

Eaton Vance Short Duration Diversified Income Fund  
Form N-Q  
September 29, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act File Number

**811-21563**

**Eaton Vance Short Duration  
Diversified Income Fund**

(Exact Name of Registrant as Specified in Charter)

**The Eaton Vance Building,  
255 State Street, Boston, Massachusetts**  
(Address of Principal Executive Offices)

**02109**  
(Zip code)

**Alan R. Dynner, Esq.**  
**Eaton Vance Management, 255 State Street, Boston, Massachusetts 02109**  
(Name and Address of Agent for Services)

Registrant's Telephone Number, Including Area Code:

(617) 482-8260

Date of Fiscal Year End:

October 31

Date of Reporting Period:

July 31, 2006

**Item 1. Schedule of Investments**

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Eaton Vance Short Duration Diversified Income Fund

as of July 31, 2006

## PORTFOLIO OF INVESTMENTS (Unaudited)

Senior, Floating Rate Interests 72.7% (1)

| Principal Amount                  |         | Borrower/Tranche Description  | Value               |
|-----------------------------------|---------|---|---------------------|
| <b>Aerospace and Defense 1.9%</b> |         |   |                     |
| \$ 759,542                        |         | <b>Awac Capital, Inc.</b><br>Term Loan, 11.50%, Maturing March 22, 2013                   | \$ 765,238          |
| 425,000                           |         | <b>Delta Air Lines, Inc.</b><br>Term Loan, 12.77%, Maturing March 27, 2008                | 439,237             |
| 820,146                           |         | <b>Hexcel Corp.</b><br>Term Loan, 7.19%, Maturing March 1, 2012                           | 822,196             |
| 583,737                           |         | <b>K&amp;F Industries, Inc.</b><br>Term Loan, 7.40%, Maturing November 18, 2012           | 584,740             |
| 1,844,300                         |         | <b>Mid-Western Aircraft Systems, Inc.</b><br>Term Loan, 7.75%, Maturing December 31, 2011 | 1,854,213           |
| 698,006                           |         | <b>Standard Aero Holdings, Inc.</b><br>Term Loan, 7.67%, Maturing August 24, 2012         | 698,442             |
| 475,000                           |         | <b>Transdigm, Inc.</b><br>Term Loan, 7.45%, Maturing June 23, 2013                        | 476,707             |
| 181,818                           |         | <b>Vought Aircraft Industries, Inc.</b><br>Term Loan, 7.33%, Maturing December 22, 2010   | 182,955             |
| 806,631                           |         | Term Loan, 8.00%, Maturing December 17, 2011  | 813,689             |
|                                   |         |   | <b>\$ 6,637,417</b> |
| <b>Air Transport 0.1%</b>         |         |   |                     |
| 437,500                           |         | <b>United Airlines, Inc.</b><br>Term Loan, 8.63%, Maturing February 1, 2012               | 443,014             |
| 62,500                            |         | Term Loan, 9.19%, Maturing February 1, 2012   | 63,288              |
|                                   |         |   | <b>\$ 506,302</b>   |
| <b>Automotive 5.1%</b>            |         |   |                     |
| 1,000,000                         | GBP     | <b>AA Acquisitions Co., Ltd.</b><br>Term Loan, 9.24%, Maturing June 25, 2014              | 1,920,145           |
| 699,318                           |         | <b>Accuride Corp.</b><br>Term Loan, 7.31%, Maturing January 31, 2012                      | 701,241             |
| 888,482                           |         | <b>Affina Group, Inc.</b><br>Term Loan, 8.50%, Maturing November 30, 2011                 | 891,592             |
| 425,000                           |         | <b>Axletech International Holding, Inc.</b><br>Term Loan, 12.01%, Maturing April 22, 2013 | 428,187             |
| 377,583                           |         | <b>CSA Acquisition Corp.</b><br>Term Loan, 8.00%, Maturing December 23, 2011              | 379,471             |
| 607,415                           |         | Term Loan, 8.00%, Maturing December 23, 2011  | 610,452             |
|                                   | 859,082 | <b>Dayco Europe S.R.I.</b><br>Term Loan, 5.54%, Maturing June 21, 2010                    | 1,100,429           |
| 575,000                           |         | <b>Dayco Products, LLC</b><br>Term Loan, 8.03%, Maturing June 21, 2011                    | 579,912             |
| 500,000                           |         | <b>Delphi Corp.</b><br>Term Loan, 8.19%, Maturing October 8, 2007                         | 505,625             |

