corp. | 10.250 | 02/15/10 | 6,167,000 |
| | | | | ----- |
| | | | | 28,898,034 |
| | | | | ----- |
| | INFORMATION TECHNOLOGY 1.1% | | | |
| 9,000 | CHS Electronics, Inc. (c) (d)..... | 9.875 | 04/15/05 | 180,000 |
| 3,500 | Fairchild Semiconductor Corp. | 10.375 | 10/01/07 | 3,675,000 |
| 470 | Flextronics International Ltd. (Singapore)..... | 8.750 | 10/15/07 | 472,350 |
| 1,125 | Flextronics International Ltd. (Singapore)..... | 9.875 | 07/01/10 | 1,170,000 |
| | | | | ----- |
| | | | | 5,497,350 |
| | | | | ----- |
| | MANUFACTURING 4.9% | | | |
| 2,100 | American Plumbing & Mechanical..... | 11.625 | 10/15/08 | 1,165,500 |
| 2,100 | Anchor Lamina, Inc. (Canada)..... | 9.875 | 02/01/08 | 661,500 |
| 1,650 | Case Corp., Ser B..... | 6.250 | 12/01/03 | 1,584,551 |
| 1,850 | Case Credit Corp. | 6.125 | 02/15/03 | 1,787,126 |
| 4,500 | Eagle-Picher Industries, Inc. | 9.375 | 03/01/08 | 3,532,500 |
| 1,335 | Foamex LP/Capital Corp., 144A--Private Placement (a)..... | 10.750 | 04/01/09 | 1,234,875 |
| 1,605 | Johnsondiversey, Inc., 144A--Private Placement (a)..... | 9.625 | 05/15/12 | 1,596,975 |
| 2,045 | Manitowoc, Inc., 144A--Private Placement (a)..... | 10.500 | 08/01/12 | 2,121,688 |
| 1,040 | NMHG Holdings Co., 144A--Private Placement (a)..... | 10.000 | 05/15/09 | 1,055,600 |
| 1,580 | Numatics, Inc., Ser B..... | 9.625 | 04/01/08 | 797,900 |
| 6,000 | Outsourcing Services Group, Inc., Ser B... | 10.875 | 03/01/06 | 4,680,000 |
| 1,417 | Reunion Industries, Inc. (c)..... | 13.000 | 05/01/03 | 800,605 |
| 2,335 | Trimas Corp., 144A--Private Placement (a)..... | 9.875 | 06/15/12 | 2,323,325 |
| 2,130 | Tyco International Group SA (Luxembourg)..... | 6.750 | 02/15/11 | 1,760,445 |
| | | | | ----- |
| | | | | 25,102,590 |
| | | | | ----- |
| | METALS 2.5% | | | |
| 9,380 | Doe Run Resources Corp., Ser B (c)..... | 11.250 | 03/15/05 | 2,391,900 |
| 6,655 | GS Technologies Operating, Inc. (c) (d)... | 12.000 | 09/01/04 | 299,475 |
| 2,450 | GS Technologies Operating, Inc. (c) (d)... | 12.250 | 10/01/05 | 110,250 |

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|-------------|--------|----------|-----------------|
|------------------------|-------------|--------|----------|-----------------|

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| METALS (CONTINUED) | | | | |
|-------------------------|---|----------|----------|--------------|
| \$3,240 | Intermet Corp., 144A--Private Placement (a)..... | 9.750% | 06/15/09 | \$ 3,304,800 |
| 2,855 | Murrin Murrin Holdings Property Ltd. (Australia)..... | 9.375 | 08/31/07 | 874,344 |
| 1,655 | Oregon Steel Mills, Inc., 144A--Private Placement (a)..... | 10.000 | 07/15/09 | 1,714,994 |
| 5,000 | Renco Steel Holdings, Inc., Ser B..... | 10.875 | 02/01/05 | 375,000 |
| 7,525 | Republic Technologies International LLC (c) (d)..... | 13.750 | 07/15/09 | 526,750 |
| 3,125 | Ucar Finance, Inc. | 10.250 | 02/15/12 | 3,156,250 |
| | | | | ----- |
| | | | | 12,753,763 |
| | | | | ----- |
| RETAIL 1.3% | | | | |
| 2,585 | Autonation, Inc. | 9.000 | 08/01/08 | 2,714,250 |
| 3,725 | Big 5 Corp., Ser B (e)..... | 10.875 | 11/15/07 | 3,822,781 |
| | | | | ----- |
| | | | | 6,537,031 |
| | | | | ----- |
| SERVICES 2.6% | | | | |
| 6,020 | Allied Waste North America, Inc. | 10.000 | 08/01/09 | 5,959,800 |
| 1,500 | Encompass Services Corp. | 10.500 | 05/01/09 | 157,500 |
| 6,250 | Hydrochem Industrial Services, Inc., Ser B..... | 10.375 | 08/01/07 | 5,031,250 |
| 1,900 | Waste Management, Inc. | 7.000 | 10/15/06 | 1,962,924 |
| | | | | ----- |
| | | | | 13,111,474 |
| | | | | ----- |
| TELECOMMUNICATIONS 2.8% | | | | |
| 2,660 | 360networks, Inc. (Canada) (c) (d)..... | 13.000 | 05/01/08 | 266 |
| 2,800 | 360networks, Inc. (Canada) (Euro) (c) (d)..... | 13.000 | 05/01/08 | 6,868 |
| 2,085 | Asia Global Crossing (Bermuda) (c)..... | 13.375 | 10/15/10 | 344,025 |
| 6,650 | E.Spire Communications, Inc. (c) (d)..... | 10.000 | 11/01/05 | 665 |
| 4,210 | Exodus Communications, Inc. (c) (d)..... | 11.250 | 07/01/08 | 252,600 |
| 3,430 | Exodus Communications, Inc. (c) (d)..... | 11.625 | 07/15/10 | 205,800 |
| 2,750 | Exodus Communications, Inc. (Euro) (c) (d)..... | 11.375 | 07/15/08 | 161,824 |
| 192 | Focal Communications Corp., Ser B..... | 11.875 | 01/15/10 | 31,680 |
| 9,335 | Global Crossing Holdings Ltd. (Bermuda) (c) (d)..... | 9.125 | 11/15/06 | 151,694 |
| 3,500 | Global Crossing Holdings Ltd. (Bermuda) (c) (d)..... | 8.700 | 08/01/07 | 56,875 |
| 3,305 | Globix Corp. (c) (d)..... | 12.500 | 02/01/10 | 611,425 |
| 5,305 | GST Network Funding, Inc. (c) (d)..... | 10.500 | 05/01/08 | 159,150 |
| 12,590 | GT Group Telecom, Inc. (Canada) (b)..... | 0/13.250 | 02/01/10 | 78,688 |
| 11,075 | ICG Holdings, Inc. (c) (d)..... | 13.500 | 09/15/05 | 110,750 |
| 2,500 | ICG Holdings, Inc. (c) (d)..... | 12.500 | 05/01/06 | 25,000 |
| 3,400 | Jazztel PLC (United Kingdom) (Euro)..... | 13.250 | 12/15/09 | 383,660 |

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YOUR FUND'S INVESTMENTS

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| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|---|----------|----------|-----------------|
| | TELECOMMUNICATIONS (CONTINUED) | | | |
| \$3,450 | Jazztel PLC (United Kingdom) (Euro)..... | 14.000% | 07/15/10 | \$ 287,703 |
| 4,525 | Madison River Capital/Madison River Financial..... | 13.250 | 03/01/10 | 2,782,875 |
| 4,335 | Metromedia Fiber Network, Inc. (c) (d).... | 10.000 | 12/15/09 | 43,350 |
| 1,925 | MGC Communications, Inc., Ser B (c) (d)... | 13.000 | 10/01/04 | 779,625 |
| 2,030 | Netia Holdings BV (Netherlands) (Euro) (c)..... | 13.750 | 06/15/10 | 299,068 |
| 1,525 | Netia Holdings BV, Ser B (Netherlands) (c)..... | 10.250 | 11/01/07 | 266,875 |
| 6,965 | Netia Holdings BV, Ser B (Netherlands) (c)..... | 11.250 | 11/01/07 | 1,218,875 |
| 1,165 | Nextlink Communications, Inc. (b) (c) (d)..... | 0/9.450 | 04/15/08 | 17,475 |
| 2,265 | Nextlink Communications, Inc. (b) (c) (d)..... | 0/12.125 | 12/01/09 | 33,975 |
| 4,510 | Nextlink Communications, Inc. (c) (d).... | 10.500 | 12/01/09 | 67,650 |
| 3,000 | Park N View, Inc., Ser B (c) (d)..... | 13.000 | 05/15/08 | 30,000 |
| 3,500 | PF Net Communications, Inc. (c) (d)..... | 13.750 | 05/15/10 | 26,250 |
| 6,875 | Primus Telecom Group..... | 9.875 | 05/15/08 | 3,334,375 |
| 11,565 | PSINet, Inc. (c) (d)..... | 10.500 | 12/01/06 | 1,185,413 |
| 1,750 | PSINet, Inc. (Euro) (c) (d)..... | 10.500 | 12/01/06 | 128,723 |
| 425 | Viatel, Inc. (b) (c) (d)..... | 0/12.500 | 04/15/08 | 3,188 |
| 7,790 | Viatel, Inc. (c) (d)..... | 11.500 | 03/15/09 | 58,425 |
| 1,790 | WorldCom, Inc. (c) (d)..... | 6.950 | 08/15/28 | 255,075 |
| 7,870 | WorldCom, Inc. (c) (d)..... | 8.250 | 05/15/31 | 1,121,475 |
| 5,800 | Worldwide Fiber, Inc. (Canada) (c) (d).... | 12.000 | 08/01/09 | 580 |
| | | | | ----- |
| | | | | 14,521,945 |
| | | | | ----- |
| | TRANSPORTATION 4.8% | | | |
| 9,885 | Aetna Industries, Inc. (c) (d)..... | 11.875 | 10/01/06 | 1,581,600 |
| 117 | Aran Shipping & Trading, SA (c)..... | 8.300 | 01/31/04 | 0 |
| 1,580 | ArvinMeritor, Inc. | 8.750 | 03/01/12 | 1,676,589 |
| 1,405 | Collins & Aikman Products Co. | 11.500 | 04/15/06 | 1,331,238 |
| 3,725 | Collins & Aikman Products Co. | 10.750 | 12/31/11 | 3,687,750 |
| 5,275 | Dana Corp. | 9.000 | 08/15/11 | 5,064,000 |
| 1,700 | Dana Corp. (Euro)..... | 9.000 | 08/15/11 | 1,504,951 |
| 2,950 | Dura Operating Corp., Ser B..... | 8.625 | 04/15/12 | 3,009,000 |
| 1,835 | Lear Corp., Ser B..... | 8.110 | 05/15/09 | 1,931,338 |
| 3,035 | Metaldyne Corp., 144A--Private Placement (a)..... | 11.000 | 06/15/12 | 2,678,388 |
| 2,045 | Stoneridge, Inc. | 11.500 | 05/01/12 | 2,116,575 |
| | | | | ----- |
| | | | | 24,581,429 |
| | | | | ----- |
| | UTILITY 1.2% | | | |
| 3,500 | Calpine Corp. | 8.625 | 08/15/10 | 1,907,500 |
| 30 | Calpine Corp. | 8.500 | 02/15/11 | 15,900 |
| 3,255 | Dynegy Holdings, Inc. | 6.875 | 04/01/11 | 1,122,975 |

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YOUR FUND'S INVESTMENTS

August 31, 2002

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|-----------------------|--|----------|----------|--------------|
| | UTILITY (CONTINUED) | | | |
| \$2,450 | PG & E National Energy Group, Inc. | 10.375% | 05/16/11 | \$ 918,750 |
| 2,900 | PSEG Energy Holdings, Inc., 144A--Private Placement (a)..... | 8.625 | 02/15/08 | 2,177,593 |
| | | | | ----- |
| | | | | 6,142,718 |
| | | | | ----- |
| | WIRELESS COMMUNICATIONS 4.3% | | | |
| 1,645 | Alamosa Delaware, Inc. | 12.500 | 02/01/11 | 551,075 |
| 6,480 | Alamosa PCS Holdings, Inc. (b)..... | 0/12.875 | 02/15/10 | 939,600 |
| 2,525 | American Cellular Corp. | 9.500 | 10/15/09 | 353,500 |
| 4,370 | American Tower Corp. | 9.375 | 02/01/09 | 2,731,250 |
| 3,610 | Centennial Cellular Operating Co. | 10.750 | 12/15/08 | 1,823,050 |
| 5,925 | CTI Holdings SA (Argentina) (b)..... | 0/11.500 | 04/15/08 | 325,875 |
| 3,610 | Dobson Communications Corp. | 10.875 | 07/01/10 | 2,653,350 |
| 9,675 | IPCS, Inc. (b)..... | 0/14.000 | 07/15/10 | 1,499,625 |
| 6,650 | Microcell Telecommunications, Ser B (Canada)..... | 14.000 | 06/01/06 | 83,125 |
| 1,900 | Nextel Communications, Inc. (b)..... | 0/9.950 | 02/15/08 | 1,396,500 |
| 1,000 | Nextel Communications, Inc. | 12.000 | 11/01/08 | 855,000 |
| 3,880 | Nextel Communications, Inc. | 9.375 | 11/15/09 | 3,045,800 |
| 1,750 | PTC International Finance (Luxembourg) (Euro)..... | 10.875 | 05/01/08 | 1,711,273 |
| 6,650 | Spectrasite Holdings, Inc. (b)..... | 0/11.250 | 04/15/09 | 1,163,750 |
| 2,167 | Tritel PCS, Inc. | 10.375 | 01/15/11 | 2,058,650 |
| 4,040 | US Unwired, Inc. (b)..... | 0/13.375 | 11/01/09 | 949,400 |
| | | | | ----- |
| | | | | 22,140,823 |
| | | | | ----- |
| TOTAL CORPORATE BONDS | 84.0%..... | | | 431,537,477 |
| | | | | ----- |
| | CONVERTIBLE CORPORATE OBLIGATIONS 1.5% | | | |
| | INFORMATION TECHNOLOGY 0.8% | | | |
| 9,535 | Solectron Corp., LYON..... | * | 11/20/20 | 4,195,400 |
| | | | | ----- |
| | MANUFACTURING 0.7% | | | |
| 8,320 | Corning, Inc. | * | 11/08/15 | 3,660,800 |
| | | | | ----- |

See Notes to Financial Statements

YOUR FUND'S INVESTMENTS

August 31, 2002

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| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|--|---------|----------|-----------------|
| | TELECOMMUNICATIONS 0.0% | | | |
| \$ 76 | KPNQwest NV (Netherlands) (d)..... | 10.000% | 03/15/12 | \$ 190 |
| 220 | KPNQwest NV (Netherlands) (Euro) (d)..... | 10.000 | 03/15/12 | 540 |
| | | | | ----- |
| | | | | 730 |
| | | | | ----- |
| | TOTAL CONVERTIBLE CORPORATE OBLIGATIONS 1.5%..... | | | 7,856,930 |
| | | | | ----- |
| | FOREIGN GOVERNMENT OBLIGATIONS 2.6% | | | |
| 365 | Federal Republic of Brazil (Brazil)..... | 11.000 | 01/11/12 | 223,563 |
| 4,304 | Federal Republic of Brazil (Brazil)..... | 8.000 | 04/15/14 | 2,684,916 |
| 2,812 | Republic of Columbia (Columbia)..... | 9.750 | 04/09/11 | 2,748,390 |
| 1,500 | Republic of Columbia (Columbia)..... | 9.750 | 04/23/09 | 1,398,750 |
| 5,905 | United Mexican States (Mexico)..... | 8.375 | 01/14/11 | 6,303,588 |
| | | | | ----- |
| | TOTAL FOREIGN GOVERNMENT OBLIGATIONS..... | | | 13,359,207 |
| | | | | ----- |
| | EQUITIES 3.1% | | | |
| | AT&T Canada, Inc., Class B (31,718 ADR Common Shares) | | | |
| | (Canada) (f)..... | | | \$ 1,015,928 |
| | Broadwing Communications, Inc. (73,300 Preferred Shares, | | | |
| | 12.50% coupon, \$1,000 par per share)..... | | | 733,000 |
| | Contour Energy Co. (75,000 Common Shares) (f)..... | | | 2,887 |
| | DecisionOne Corp. (14,162 Common Stock Warrants Class B) | | | |
| | (f)..... | | | 0 |
| | DecisionOne Corp. (14,661 Common Shares) (f)..... | | | 0 |
| | DecisionOne Corp. (8,219 Common Stock Warrants Class A) | | | |
| | (f)..... | | | 0 |
| | DecisionOne Corp. (8,400 Common Stock Warrants Class C) | | | |
| | (f)..... | | | 0 |
| | Dobson Communications Corp. (34,810 Preferred Shares, 13.00% | | | |
| | coupon, \$1,000 par per share) (g)..... | | | 774,522 |
| | Focal Communications Corp. (1,256 Common Shares) (f)..... | | | 1,294 |
| | Globalstar Telecommunications, 144A--Private Placement (285 | | | |
| | Common Stock Warrants) (a) (f)..... | | | 3 |
| | GT Group Telecom, Inc., 144A--Private Placement (12,590 | | | |
| | Common Stock Warrants) (Canada) (a) (f)..... | | | 126 |
| | HF Holdings, Inc. (36,820 Common Stock Warrants) (f)..... | | | 368 |
| | Intermedia Communications, Inc. (14,730 Preferred Shares, | | | |
| | Ser B, 13.50% coupon, \$1,000 par per share)..... | | | 62,602 |
| | Intersil Holding Corp., Class A (31,481 Common Shares) | | | |
| | (f)..... | | | 532,659 |
| | IPCS, Inc., 144A--Private Placement (9,675 Common Stock | | | |
| | Warrants) (a) (f)..... | | | 97 |
| | Jazztel PLC (3,450 Common Stock Warrants) (United Kingdom) | | | |
| | (f)..... | | | 34 |
| | McLeodUSA, Inc. (24,783 Preferred Shares, Ser A) (f)..... | | | 58,488 |
| | McLeodUSA, Inc. (54,917 Common Stock Warrants) (f)..... | | | 4,943 |