1

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|                                 |             |     |  |                      |
|---------------------------------|-------------|-----|--|----------------------|
|                                 |             |     | <b>Dura Operating Corp.</b>                          |                      |
| \$                              | 647,000     |     | Term Loan, 9.11%, Maturing May 3, 2011               | \$ 651,852           |
|                                 |             |     | <b>Exide Technologies</b>                            |                      |
|                                 | 949,088     | EUR | Term Loan, 9.25%, Maturing May 5, 2010               | 1,271,738            |
|                                 |             |     | <b>Federal-Mogul Corp.</b>                           |                      |
| 500,000                         |             |     | DIP Loan, 7.50%, Maturing December 9, 2006           | 501,875              |
| 361,345                         |             |     | Term Loan, 7.65%, Maturing December 9, 2006          | 353,742              |
| 420,728                         |             |     | Term Loan, 7.90%, Maturing December 9, 2006          | 413,102              |
|                                 |             |     | <b>Goodyear Tire &amp; Rubber Co.</b>                |                      |
| 635,000                         |             |     | Term Loan, 7.95%, Maturing April 30, 2010            | 638,638              |
| 500,000                         |             |     | Term Loan, 8.70%, Maturing March 1, 2011             | 504,812              |
|                                 |             |     | <b>Insurance Auto Auctions, Inc.</b>                 |                      |
| 250,000                         |             |     | Term Loan, 6.77%, Maturing May 19, 2012 (2)          | 251,172              |
|                                 |             |     | <b>R.J. Tower Corp.</b>                              |                      |
| 370,000                         |             |     | DIP Revolving Loan, 8.25%, Maturing February 2, 2007 | 374,741              |
|                                 |             |     | <b>Tenneco Automotive, Inc.</b>                      |                      |
| 963,141                         |             |     | Term Loan, 7.19%, Maturing December 12, 2009         | 970,485              |
| 418,922                         |             |     | Term Loan, 7.11%, Maturing December 12, 2010         | 422,116              |
|                                 |             |     | <b>Teutates Vermögensverwaltung</b>                  |                      |
|                                 | 500,000     | EUR | Term Loan, 5.40%, Maturing March 11, 2014            | 648,178              |
|                                 | 500,000     | EUR | Term Loan, 5.90%, Maturing March 11, 2015            | 651,103              |
|                                 |             |     | <b>The Goodyear Dunlop Tires</b>                     |                      |
|                                 | 990,000     | EUR | Term Loan, 5.52%, Maturing April 30, 2010            | 1,270,495            |
|                                 |             |     | <b>Trimas Corp.</b>                                  |                      |
| 882,552                         |             |     | Term Loan, 9.25%, Maturing December 31, 2009         | 891,654              |
|                                 |             |     | <b>United Components, Inc.</b>                       |                      |
| 492,292                         |             |     | Term Loan, 7.41%, Maturing June 30, 2010             | 494,753              |
|                                 |             |     |  | <b>\$ 17,427,510</b> |
| <b>Beverage and Tobacco</b>     | <b>0.4%</b> |     |  |                      |
|                                 |             |     | <b>Alliance One International, Inc.</b>              |                      |
| 246,875                         |             |     | Term Loan, 8.49%, Maturing May 13, 2010              | 248,727              |
|                                 |             |     | <b>Culligan International Co.</b>                    |                      |
| 434,535                         |             |     | Term Loan, 7.37%, Maturing September 30, 2011        | 434,671              |
|                                 |             |     | <b>National Dairy Holdings, L.P.</b>                 |                      |
| 493,750                         |             |     | Term Loan, 7.40%, Maturing March 15, 2012            | 495,602              |
|                                 |             |     | <b>National Distribution Co.</b>                     |                      |
| 220,000                         |             |     | Term Loan, 11.90%, Maturing June 22, 2010            | 220,550              |
|                                 |             |     |  | <b>\$ 1,399,550</b>  |
| <b>Building and Development</b> | <b>3.7%</b> |     |  |                      |
|                                 |             |     | <b>Biomed Realty, L.P.</b>                           |                      |
| 660,000                         |             |     | Term Loan, 7.60%, Maturing May 31, 2010              | 661,650              |
|                                 |             |     | <b>Capital Automotive REIT</b>                       |                      |
| 415,134                         |             |     | Term Loan, 7.10%, Maturing December 16, 2010         | 415,595              |
|                                 |             |     | <b>EpcO / Fantome, LLC</b>                           |                      |
| 500,000                         |             |     | Term Loan, 8.50%, Maturing November 23, 2010         | 501,250              |

|  |             |     |   |                      |
|--|-------------|-----|---|----------------------|
|  |             |     | <b>Gables GP, Inc.</b>                        |                      |
| \$                                     | 188,840     |     | Term Loan, 7.10%, Maturing September 30, 2006 | \$ 189,096           |
|  |             |     | <b>Hovstone Holdings, LLC</b>                 |                      |
| 265,000                                |             |     | Term Loan, 7.68%, Maturing February 28, 2009  | 265,662              |
|  |             |     | <b>Kyle Acquisition Group, LLC</b>            |                      |
| 115,371                                |             |     | Term Loan, 7.38%, Maturing July 20, 2010      | 115,371              |
|  |             |     | <b>LNR Property Corp.</b>                     |                      |
| 800,000                                |             |     | Term Loan, 8.11%, Maturing July 3, 2011       | 804,834              |
|  |             |     | <b>MAAX Corp.</b>                             |                      |
| 630,897                                |             |     | Term Loan, 8.40%, Maturing June 4, 2011       | 627,743              |
|  |             |     | <b>Mueller Group, Inc.</b>                    |                      |
| 473,658                                |             |     | Term Loan, 7.65%, Maturing October 3, 2012    | 476,618              |
|  |             |     | <b>Newkirk Master, L.P.</b>                   |                      |
| 753,351                                |             |     | Term Loan, 7.10%, Maturing August 11, 2008    | 755,705              |
|  |             |     | <b>Nortek, Inc.</b>                           |                      |
| 987,437                                |             |     | Term Loan, 7.40%, Maturing August 27, 2011    | 986,049              |
|  |             |     | <b>Panolam Industries Holdings, Inc.</b>      |                      |
| 182,701                                |             |     | Term Loan, 8.25%, Maturing September 30, 2012 | 184,071              |
|  |             |     | <b>Ply Gem Industries, Inc.</b>               |                      |
| 32,730                                 |             |     | Term Loan, 7.21%, Maturing August 15, 2011    | 32,690               |
| 490,957                                |             |     | Term Loan, 7.21%, Maturing August 15, 2011    | 490,343              |
|  |             |     | <b>Ristretto Investissements SAS</b>          |                      |
|  | 308,150     | EUR | Term Loan, 5.34%, Maturing September 30, 2013 | 398,324              |
|  | 130,995     | GBP | Term Loan, 7.07%, Maturing September 30, 2013 | 247,356              |
|  | 308,150     | EUR | Term Loan, 5.72%, Maturing September 30, 2014 | 400,290              |
|  | 130,995     | GBP | Term Loan, 7.45%, Maturing September 30, 2014 | 248,375              |
|  |             |     | <b>Stile Acquisition Corp.</b>                |                      |
| 932,393                                |             |     | Term Loan, 7.49%, Maturing April 6, 2013      | 915,827              |
|  |             |     | <b>Stile U.S. Acquisition Corp.</b>           |                      |
| 933,982                                |             |     | Term Loan, 7.49%, Maturing April 6, 2013      | 917,387              |
|  |             |     | <b>The Woodlands Community Property Co.</b>   |                      |
| 991,848                                |             |     | Term Loan, 7.76%, Maturing November 30, 2007  | 999,287              |
|  |             |     | <b>TRU 2005 RE Holding Co.</b>                |                      |
| 1,325,000                              |             |     | Term Loan, 8.35%, Maturing December 9, 2008   | 1,319,203            |
|  |             |     | <b>Trustreet Properties, Inc.</b>             |                      |
| 385,000                                |             |     | Term Loan, 7.35%, Maturing April 8, 2010      | 387,166              |
|  |             |     | <b>United Subcontractors, Inc.</b>            |                      |
| 250,000                                |             |     | Term Loan, 12.86%, Maturing May 27, 2013      | 250,000              |
|  |             |     |   | <b>\$ 12,589,892</b> |
| <b>Business Equipment and Services</b> | <b>4.7%</b> |     |   |                      |
|  |             |     | <b>Acco Brands Corp.</b>                      |                      |
| 1,278,195                              |             |     | Term Loan, 7.12%, Maturing August 17, 2012    | 1,278,994            |
|  |             |     | <b>Affiliated Computer Services</b>           |                      |
| 248,750                                |             |     | Term Loan, 7.40%, Maturing March 20, 2013     | 249,261              |
|  |             |     | <b>Affinion Group, Inc.</b>                   |                      |
| 520,930                                |             |     | Term Loan, 7.93%, Maturing October 17, 2012   | 524,023              |