See Notes to Financial Statements

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YOUR FUND'S INVESTMENTS

August 31, 2002

| DESCRIPTION | MARKET VALUE |
|---|-----------------|
| EQUITIES (CONTINUED) | |
| McLeodUSA, Inc., Class A (3,462 Common Shares) (f)..... | \$ 1,350 |
| Mediq, Inc. (5,526 Common Shares) (f)..... | 30,006 |
| Motient Corp. (22,388 Common Shares) (f)..... | 28,657 |
| Motient Corp., 144A--Private Placement (300 Common Stock Warrants) (a) (f)..... | 3 |
| Nextel Communications, Inc. (60,290 Preferred Shares, Ser D, 13.00% coupon, \$1,000 par per share) (f) (g)..... | 3,753,052 |
| Nextlink Communications, Inc. (2,490 Preferred Shares, Ser B, 13.50% coupon, \$1,000 par per share) (d) (f) (g)..... | 25 |
| NTL, Inc., 144A--Private Placement (6,889 Common Stock Warrants) (a) (f)..... | 1,206 |
| Occidente Y Caribe Celular SA, 144A--Private Placement (20,850 Common Stock Warrants) (a) (f)..... | 208 |
| Ono Finance PLC, 144A--Private Placement (4,710 Common Stock Warrants) (United Kingdom) (a) (f)..... | 1,766 |
| OpTel, Inc. (3,275 Common Shares) (f)..... | 33 |
| Park N View, Inc., 144A--Private Placement (3,000 Common Stock Warrants) (a) (d) (f)..... | 30 |
| Paxon Communication Corp. (35,300 Preferred Shares, 13.25% coupon, \$1,000 par per share) (g)..... | 2,126,825 |
| PF Net Communications, Inc., 144A--Private Placement (3,500 Common Stock Warrants) (a) (f)..... | 35 |
| Pioneer Cos., Inc. (71,438 Common Shares) (f)..... | 128,588 |
| Primus Telecommunications Group (2,000 Common Stock Warrants) (f)..... | 20 |
| Republic Technologies International, Inc., 144A--Private Placement (7,525 Common Stock Warrants) (a) (d) (f)..... | 75 |
| Rural Cellular Corp. (115,160 Preferred Shares, 11.375% coupon, \$1,000 par per share) (g)..... | 2,331,990 |
| Song Networks Holding AB (5,195 ADR Common Shares) (Sweden) (f)..... | 312 |
| Star Gas Partners, L.P. (1,219 Units of Limited Partnership Interests)..... | 22,137 |
| Startec Global Communications, 144A--Private Placement (8,100 Common Stock Warrants) (a) (f)..... | 81 |
| Terex Corp. (28,000 Common Stock Rights) (f)..... | 0 |
| TNP Enterprises, Inc. (48,850 Preferred Shares, Ser D, 14.50% coupon, \$1,000 par per share) (g)..... | 4,408,712 |
| UIH Australia/Pacific, Inc. (5,000 Common Stock Warrants) (f)..... | 50 |
| VS Holdings, Inc. (568,177 Common Shares) (f)..... | 106,079 |
| | ----- |
| TOTAL EQUITIES 3.1%..... | 16,128,191 |
| | ----- |
| TOTAL LONG-TERM INVESTMENTS 91.2% | |
| (Cost \$766,536,651)..... | 468,881,805 |

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See Notes to Financial Statements

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YOUR FUND'S INVESTMENTS

August 31, 2002

| DESCRIPTION | MARKET VALUE |
|--|------------------------|
| REPURCHASE AGREEMENT 7.0% | |
| Banc of America Securities LLC (\$35,755,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 08/30/02, to be sold on 09/03/02 at \$35,762,350) (Cost \$35,755,000)..... | \$ 35,755,000 ----- |
| TOTAL INVESTMENTS 98.2% | |
| (Cost \$802,291,651)..... | 504,636,805 ----- |
| OTHER ASSETS IN EXCESS OF LIABILITIES 1.8%..... | 9,378,151 ----- |
| NET ASSETS 100.0%..... | \$514,014,956 ===== |

* Zero coupon bond

- (a) 144A securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.
- (b) Security is a "step-up" bond where the coupon increases or steps up at a predetermined date.
- (c) Non-income producing as security is in default.
- (d) This borrower has filed for protection in federal bankruptcy court.
- (e) Assets segregated as collateral for open forward transactions.
- (f) Non-income producing security.
- (g) Payment-in-kind security.

ADR--American Depositary Receipt
LYON--Liquid Yield Option Note

See Notes to Financial Statements

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FINANCIAL STATEMENTS
Statement of Assets and Liabilities
August 31, 2002

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| | |
|--|-----------------|
| ASSETS: | |
| Total Investments (Cost \$802,291,651)..... | \$ 504,636,805 |
| Cash..... | 137 |
| Receivables: | |
| Interest..... | 12,202,144 |
| Investments Sold..... | 2,856,326 |
| Fund Shares Sold..... | 1,882,248 |
| Other..... | 142,276 |
| | ----- |
| Total Assets..... | 521,719,936 |
| | ----- |
| LIABILITIES: | |
| Payables: | |
| Investments Purchased..... | 2,992,561 |
| Income Distributions..... | 1,857,922 |
| Fund Shares Repurchased..... | 1,779,797 |
| Distributor and Affiliates..... | 358,060 |
| Investment Advisory Fee..... | 233,612 |
| Accrued Expenses..... | 240,585 |
| Trustees' Deferred Compensation and Retirement Plans..... | 202,239 |
| Forward Foreign Currency Contract..... | 40,204 |
| | ----- |
| Total Liabilities..... | 7,704,980 |
| | ----- |
| NET ASSETS..... | \$ 514,014,956 |
| | ===== |
| NET ASSETS CONSIST OF: | |
| Capital (Par value of \$.01 per share with an unlimited number of shares authorized)..... | \$1,043,498,574 |
| Accumulated Undistributed Net Investment Income..... | (15,440,098) |
| Accumulated Net Realized Loss..... | (216,352,369) |
| Net Unrealized Depreciation..... | (297,691,151) |
| | ----- |
| NET ASSETS..... | \$ 514,014,956 |
| | ===== |
| MAXIMUM OFFERING PRICE PER SHARE: | |
| Class A Shares: | |
| Net asset value and redemption price per share (Based on net assets of \$308,491,152 and 97,857,778 shares of beneficial interest issued and outstanding)..... | \$ 3.15 |
| Maximum sales charge (4.75%* of offering price)..... | .16 |
| | ----- |
| Maximum offering price to public..... | \$ 3.31 |
| | ===== |
| Class B Shares: | |
| Net asset value and offering price per share (Based on net assets of \$168,775,463 and 53,339,192 shares of beneficial interest issued and outstanding)..... | \$ 3.16 |
| | ===== |
| Class C Shares: | |
| Net asset value and offering price per share (Based on net assets of \$36,748,341 and 11,725,410 shares of beneficial interest issued and outstanding)..... | \$ 3.13 |
| | ===== |

* On sales of \$100,000 or more, the sales charge will be reduced.