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|    |                                       |             |   |                      |
|----|---------------------------------------|-------------|---|----------------------|
|    |                                       |             | <b>Allied Security Holdings, LLC</b>          |                      |
| \$ | 375,000                               |             | Term Loan, 10.25%, Maturing June 30, 2010     | \$ 377,344           |
|    |                                       |             | <b>Aspect Software, Inc.</b>                  |                      |
|    | 575,000                               |             | Term Loan, 8.50%, Maturing July 11, 2011      | 575,539              |
|    | 500,000                               |             | Term Loan, 12.56%, Maturing July 11, 2013     | 500,625              |
|    |                                       |             | <b>Audatex North America, Inc.</b>            |                      |
|    | 1,000,000                             | EUR         | Term Loan, 8.58%, Maturing January 13, 2013   | 1,304,863            |
|    |                                       |             | <b>BSG Clearing Solutions GmbH</b>            |                      |
|    | 987,500                               | EUR         | Term Loan, 5.74%, Maturing May 5, 2012        | 1,266,499            |
|    |                                       |             | <b>Buhrmann US, Inc.</b>                      |                      |
|    | 1,984,810                             | EUR         | Term Loan, 4.71%, Maturing December 23, 2010  | 2,567,743            |
|    |                                       |             | <b>DynCorp International, LLC</b>             |                      |
|    | 493,750                               |             | Term Loan, 8.06%, Maturing February 11, 2011  | 496,013              |
|    |                                       |             | <b>Gate Gourmet Borrower, LLC</b>             |                      |
|    | 498,750                               | EUR         | Term Loan, 5.81%, Maturing March 9, 2013      | 640,458              |
|    |                                       |             | <b>Info USA, Inc.</b>                         |                      |
|    | 199,000                               |             | Term Loan, 7.25%, Maturing February 14, 2012  | 199,249              |
|    |                                       |             | <b>Protection One, Inc.</b>                   |                      |
|    | 195,426                               |             | Term Loan, 7.84%, Maturing April 18, 2011     | 195,915              |
|    |                                       |             | <b>Quintiles Transnational Corp.</b>          |                      |
|    | 500,000                               |             | Term Loan, 9.50%, Maturing March 31, 2014     | 507,187              |
|    |                                       |             | <b>RGIS Holdings, LLC</b>                     |                      |
|    | 348,278                               |             | Term Loan, 8.00%, Maturing February 15, 2013  | 347,843              |
|    |                                       |             | <b>SS&amp;C Technologies, Inc.</b>            |                      |
|    | 38,975                                |             | Term Loan, 8.00%, Maturing November 23, 2012  | 39,202               |
|    | 458,525                               |             | Term Loan, 8.00%, Maturing November 23, 2012  | 461,200              |
|    |                                       |             | <b>Sungard Data Systems, Inc.</b>             |                      |
|    | 2,974,962                             |             | Term Loan, 7.66%, Maturing February 11, 2013  | 2,991,697            |
|    |                                       |             | <b>US Investigations Services, Inc.</b>       |                      |
|    | 665,954                               |             | Term Loan, 7.92%, Maturing October 14, 2012   | 667,619              |
|    |                                       |             | <b>Williams Scotsman, Inc.</b>                |                      |
|    | 930,000                               |             | Term Loan, 7.00%, Maturing June 28, 2010      | 932,518              |
|    |                                       |             |   | <b>\$ 16,123,792</b> |
|    | <b>Cable and Satellite Television</b> | <b>4.5%</b> |   |                      |
|    |                                       |             | <b>Adelphia Communications Corp.</b>          |                      |
|    | 495,134                               |             | DIP Loan, 5.38%, Maturing August 7, 2006      | 496,063              |
|    |                                       |             | <b>Cablecom Luxembourg SCA</b>                |                      |
|    | 1,000,000                             | EUR         | Term Loan, 5.79%, Maturing September 28, 2012 | 1,285,004            |
|    |                                       |             | <b>Canadian Cable Acquisition</b>             |                      |
|    | 495,000                               |             | Term Loan, 8.50%, Maturing July 27, 2011      | 497,475              |
|    |                                       |             | <b>Charter Communications Operating, LLC</b>  |                      |
|    | 2,991,833                             |             | Term Loan, 8.13%, Maturing April 28, 2013     | 2,999,863            |
|    |                                       |             | <b>CSC Holdings, Inc.</b>                     |                      |
|    | 897,750                               |             | Term Loan, 7.03%, Maturing March 29, 2013     | 893,455              |
|    |                                       |             | <b>Escaline S.A.R.L. (Ewt)</b>                |                      |
|    | 500,000                               | EUR         | Term Loan, 5.53%, Maturing March 17, 2014     | 645,333              |

|                                    |     |   |                      |
|------------------------------------|-----|---|----------------------|
| 500,000                            | EUR | Term Loan, 6.03%, Maturing March 17, 2015     | \$ 648,204           |
|                                    |     | <b>Kabel Deutschland GmbH</b>                 |                      |
| 500,000                            | EUR | Term Loan, 5.06%, Maturing March 31, 2012     | 640,655              |
|                                    |     | <b>Lanoga Corp.</b>                           |                      |
| 375,000                            |     | Term Loan, 7.25%, Maturing June 29, 2013      | 375,117              |
|                                    |     | <b>PKS Media (Netherlands) B.V.</b>           |                      |
| 500,000                            | EUR | Term Loan, 5.49%, Maturing October 5, 2013    | 639,976              |
| 1,000,000                          | EUR | Term Loan, 5.74%, Maturing October 5, 2013    | 1,294,566            |
| 1,000,000                          | EUR | Term Loan, 6.24%, Maturing October 5, 2014    | 1,300,650            |
|                                    |     | <b>UGS Corp.</b>                              |                      |
| 1,698,639                          |     | Term Loan, 7.48%, Maturing March 31, 2012     | 1,700,409            |
|                                    |     | <b>UPC Broadband Holding B.V.</b>             |                      |
| 750,000                            | EUR | Term Loan, 5.51%, Maturing March 31, 2013     | 955,765              |
| 750,000                            | EUR | Term Loan, 5.51%, Maturing December 31, 2013  | 956,801              |
|                                    |     |   | <b>\$ 15,329,336</b> |
| <b>Chemicals and Plastics 6.5%</b> |     |   |                      |
|                                    |     | <b>Basell Af S.A.R.L.</b>                     |                      |
| 208,333                            |     | Term Loan, 7.73%, Maturing August 1, 2013     | 210,937              |
| 41,667                             |     | Term Loan, 7.73%, Maturing August 1, 2013     | 42,187               |
| 208,333                            |     | Term Loan, 8.23%, Maturing August 1, 2014     | 210,937              |
| 41,667                             |     | Term Loan, 8.23%, Maturing August 1, 2014     | 42,188               |
|                                    |     | <b>Brenntag Holding GmbH and Co.</b>          |                      |
| 1,020,189                          | EUR | Term Loan, 12.28%, Maturing December 23, 2013 | 1,337,716            |
|                                    |     | <b>Celanese Holdings, LLC</b>                 |                      |
| 1,851,005                          | EUR | Term Loan, 5.33%, Maturing April 6, 2011      | 2,385,291            |
| 927,583                            |     | Term Loan, 7.50%, Maturing June 4, 2011       | 930,386              |
|                                    |     | <b>Gentek, Inc.</b>                           |                      |
| 702,663                            |     | Term Loan, 7.56%, Maturing February 28, 2011  | 707,604              |
|                                    |     | <b>Hexion Specialty Chemicals, Inc.</b>       |                      |
| 232,000                            |     | Term Loan, 7.50%, Maturing May 5, 2013        | 230,042              |
| 1,068,000                          |     | Term Loan, 7.56%, Maturing May 5, 2013        | 1,058,988            |
|                                    |     | <b>Huntsman, LLC</b>                          |                      |
| 1,347,723                          |     | Term Loan, 7.15%, Maturing August 16, 2012    | 1,343,089            |
|                                    |     | <b>Ineos Group</b>                            |                      |
| 500,000                            |     | Term Loan, 7.34%, Maturing December 14, 2013  | 503,646              |
| 500,000                            |     | Term Loan, 7.84%, Maturing December 14, 2014  | 503,646              |
|                                    |     | <b>Innophos, Inc.</b>                         |                      |
| 645,283                            |     | Term Loan, 7.70%, Maturing August 13, 2010    | 646,896              |
|                                    |     | <b>Invista B.V.</b>                           |                      |
| 629,534                            |     | Term Loan, 7.00%, Maturing April 29, 2011     | 630,583              |
| 320,012                            |     | Term Loan, 7.00%, Maturing April 29, 2011     | 320,546              |
|                                    |     | <b>ISP Chemo, Inc.</b>                        |                      |
| 698,250                            |     | Term Loan, 7.08%, Maturing February 16, 2013  | 698,998              |
|                                    |     | <b>Kranton Polymers, LLC</b>                  |                      |
| 740,549                            |     | Term Loan, 7.44%, Maturing May 12, 2013       | 740,549              |