See Notes to Financial Statements

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Statement of Operations
For the Year Ended August 31, 2002

| | |
|---|------------------|
| INVESTMENT INCOME: | |
| Interest..... | \$ 66,552,051 |
| Dividends..... | 3,097,476 |
| Other..... | 220,910 |
| | ----- |
| Total Income..... | 69,870,437 |
| | ----- |
| EXPENSES: | |
| Distribution (12b-1) and Service Fees (Attributed to Classes A, B and C of \$837,049, \$2,125,854 and \$472,001, respectively)..... | 3,434,904 |
| Investment Advisory Fee..... | 3,304,154 |
| Shareholder Services..... | 1,270,257 |
| Custody..... | 74,598 |
| Trustees' Fees and Related Expenses..... | 28,115 |
| Legal..... | 21,969 |
| Other..... | 414,372 |
| | ----- |
| Total Expenses..... | 8,548,369 |
| Less Credits Earned on Cash Balances..... | 26,011 |
| | ----- |
| Net Expenses..... | 8,522,358 |
| | ----- |
| NET INVESTMENT INCOME..... | \$ 61,348,079 |
| | ===== |
| REALIZED AND UNREALIZED GAIN/LOSS: | |
| Realized Gain/Loss: | |
| Investments..... | \$ (74,250,601) |
| Forward Foreign Currency Contract..... | (1,090,095) |
| Foreign Currency Transactions..... | 138,555 |
| | ----- |
| Net Realized Loss..... | (75,202,141) |
| | ----- |
| Unrealized Appreciation/Depreciation: | |
| Beginning of the Period..... | (208,501,760) |
| | ----- |
| End of the Period: | |
| Investments..... | (297,654,846) |
| Forward Foreign Currency Contract..... | (40,204) |
| Foreign Currency Translation..... | 3,899 |
| | ----- |
| | (297,691,151) |
| | ----- |
| Net Unrealized Depreciation During the Period..... | (89,189,391) |
| | ----- |
| NET REALIZED AND UNREALIZED LOSS..... | \$ (164,391,532) |
| | ===== |
| NET DECREASE IN NET ASSETS FROM OPERATIONS..... | \$ (103,043,453) |
| | ===== |

See Notes to Financial Statements

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Statements of Changes in Net Assets

| | YEAR ENDED AUGUST 31, 2002 | YEAR ENDED AUGUST 31, 2001 |
|--|-------------------------------|-------------------------------|
| | ----- | ----- |
| FROM INVESTMENT ACTIVITIES: | | |
| Operations: | | |
| Net Investment Income..... | \$ 61,348,079 | \$ 76,409,177 |
| Net Realized Loss..... | (75,202,141) | (76,486,992) |
| Net Unrealized Depreciation During the Period..... | (89,189,391) | (75,914,495) |
| | ----- | ----- |
| Change in Net Assets from Operations..... | (103,043,453) | (75,992,310) |
| | ----- | ----- |
| Distributions from Net Investment Income: | | |
| Class A Shares..... | (39,465,139) | (48,820,753) |
| Class B Shares..... | (22,497,111) | (27,920,646) |
| Class C Shares..... | (5,037,475) | (6,374,410) |
| | ----- | ----- |
| | (66,999,725) | (83,115,809) |
| | ----- | ----- |
| Return of Capital Distribution: | | |
| Class A Shares..... | (3,148,224) | (689,811) |
| Class B Shares..... | (1,750,514) | (397,113) |
| Class C Shares..... | (390,906) | (91,210) |
| | ----- | ----- |
| | (5,289,644) | (1,178,134) |
| | ----- | ----- |
| Total Distributions..... | (72,289,369) | (84,293,943) |
| | ----- | ----- |
| NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.. | (175,332,822) | (160,286,253) |
| | ----- | ----- |
| FROM CAPITAL TRANSACTIONS: | | |
| Proceeds from Shares Sold..... | 230,137,084 | 340,214,717 |
| Net Asset Value of Shares Issued Through Dividend Reinvestment..... | 44,727,982 | 48,871,390 |
| Cost of Shares Repurchased..... | (288,241,556) | (319,107,793) |
| | ----- | ----- |
| NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS... | (13,376,490) | 69,978,314 |
| | ----- | ----- |
| TOTAL DECREASE IN NET ASSETS..... | (188,709,312) | (90,307,939) |
| NET ASSETS: | | |
| Beginning of the Period..... | 702,724,268 | 793,032,207 |
| | ----- | ----- |
| End of the Period (Including accumulated undistributed net investment income of (\$15,440,098) and (\$7,555,855), respectively)..... | \$ 514,014,956 | \$ 702,724,268 |
| | ===== | ===== |

See Notes to Financial Statements

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Financial Highlights

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

| CLASS A SHARES | YEAR ENDED AUGUST 31, | | | | |
|---|-----------------------|---------|---------|---------|---------|
| | 2002 (a) | 2001 | 2000 | 1999 | 1998 |
| NET ASSET VALUE, BEGINNING OF THE PERIOD..... | \$ 4.23 | \$ 5.24 | \$ 5.68 | \$ 6.06 | \$ 6.55 |
| Net Investment Income..... | .39 | .51 | .59 | .63 | .61 |
| Net Realized and Unrealized Loss... | (1.01) | (.96) | (.43) | (.37) | (.48) |
| Total from Investment Operations..... | (.62) | (.45) | .16 | .26 | .13 |
| Less: | | | | | |
| Distributions from Net Investment Income..... | .43 | .55 | .60 | .64 | .62 |
| Return of Capital Distributions.... | .03 | .01 | -0- | -0- | -0- |
| Total Distributions..... | .46 | .56 | .60 | .64 | .62 |
| NET ASSET VALUE, END OF THE PERIOD... | \$ 3.15 | \$ 4.23 | \$ 5.24 | \$ 5.68 | \$ 6.06 |
| Total Return (b)..... | -15.75% | -9.04% | 3.09% | 4.41% | 1.66% |
| Net Assets at End of the Period (In millions)..... | \$ 308.5 | \$394.4 | \$465.0 | \$492.4 | \$499.3 |
| Ratio of Expenses to Average Net Assets..... | 1.08% | 1.05% | 1.03% | 1.03% | 1.00% |
| Ratio of Net Investment Income to Average Net Assets..... | 10.39% | 10.93% | 10.90% | 10.65% | 9.33% |
| Portfolio Turnover..... | 83% | 80% | 68% | 51% | 90% |

(a) As required, effective September 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities and presenting paydown gains and losses on mortgage- and asset-backed securities as interest income. The effect of these changes for the period ended August 31, 2002 was to decrease the ratio of net investment income to average net assets from 10.49% to 10.39%. Net investment income per share and net realized gains and losses per share were unaffected by the adjustments. Per share, ratios and supplemental data for periods prior to August 31, 2002 have not been restated to reflect this change in presentation.

(b) Assumes reinvestment of all distributions for the period and does not include payment of the maximum sales charge of 4.75% or contingent deferred sales charge (CDSC). On purchases of \$1 million or more, a CDSC of 1% may be imposed on certain redemptions made within one year of purchase. If the sales charges were included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to .25% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

See Notes to Financial Statements

Financial Highlights

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

| CLASS B SHARES | YEAR ENDED AUGUST 31, | | | | |
|---|-----------------------|---------|---------|---------|---------|
| | 2002 (a) | 2001 | 2000 | 1999 | 1998 |
| NET ASSET VALUE, BEGINNING OF THE PERIOD..... | \$ 4.24 | \$ 5.25 | \$ 5.68 | \$ 6.06 | \$ 6.56 |
| Net Investment Income..... | .35 | .48 | .55 | .58 | .57 |
| Net Realized and Unrealized Loss.... | (1.01) | (.97) | (.43) | (.37) | (.49) |
| Total from Investment Operations..... | (.66) | (.49) | .12 | .21 | .08 |
| Less: | | | | | |
| Distributions from Net Investment Income..... | .39 | .51 | .55 | .59 | .58 |
| Return of Capital Distributions..... | .03 | .01 | -0- | -0- | -0- |
| Total Distributions..... | .42 | .52 | .55 | .59 | .58 |
| NET ASSETS VALUE, END OF THE PERIOD... | \$ 3.16 | \$ 4.24 | \$ 5.25 | \$ 5.68 | \$ 6.06 |
| Total Return (b)..... | -16.12% | -9.80% | 2.43% | 3.57% | .77% |
| Net Assets at End of the Period (In millions)..... | \$ 168.8 | \$249.6 | \$268.7 | \$318.2 | \$283.1 |
| Ratio of Expenses to Average Net Assets..... | 1.84% | 1.83% | 1.78% | 1.79% | 1.79% |
| Ratio of Net Investment Income to Average Net Assets..... | 9.67% | 10.13% | 10.15% | 9.88% | 8.52% |
| Portfolio Turnover..... | 83% | 80% | 68% | 51% | 90% |

(a) As required, effective September 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities and presenting paydown gains and losses on mortgage- and asset-backed securities as interest income. The effect of these changes for the period ended August 31, 2002 was to decrease the ratio of net investment income to average net assets from 9.77% to 9.67%. Net investment income per share and net realized gains and losses per share were unaffected by the adjustments. Per share, ratios and supplemental data for periods prior to August 31, 2002 have not been restated to reflect this change in presentation.

(b) Assumes reinvestment of all distributions for the period and does not include payment of the maximum CDSC of 4% charged on certain redemptions made within the first and second year of purchase and declining to 0% after the fifth year. If the sales charge was included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to 1% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

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See Notes to Financial Statements

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Financial Highlights

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

| CLASS C SHARES | YEAR ENDED AUGUST 31, | | | | |
|---|-----------------------|---------|---------|--------|--------|
| | 2002 (a) | 2001 | 2000 | 1999 | 1998 |
| NET ASSET VALUE, BEGINNING OF THE PERIOD..... | \$ 4.20 | \$ 5.22 | \$ 5.65 | \$6.04 | \$6.53 |
| Net Investment Income..... | .35 | .48 | .55 | .58 | .57 |
| Net Realized and Unrealized Loss... | (1.00) | (.98) | (.43) | (.38) | (.49) |
| Total from Investment Operations..... | (.65) | (.50) | .12 | .20 | .08 |
| Less: | | | | | |
| Distributions from Net Investment Income..... | .39 | .51 | .55 | .59 | .57 |
| Return of Capital Distributions.... | .03 | .01 | -0- | -0- | -0- |
| Total Distributions..... | .42 | .52 | .55 | .59 | .57 |
| NET ASSET VALUE, END OF THE PERIOD... | \$ 3.13 | \$ 4.20 | \$ 5.22 | \$5.65 | \$6.04 |
| Total Return (b)..... | -16.04% | -10.06% | 2.45% | 3.42% | .93% |
| Net Assets at End of the Period (In millions)..... | \$ 36.7 | \$ 58.7 | \$ 59.4 | \$67.3 | \$55.8 |
| Ratio of Expenses to Average Net Assets..... | 1.84% | 1.82% | 1.78% | 1.79% | 1.79% |
| Ratio of Net Investment Income to Average Net Assets..... | 9.68% | 10.12% | 10.15% | 9.87% | 8.49% |
| Portfolio Turnover..... | 83% | 80% | 68% | 51% | 90% |

(a) As required, effective September 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities and presenting paydown gains and losses on mortgage- and asset-backed securities as interest income. The effect of these changes for the period ended August 31, 2002 was to decrease the ratio of net investment income to average net assets from 9.78% to 9.68%. Net investment income per share and net realized gains and losses per share were unaffected by the adjustments. Per share, ratios and supplemental data for periods prior to August 31, 2002 have not been restated to reflect this change in presentation.

(b) Assumes reinvestment of all distributions for the period and does not include payment of the maximum CDSC of 1% charged on certain redemptions made within one year of purchase. If the sales charge was included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to 1% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

See Notes to Financial Statements

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NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen High Income Corporate Bond Fund (the "Fund") is organized as a Delaware business trust, and is registered as a diversified, open-end management investment company under the Investment Company Act of 1940 (the "1940 Act"), as amended. The Fund's primary investment objective is to seek to maximize current income. Capital appreciation is a secondary objective which is sought only when consistent with the Fund's primary investment objective. The Fund commenced investment operations on October 2, 1978. The distribution of the Fund's Class B and Class C shares commenced on July 2, 1992 and July 6, 1993, respectively.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATION Fixed income investments and preferred stock are stated at value using market quotations or indications of value obtained from an independent pricing service. Investments in securities listed on a securities exchange are valued at their sale price as of the close of such securities exchange. Listed and unlisted securities for which the last sale price is not available are valued at the mean of the bid and asked prices. For those securities where quotations or prices are not available, valuations are determined in accordance with procedures established in good faith by the Board of Trustees. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value.

B. SECURITY TRANSACTIONS Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. The Fund may purchase and sell securities on a "when-issued" or "delayed delivery" basis, with settlement to occur at a later date. The value of the security so purchased is subject to market fluctuations during this period. The Fund will maintain, in a segregated account with its custodian, assets having an aggregate value at least equal to the amount of the when-issued or delayed delivery purchase commitments until payment is made. At August 31, 2002, there were no when-issued or delayed delivery purchase commitments.

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NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

The Fund may invest in repurchase agreements, which are short-term investments in which the Fund acquires ownership of a debt security and the

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

C. INCOME AND EXPENSES Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date. Discounts on debt securities are accreted and premiums are amortized over the expected life of each applicable security. Income and expenses of the Fund are allocated on a pro rata basis to each class of shares, except for distribution and service fees and transfer agency costs which are unique to each class of shares.

As required, effective September 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities. Prior to September 1, 2001, the Fund did not amortize premiums on fixed income securities. The cumulative effect of this accounting change had no impact on total net assets of the Fund, but resulted in a \$1,168,050 reduction in cost of securities and a corresponding \$1,168,050 decrease in net unrealized depreciation based on securities held by the Fund on September 1, 2001.

The effect of this change for the year ended August 31, 2002 was to decrease net investment income by \$607,466; increase net unrealized depreciation by \$187,544, and decrease net realized loss by \$795,010. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

The revised version of the Guide also requires that paydown gains and losses on mortgage- and asset-backed securities be presented as interest income. Previously, paydown gains and losses on mortgage- and asset-backed securities were shown as a component of realized gain/loss. The effect of this change for the year ended August 31, 2002 was an increase in net investment income and an increase in net realized loss of \$2,329.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2002

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

The Fund intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At August 31, 2002, the Fund had an accumulated capital loss carryforward for tax purposes of \$149,845,954 which expires between August 31, 2003 and August 31, 2010. Of this amount, \$8,026,371 will expire on August 31, 2003.

At August 31, 2002, the cost and related gross unrealized appreciation and depreciation are as follows:

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| | |
|---|------------------|
| Cost of investments for tax purposes..... | \$ 806,115,303 |
| | ----- |
| Gross tax unrealized appreciation..... | \$ 10,336,941 |
| Gross tax unrealized depreciation..... | (311,815,439) |
| | ----- |
| Net tax unrealized depreciation on investments..... | \$ (301,478,498) |
| | ===== |

E. DISTRIBUTION OF INCOME AND GAINS The Fund declares daily and pays monthly dividends from net investment income. Net realized gains, if any, are distributed annually. Distributions from net realized gains for book purposes may include short-term capital gains which are included in ordinary income for tax purposes.

The tax character of distributions paid during 2002 and 2001 was as follows:

| | 2002 | 2001 |
|-----------------------------|--------------|--------------|
| Distributions paid from: | | |
| Ordinary income..... | \$67,777,960 | \$78,237,130 |
| Long-term capital gain..... | 0 | 0 |
| Return of capital..... | 5,289,644 | 1,176,956 |
| | ----- | ----- |
| | \$73,067,604 | \$79,414,086 |
| | ===== | ===== |

Due to inherent differences in the recognition of income, expenses and realized gains/losses under accounting principles generally accepted in the United States of America and federal income tax purposes, permanent book and tax basis differences relating to the return of capital distributions of \$5,288,466 were reclassified from accumulated undistributed net investment income to capital. Additionally, permanent book and tax differences of \$109,500 related to consent fee income and net realized foreign currency gains totaling \$951,540 were reclassified from accumulated undistributed net investment income to accumulated

NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

net realized loss. Also, \$2,329 relating to the recognition of net realized gains on paydowns of mortgage pool obligations was reclassified from accumulated undistributed net investment income to accumulated net realized loss.

Net realized gains or losses may differ for financial reporting and tax purposes primarily as a result of post October losses which are not realized for tax purposes until the first day of the following fiscal year, gains or losses recognized for tax purposes on open forward transactions and the deferral of losses relating to wash sale transactions.