|                          |             |     |  |               |
|--------------------------|-------------|-----|--|---------------|
|                          |             |     | <b>Nalco Co.</b>                             |               |
| \$                       | 1,981,498   |     | Term Loan, 7.21%, Maturing November 4, 2010  | \$ 1,982,118  |
|                          |             |     | <b>PQ Corp.</b>                              |               |
|                          | 490,019     |     | Term Loan, 7.50%, Maturing February 11, 2012 | 491,040       |
|                          |             |     | <b>Professional Paint, Inc.</b>              |               |
|                          | 200,000     |     | Term Loan, 7.76%, Maturing May 31, 2012      | 201,000       |
|                          |             |     | <b>Rockwood Specialties Group</b>            |               |
|                          | 1,477,500   | EUR | Term Loan, 5.90%, Maturing July 30, 2012     | 1,902,796     |
|                          |             |     | <b>Sigmakalon (BC) Holdco B.V.</b>           |               |
|                          | 8,871       | EUR | Term Loan, 5.99%, Maturing September 9, 2013 | 11,426        |
|                          | 173,632     | EUR | Term Loan, 5.99%, Maturing September 9, 2013 | 223,657       |
|                          | 317,498     | EUR | Term Loan, 5.99%, Maturing September 9, 2013 | 408,973       |
|                          | 107,857     | EUR | Term Loan, 6.49%, Maturing September 9, 2014 | 139,536       |
|                          | 30,222      | EUR | Term Loan, 6.49%, Maturing September 9, 2014 | 38,664        |
|                          | 26,409      | EUR | Term Loan, 6.49%, Maturing September 9, 2014 | 34,166        |
|                          | 335,513     | EUR | Term Loan, 6.49%, Maturing September 9, 2014 | 434,058       |
|                          | 1,000,000   | EUR | Term Loan, 8.74%, Maturing September 9, 2015 | 1,291,039     |
|                          |             |     | <b>Solo Cup Co.</b>                          |               |
|                          | 935,248     |     | Term Loan, 7.84%, Maturing February 27, 2011 | 939,827       |
|                          | 200,000     |     | Term Loan, 9.66%, Maturing March 31, 2012    | 202,000       |
|                          |             |     | <b>Wavin Holdings B.V.</b>                   |               |
|                          | 650,000     | EUR | Term Loan, 5.56%, Maturing September 9, 2013 | 836,459       |
|                          | 650,000     | EUR | Term Loan, 6.06%, Maturing September 9, 2014 | 840,311       |
|                          |             |     |  | \$ 22,521,299 |
| <b>Clothing/Textiles</b> | <b>0.1%</b> |     |  |               |
|                          |             |     | <b>Propex Fabrics, Inc.</b>                  |               |
|                          | 283,147     |     | Term Loan, 7.76%, Maturing July 31, 2012     | 283,501       |
|                          |             |     | <b>St. John Knits International, Inc.</b>    |               |
|                          | 152,136     |     | Term Loan, 7.75%, Maturing March 23, 2012    | 152,136       |
|                          |             |     |  | \$ 435,637    |
| <b>Conglomerates</b>     | <b>1.8%</b> |     |  |               |
|                          |             |     | <b>Amsted Industries, Inc.</b>               |               |
|                          | 521,648     |     | Term Loan, 7.46%, Maturing October 15, 2010  | 524,746       |
|                          |             |     | <b>Bushnell Performance Optics</b>           |               |
|                          | 496,339     |     | Term Loan, 8.45%, Maturing August 19, 2011   | 499,854       |
|                          |             |     | <b>Education Management, LLC</b>             |               |
|                          | 450,000     |     | Term Loan, 8.06%, Maturing June 1, 2013      | 452,883       |
|                          |             |     | <b>Euramax International, Inc.</b>           |               |
|                          | 167,105     |     | Term Loan, 12.49%, Maturing June 28, 2013    | 168,045       |
|                          | 82,895      |     | Term Loan, 12.49%, Maturing June 28, 2013    | 83,361        |
|                          |             |     | <b>Goodman Global Holdings, Inc.</b>         |               |
|                          | 443,430     |     | Term Loan, 6.94%, Maturing December 23, 2011 | 442,945       |
|                          |             |     | <b>Jarden Corp.</b>                          |               |
|                          | 254,253     |     | Term Loan, 7.25%, Maturing January 24, 2012  | 253,485       |
|                          | 451,732     |     | Term Loan, 7.50%, Maturing January 24, 2012  | 452,014       |



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|                                      |             |           |  |  |           |
|--------------------------------------|-------------|-----------|--|--|-----------|
|                                      |             |           | <b>Johnson Diversey, Inc.</b>                    |  |           |
| \$                                   | 738,478     |           | Term Loan, 7.63%, Maturing November 3, 2009      | \$ 744,132                                   |           |
|                                      |             |           | <b>Polymer Group, Inc.</b>                       |  |           |
|                                      | 1,343,250   |           | Term Loan, 7.74%, Maturing November 22, 2012     | 1,347,168                                    |           |
|                                      |             |           | <b>PP Acquisition Corp.</b>                      |  |           |
|                                      | 1,052,888   |           | Term Loan, 8.40%, Maturing November 12, 2011     | 1,063,417                                    |           |
|                                      |             |           |  | <b>\$ 6,032,050</b>                          |           |
| <b>Containers and Glass Products</b> | <b>3.9%</b> |           |  |  |           |
|                                      |             |           | <b>Berry Plastics Corp.</b>                      |  |           |
|                                      | 723,415     |           | Term Loan, 7.15%, Maturing December 2, 2011      | 723,565                                      |           |
|                                      |             |           | <b>Bluegrass Container Company</b>               |  |           |
|                                      | 109,394     |           | Term Loan, 0.00%, Maturing June 30, 2013 (2)     | 109,975                                      |           |
|                                      | 365,606     |           | Term Loan, 7.65%, Maturing June 30, 2013         | 367,548                                      |           |
|                                      | 84,848      |           | Term Loan, 0.00%, Maturing December 30, 2013 (2) | 86,015                                       |           |
|                                      | 265,152     |           | Term Loan, 10.40%, Maturing December 30, 2013    | 268,797                                      |           |
|                                      |             |           | <b>Crown Americas, Inc.</b>                      |  |           |
|                                      | 1,000,000   | EUR       | Term Loan, 4.61%, Maturing November 15, 2012     | 1,274,555                                    |           |
|                                      |             |           | <b>Graham Packaging Holdings Co.</b>             |  |           |
|                                      | 1,231,250   |           | Term Loan, 7.75%, Maturing October 7, 2011       | 1,236,123                                    |           |
|                                      | 357,143     |           | Term Loan, 9.75%, Maturing April 7, 2012         | 362,500                                      |           |
|                                      |             |           | <b>Graphic Packaging International, Inc.</b>     |  |           |