F. EXPENSE REDUCTIONS During the year ended August 31, 2002, the Fund's custody

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fee was reduced by \$26,011 as a result of credits earned on cash balances.

G. FOREIGN CURRENCY TRANSLATION Asset and liabilities denominated in foreign currencies and commitments under forward foreign currency contracts are translated into U.S. dollars at the mean of the quoted bid and ask prices of such currencies against the U.S. dollar. Purchases and sales of portfolio securities are translated at the rate of exchange prevailing when such securities were acquired or sold. Realized gain and loss on foreign currency transactions on the Statement of Operations includes the net realized amount from the sale of foreign currency and the amount realized between trade date and settlement date on securities transactions. Income and expenses are translated at rates prevailing when accrued.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

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

| AVERAGE DAILY NET ASSETS | % PER ANNUM |
|--------------------------|-------------|
| First \$150 million..... | .625% |
| Next \$150 million..... | .550% |
| Over \$300 million..... | .500% |

For the year ended August 31, 2002, the Fund recognized expenses of approximately \$22,000 representing legal services provided by Skadden, Arps, Slate, Meagher & Flom (Illinois), counsel to the Fund, of which a trustee of the Fund is an affiliated person.

Under an Accounting Services Agreement, the Adviser provides accounting services to the Fund. The Adviser allocates the cost of such services to each fund. For the year ended August 31, 2002, the Fund recognized expenses of

NOTES TO FINANCIAL STATEMENTS

August 31, 2002

approximately \$48,300 representing Van Kampen Investments Inc.'s or its affiliates' (collectively "Van Kampen") cost of providing accounting services to the Fund which are reported as part of "Other" expenses in the Statement of Operations.

Van Kampen Investor Services Inc. (VKIS), an affiliate of the Adviser, serves as the shareholder servicing agent for the Fund. For the year ended August 31, 2002, the Fund recognized expenses of approximately \$1,073,000 representing transfer agency fees paid to VKIS. Transfer agency fees are determined through negotiations with the Fund's Board of Trustees and are based on competitive market benchmarks.

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

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The Fund provides deferred compensation and retirement plans for its trustees who are not officers of Van Kampen. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation. Amounts deferred are retained by the Fund and to the extent permitted by the 1940 Act, as amended, may be invested in the common shares of those funds selected by the trustees. Investments in such funds of \$106,681 are included in "Other" assets on the Statement of Assets and Liabilities at August 31, 2002. Appreciation/ depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Fund. Benefits under the retirement plan are payable upon retirement for a ten-year period and are based upon each trustee's years of service to the Fund. The maximum annual benefit per trustee under the plan is \$2,500.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2002

3. CAPITAL TRANSACTIONS

At August 31, 2002, capital aggregated \$714,367,276, \$267,698,375 and \$61,432,923 for Classes A, B and C, respectively. For the year ended August 31, 2002, transactions were as follows:

| | SHARES | VALUE |
|----------------------------------|--------------|------------------|
| Sales: | | |
| Class A..... | 43,036,471 | \$ 156,947,668 |
| Class B..... | 14,393,907 | 54,065,376 |
| Class C..... | 5,086,893 | 19,124,040 |
| | ----- | ----- |
| Total Sales..... | 62,517,271 | \$ 230,137,084 |
| | ===== | ===== |
| Dividend Reinvestment: | | |
| Class A..... | 7,663,334 | \$ 28,081,716 |
| Class B..... | 3,700,189 | 13,621,096 |
| Class C..... | 827,467 | 3,025,170 |
| | ----- | ----- |
| Total Dividend Reinvestment..... | 12,190,990 | \$ 44,727,982 |
| | ===== | ===== |
| Repurchases: | | |
| Class A..... | (46,154,430) | \$ (170,429,188) |
| Class B..... | (23,650,355) | (87,390,797) |
| Class C..... | (8,155,800) | (30,421,571) |
| | ----- | ----- |
| Total Repurchases..... | (77,960,585) | \$ (288,241,556) |
| | ===== | ===== |

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NOTES TO FINANCIAL STATEMENTS

August 31, 2002

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At August 31, 2001, capital aggregated \$702,941,005, \$289,139,154, and \$70,083,371 for Classes A, B and C, respectively. For the year ended August 31, 2001, transactions were as follows:

| | SHARES | VALUE |
|----------------------------------|--------------|------------------|
| Sales: | | |
| Class A..... | 39,566,053 | \$ 183,387,498 |
| Class B..... | 25,823,429 | 121,621,870 |
| Class C..... | 7,516,010 | 35,205,349 |
| | ----- | ----- |
| Total Sales..... | 72,905,492 | \$ 340,214,717 |
| | ===== | ===== |
| Dividend Reinvestment: | | |
| Class A..... | 6,736,427 | \$ 30,752,478 |
| Class B..... | 3,217,974 | 14,676,957 |
| Class C..... | 761,816 | 3,441,955 |
| | ----- | ----- |
| Total Dividend Reinvestment..... | 10,716,217 | \$ 48,871,390 |
| | ===== | ===== |
| Repurchases: | | |
| Class A..... | (41,661,180) | \$ (193,713,914) |
| Class B..... | (21,292,875) | (99,170,760) |
| Class C..... | (5,683,215) | (26,223,119) |
| | ----- | ----- |
| Total Repurchases..... | (68,637,270) | \$ (319,107,793) |
| | ===== | ===== |

Class B Shares purchased on or after June 1, 1996, and any dividend reinvestment plan Class B Shares received thereon, automatically convert to Class A Shares eight years after the end of the calendar month in which the shares were purchased. Class B Shares purchased before June 1, 1996, and any dividend reinvestment plan Class B Shares received thereon, automatically convert to Class A Shares six years after the end of the calendar month in which the shares were purchased. For the years ended August 31, 2002 and 2001, 2,088,300 and 1,820,303 Class B Shares automatically converted to Class A Shares, respectively, and are shown in the above table as sales of Class A Shares and repurchases of Class B Shares. Class C Shares purchased before January 1, 1997, and any dividend reinvestment plan Class C Shares received on such shares, automatically convert to Class A Shares ten years after the end of the calendar month in which such shares were purchased. Class C Shares purchased on or after January 1, 1997 do not possess a conversion feature. For the years ended August 31, 2002 and 2001, no Class C Shares converted to Class A Shares. Class B and C Shares are offered without a front end sales charge, but are subject to a contingent deferred sales charge (CDSC). The CDSC will be imposed on most redemptions made within five

NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

years of the purchase for Class B Shares and one year of the purchase for Class C Shares as detailed in the following schedule.

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| YEAR OF REDEMPTION | CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE | |
|---------------------------|---|---------|
| | CLASS B | CLASS C |
| First..... | 4.00% | 1.00% |
| Second..... | 4.00% | None |
| Third..... | 3.00% | None |
| Fourth..... | 2.50% | None |
| Fifth..... | 1.50% | None |
| Sixth and Thereafter..... | None | None |

For the year ended August 31, 2002, Van Kampen, as Distributor for the Fund, received net commissions on sales of the Fund's Class A Shares of approximately \$125,600 and CDSC on redeemed shares of approximately \$608,200. Sales charges do not represent expenses of the Fund.

On October 27, 2000, the Fund acquired all of the assets and liabilities of the Van Kampen High Yield and Total Return Fund (the "VKHYTR Fund") through a tax free reorganization approved by VKHYTR Fund shareholders on October 11, 2000. The Fund issued 1,164,310, 3,514,197 and 907,160 shares of Classes A, B and C valued at \$5,670,192, \$17,149,280, and \$4,399,728, respectively, in exchange for VKHYTR Fund's net assets. The shares of VKHYTR Fund were converted into Fund shares at a ratio of .5025 to 1, .5045 to 1 and .5013 to 1, for Classes A, B and C, respectively. Included in these net assets was a capital loss carryforward of \$2,747,360 and deferred wash sale losses of \$49,802 which is included in accumulated net realized gain/loss. Net unrealized depreciation of VKHYTR Fund as of October 27, 2000 was \$5,150,365. Shares issued in connection with this reorganization are included in proceeds from shares sold for the year ended August 31, 2001. Combined net assets on the day of reorganization were \$721,982,089.

4. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investments, excluding short-term investments, were \$479,519,991 and \$510,469,820, respectively.

NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Fund has a variety of reasons to use derivative instruments, such as to attempt to protect the Fund against possible changes in the market value of its portfolio, manage the Fund's effective yield, foreign currency exposure, maturity and duration or generate potential gain. All of the Fund's holdings,

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including derivative instruments, are marked to market each day with the change in value reflected in unrealized appreciation/depreciation. Upon disposition, a realized gain or loss is recognized accordingly, except when taking delivery of a security underlying a futures or forward commitment. In these instances, the recognition of gain or loss is postponed until the disposal of the security underlying the futures or forward commitment.

Purchasing securities on a forward commitment involves a risk that the market value at the time of delivery may be lower than the agreed upon purchase price resulting in an unrealized loss. Selling securities on a forward commitment involves different risks and can result in losses more significant than those arising from the purchase of such securities. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts.

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Upon the settlement of the contract, a realized gain or loss is recognized and is included as a component of realized gain/loss on forwards. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts.

The following forward foreign currency contract was outstanding as of August 31, 2002:

| | CURRENT VALUE | UNREALIZED APPRECIATION/ DEPRECIATION |
|------------------------------------|------------------|---|
| SHORT CONTRACT: | | |
| Euro Currency, | | |
| \$9,975,000 expiring 10/28/02..... | \$9,758,548 | \$(40,204) |
| | ===== | ===== |

NOTES TO
FINANCIAL STATEMENTS

August 31, 2002

6. DISTRIBUTION AND SERVICE PLANS

With respect to its Class A Shares, Class B Shares and Class C Shares, the Fund and its shareholders have adopted a distribution plan pursuant to Rule 12b-1 under the 1940 Act, as amended, and a service plan (collectively the "Plans"). The Plans govern payments for: the distribution of the Fund's Class A Shares, Class B Shares and Class C Shares; the provision of ongoing shareholder services with respect to such classes of shares; and maintenance of shareholder accounts with respect to such classes of shares.

Annual fees under the Plans of up to .25% of Class A average daily net assets and 1.00% each for Class B and Class C average daily net assets are accrued daily. Included in these fees for the year ended August 31, 2002 are payments retained by Van Kampen of approximately \$1,798,600 and payments made to Morgan Stanley DW Inc., an affiliate of the Adviser, of approximately \$110,600.

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Trustees of Van Kampen High Income Corporate Bond Fund

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Van Kampen High Income Corporate Bond Fund (the "Fund"), as of August 31, 2002, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the Fund for each of the two years in the period ended August 31, 1999 were audited by other auditors whose report dated October 6, 1999 expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of August 31, 2002 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund at August 31, 2002, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP
Chicago, Illinois
October 7, 2002

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VAN KAMPEN INVESTMENTS

THE VAN KAMPEN
FAMILY OF FUNDS

Growth

Aggressive Growth
American Value
Emerging Growth
Enterprise
Equity Growth
Focus Equity
Growth

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Mid Cap Growth
Pace
Select Growth
Small Cap Growth
Small Cap Value
Tax Managed Equity Growth
Technology

Growth and Income

Comstock
Equity and Income
Growth and Income
Harbor
Real Estate Securities
Utility
Value
Value Opportunities

Global/International

Asian Equity
Emerging Markets
European Value Equity
Global Equity Allocation
Global Franchise
Global Value Equity
International Advantage
International Magnum
Latin American
Worldwide High Income

Income

Corporate Bond
Government Securities
High Income Corporate Bond
High Yield
Limited Maturity Government
U.S. Government

Capital Preservation

Reserve
Tax Free Money

Senior Loan

Prime Rate Income Trust
Senior Floating Rate

Tax Free

California Insured Tax Free
High Yield Municipal*
Insured Tax Free Income
Intermediate Term Municipal
Income
Municipal Income
New York Tax Free Income
Pennsylvania Tax Free Income
Strategic Municipal Income

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For more complete information, including risk considerations, fees, sales charges and ongoing expenses, please contact your financial advisor for a prospectus. Please read it carefully before you invest or send money.

To view a current Van Kampen fund prospectus or to receive additional fund information, choose from one of the following:

- visit our Web site at
VANKAMPEN.COM--
to view a prospectus, select
Download Prospectus [COMPUTER ICON]

- call us at (800) 847-2424
Telecommunications Device
for the Deaf (TDD) users,
call (800) 421-2833.
[PHONE ICON]

- e-mail us by visiting
VANKAMPEN.COM and
selecting Contact Us
[MAIL ICON]

* Open to new investors for a limited time

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BOARD OF TRUSTEES AND IMPORTANT ADDRESSES
VAN KAMPEN HIGH INCOME CORPORATE

BOND FUND

BOARD OF TRUSTEES

J. MILES BRANAGAN
JERRY D. CHOATE
LINDA HUTTON HEAGY
R. CRAIG KENNEDY
MITCHELL M. MERIN*
JACK E. NELSON
RICHARD F. POWERS, III*
WAYNE W. WHALEN* - Chairman
SUZANNE H. WOOLSEY

INVESTMENT ADVISER

VAN KAMPEN ASSET MANAGEMENT INC.
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, Illinois 60181-5555

DISTRIBUTOR

VAN KAMPEN FUNDS INC.
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, Illinois 60181-5555

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SHAREHOLDER SERVICING AGENT

VAN KAMPEN INVESTOR SERVICES INC.
P.O. Box 218256
Kansas City, Missouri 64121-8256

CUSTODIAN

STATE STREET BANK
AND TRUST COMPANY
225 Franklin Street
P.O. Box 1713
Boston, Massachusetts 02110

LEGAL COUNSEL

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

INDEPENDENT AUDITORS

ERNST & YOUNG LLP
233 South Wacker Drive
Chicago, Illinois 60606

For federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during its taxable year ended August 31, 2002. For the fiscal year ended August 31, 2002, 5% of the dividends taxable as ordinary income qualified for the 70% dividends received deduction for corporations. In January, the Fund provides tax information to shareholders for the preceding calendar year.

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

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TRUSTEE AND OFFICER INFORMATION

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees and the Fund's officers appointed by the Board of Trustees. The tables below list the trustees and executive officers of the Fund and their principal occupations during the last five years, other directorships held by trustees and their affiliations, if any, with Van Kampen Investments Inc. ("Van Kampen Investments"), Van Kampen Investment Advisory Corp. ("Advisory Corp."), Van Kampen Asset Management Inc. ("Asset Management"), Van Kampen Funds Inc. (the "Distributor"), Van Kampen Advisors Inc., Van Kampen Exchange Corp. and Van Kampen Investor Services Inc. ("Investor Services"). Advisory Corp. and Asset Management sometimes are referred to herein collectively as the "Advisers." The term "Fund Complex" includes each of the investment companies advised by the Advisers or their affiliates as of the date of this report. Trustees serve until reaching their retirement age or until their successors are duly elected and qualified. Officers are annually elected by the trustees.

INDEPENDENT TRUSTEES

TERM OF

NUMBER OF
FUNDS IN

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|----------------------------|----------------------------------|--|----------------------------------|-------|
| J. Miles Branagan (70) 1632 Morning Mountain Road Raleigh, NC 27614 | Trustee | Trustee since 1991 | Private investor. Trustee/Director of funds in the Fund Complex. Co-founder, and prior to August 1996, Chairman, Chief Executive Officer and President, MDT Corporation (now known as Getinge/Castle, Inc., a subsidiary of Getinge Industrier AB), a company which develops, manufactures, markets and services medical and scientific equipment. | 55 | |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|----------------------------|--|--|---|----------------------------------|
| Jerry D. Choate (64) 53 Monarch Bay Drive Dana Point, CA 92629 | Trustee | Trustee since 1999 | Trustee/Director of funds in the Fund Complex. Prior to January 1999, Chairman and Chief Executive Officer of the Allstate Corporation ("Allstate") and Allstate Insurance Company. Prior to January 1995, President and Chief Executive Officer of Allstate. Prior to August 1994, various management positions at Allstate. | 55 | Di bi an En in co |
| Linda Hutton Heagy (54) Sears Tower 233 South Wacker Drive Suite 7000 Chicago, IL 60606 | Trustee | Trustee since 1995 | Regional Managing Partner of Heidrick & Struggles, an executive search firm. Trustee/ Director of funds in the Fund Complex. Trustee on the University of Chicago Hospitals Board, Vice Chair of the Board of the YMCA of Metropolitan Chicago and a member of the Women's Board of the University of Chicago. Prior to 1997, Partner, | 55 | |

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Ray & Berndtson, Inc., an executive recruiting firm. Prior to 1996, Trustee of The International House Board, a fellowship and housing organization for international graduate students. Formerly, Executive Vice President of ABN AMRO, N.A., a Dutch bank holding company. Prior to 1992, Executive Vice President of La Salle National Bank.

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|--|----------------------------|--|---|---|-------|
| R. Craig Kennedy (50) 1744 R Street, N.W. Washington, D.C. 20009 | Trustee | Trustee since 1995 | Director and President, German Marshall Fund of the United States, an independent U.S. foundation created to deepen understanding, promote collaboration and stimulate exchanges of practical experience between Americans and Europeans. Trustee/Director of funds in the Fund Complex. Formerly, advisor to the Dennis Trading Group Inc., a managed futures and option company that invests money for individuals and institutions. Prior to 1992, President and Chief Executive Officer, Director and member of the Investment Committee of the Joyce Foundation, a private foundation. President, Nelson Investment Planning Services, Inc., a financial planning company and registered investment adviser in the | 55 | |
| Jack E. Nelson (66) 423 Country Club Drive Winter Park, FL 32789 | Trustee | Trustee since 1995 | | 55 | |

State of Florida.
 President, Nelson Invest
 Brokerage Services Inc.,
 a member of the National
 Association of Securities
 Dealers, Inc. and
 Securities Investors
 Protection Corp. Trustee/
 Director of funds in the
 Fund Complex.

| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|----------------------------------|--|---|--|----------------------|
| Suzanne H. Woolsey (60) 2101 Constitution Ave., N.W. Room 285 Washington, D.C. 20418 | Trustee | Trustee since 1999 | Chief Communications Officer of the National Academy of Sciences/National Research Council, an independent, federally chartered policy institution, since 2001 and previously Chief Operating Officer from 1993 to 2001. Trustee/Director of funds in the Fund Complex. Director of the Institute for Defense Analyses, a federally funded research and development center, Director of the German Marshall Fund of the United States, Trustee of Colorado College and Vice Chair of the Board of the Council for Excellence in Government. Prior to 1993, Executive Director of the Commission on Behavioral and Social Sciences and Education at the National Academy of Sciences/National Research Council. From 1980 through 1989, Partner of Coopers & Lybrand. | 55 | Di Co ph si |

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INTERESTED TRUSTEES*

| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|--|----------------------------------|--|---|--|----------|
| Mitchell M. Merin* (49) 1221 Avenue of the Americas New York, NY 10020 | Trustee | Trustee since 1999 | President and Chief Operating Officer of Morgan Stanley Investment Management since December 1998. President and Director since April 1997 and Chief Executive Officer since June 1998 of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chairman, Chief Executive Officer and Director of Morgan Stanley Distributors Inc. since June 1998. Chairman since June 1998, and Director since January 1998 of Morgan Stanley Trust. Director of various Morgan Stanley subsidiaries. President of the Morgan Stanley Funds since May 1999. Trustee/Director of funds in the Fund Complex. Previously Chief Strategic Officer of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. and Executive Vice President of Morgan Stanley Distributors Inc. April 1997-June 1998, Vice President of the Morgan Stanley Funds May 1997-April 1999, and Executive Vice President of Dean Witter, Discover & Co. prior to May 1997. | 55 | |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|----------------------------------|--|--|---|----------|
| Richard F. Powers, III* (56) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181 | Trustee and President | Trustee since 1999 | Chairman, President, Chief Executive Officer, Director and Managing Director of Van Kampen Investments. Chairman, Director and Chief Executive Officer of the Advisers, the Distributor and Van Kampen Advisors Inc. since 1998. Managing Director of the Advisers, the Distributor and Van Kampen Advisors Inc. since July 2001. Director and Officer of certain other subsidiaries of Van Kampen Investments. Chief Sales and Marketing Officer of Morgan Stanley. Asset Management, Trustee/Director and President or Trustee, President and Chairman of the Board of funds in the Fund Complex. Prior to May 1998, Executive Vice President and Director of Marketing at Morgan Stanley and Director of Dean Witter, Discover & Co. and Dean Witter Realty. Prior to 1996, Director of Dean Witter Reynolds Inc. | 92 | |
| Wayne W. Whalen* (63) 333 West Wacker Drive Chicago, IL 60606 | Trustee | Trustee since 1995 | Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to funds in the Fund Complex. Trustee/ Director/Managing General Partner of funds in the Fund Complex. | 92 | |

* Such trustee is an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act). Mr. Whalen is an interested person of certain funds in the Fund Complex by reason of his firm currently acting as legal counsel to such funds in the Fund Complex. Messrs. Merin and Powers are interested persons of funds in the Fund Complex and the Advisers by reason of their positions with Morgan Stanley or its affiliates.

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OFFICERS:

| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--|----------------------------|--|---|
| Stephen L. Boyd (61) 2800 Post Oak Blvd. 45th Floor Houston, TX 77056 | Vice President | Officer since 1998 | Managing Director and Chief Investment Officer of Van Kampen Investment Advisers and Van Kampen Advisors, President and Chief Investment Officer of Van Kampen Investment Advisers and Chief Investment Officer of Van Kampen Investment Advisers from October 1998 to April 2000, Executive Vice President and Chief Operating Officer for Equity Investments from October 1998, Vice President and Senior Vice President and Portfolio Manager of American Capital Management Capital Investment Advisory Company, Capital Management, Inc. |
| Joseph J. McAlinden (59) 1221 Avenue of the Americas New York, NY 10020 | Chief Investment Officer | Officer since 2002 | Managing Director and Chief Investment Officer of Stanley Investment Advisors Inc. and Morgan Stanley Investment Management Inc. and Morgan Stanley Director of Morgan Stanley Trust |

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| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|---|------------------------------|--|--|
| A. Thomas Smith III (45) 1221 Avenue of the Americas New York, NY 10020 | Vice President and Secretary | Officer since 1999 | Managing Director and Director of the Advisers, Van Kampen Distributor, Investor Services subsidiaries of Van Kampen Investment Advisers, Inc. Vice President and Secretary of funds from July 2001, Managing Director, Director of Van Kampen Investment Advisers, Inc. Distributor, Investor Services subsidiaries of Van Kampen Investment Advisers, Inc. from 2000, Executive Vice President and Director of Van Kampen Investment Advisers, Inc., the Distributor of certain other subsidiaries of Van Kampen Investment Advisers, Inc. from January 1999, Vice President and Counsel to New York Life Insurance Company ("New York Life"), and prior to March 1999, Counsel of New York Life. Prior to December 1998, Counsel of The Dreyfus Corporation |

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| | | | |
|--|-----------------------|-------------------------------|--|
| <p>John R. Reynoldson (49) 1 Parkview Plaza Oakbrook Terrace, IL 60181</p> | <p>Vice President</p> | <p>Officer since 2000</p> | <p>Senior Associate, Willkie Farr 1989, Staff Attorney at the Se Commission, Division of Invest Chief Counsel. Executive Director of the Advi Inc. Vice President of funds i July 2001, Principal and Co-he Department of the Advisers and Prior to December 2000, Senior Advisers and Van Kampen Adviso managed the investment grade t since July 1999. From July 198 government securities bond gro Reynoldson has been with Asset</p> |
|--|-----------------------|-------------------------------|--|

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| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|---|--|--|---|
| <p>John L. Sullivan (47) 1 Parkview Plaza Oakbrook Terrace, IL 60181</p> | <p>Vice President, Chief Financial Officer and Treasurer</p> | <p>Officer since 1996</p> | <p>Executive Director of Van Kamp and Van Kampen Advisors Inc. V Officer and Treasurer of funds Fund Accounting for Morgan Sta Managing Director and Director and Managing Director, Preside Distributor. Vice President of Prior to December 2000, Presid Agency of Illinois Inc., and S Director of Van Kampen Investm December 1997, Mr. Zimmermann the Distributor.</p> |
| <p>John H. Zimmermann, III (44) Harborside Financial Center Plaza 2 - 7th Floor Jersey City, NJ 07311</p> | <p>Vice President</p> | <p>Officer since 2000</p> | <p>Executive Director of Van Kamp and Van Kampen Advisors Inc. V Officer and Treasurer of funds Fund Accounting for Morgan Sta Managing Director and Director and Managing Director, Preside Distributor. Vice President of Prior to December 2000, Presid Agency of Illinois Inc., and S Director of Van Kampen Investm December 1997, Mr. Zimmermann the Distributor.</p> |

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The Statement of Additional Information includes additional information about Fund trustees and is available, without charge, upon request by calling (800) 847-2424.

Van Kampen Funds Inc.
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