|                                      | 2,394,279   |           | Term Loan, 7.92%, Maturing August 8, 2010        | 2,416,297                                    |           |
|                                      |             |           | <b>JSG Acquisitions</b>                          |  |           |
|                                      |             | 1,250,000 | EUR  | Term Loan, 5.58%, Maturing December 31, 2014 | 1,621,109 |
|                                      |             | 1,250,000 | EUR  | Term Loan, 6.10%, Maturing December 31, 2014 | 1,621,109 |
|                                      |             |           | <b>Pregis Corp.</b>                              |  |           |
|                                      | 992,500     |           | Term Loan, 7.75%, Maturing October 12, 2011      | 1,001,184                                    |           |
|                                      |             |           | <b>Smurfit-Stone Container Corp.</b>             |  |           |
|                                      | 428,496     |           | Term Loan, 4.73%, Maturing November 1, 2010      | 430,966                                      |           |
|                                      | 1,129,221   |           | Term Loan, 7.59%, Maturing November 1, 2010      | 1,135,730                                    |           |
|                                      | 822,866     |           | Term Loan, 7.54%, Maturing November 1, 2011      | 827,609                                      |           |
|                                      |             |           |  | <b>\$ 13,483,082</b>                         |           |
| <b>Cosmetics/Toiletries</b>          | <b>0.4%</b> |           |  |  |           |
|                                      |             |           | <b>Prestige Brands, Inc.</b>                     |  |           |
|                                      | 740,441     |           | Term Loan, 7.25%, Maturing April 7, 2011         | 742,909                                      |           |
|                                      |             |           | <b>Revlon Consumer Products Corp.</b>            |  |           |
|                                      | 656,250     |           | Term Loan, 11.49%, Maturing July 9, 2009         | 673,750                                      |           |
|                                      |             |           |  | <b>\$ 1,416,659</b>                          |           |
| <b>Drugs</b>                         | <b>0.5%</b> |           |  |  |           |
|                                      |             |           | <b>Patheon, Inc.</b>                             |  |           |
|                                      | 589,293     |           | Term Loan, 7.74%, Maturing December 14, 2011     | 589,293                                      |           |
|                                      |             |           | <b>Warner Chilcott Corp.</b>                     |  |           |
|                                      | 313,002     |           | Term Loan, 7.61%, Maturing January 18, 2012      | 313,752                                      |           |

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|   |           |     |  |    |                  |
|---|-----------|-----|--|----|------------------|
| \$  | 144,598   |     | Term Loan, 7.61%, Maturing January 18, 2012          | \$ | 144,945          |
|   | 776,775   |     | Term Loan, 7.62%, Maturing January 18, 2012          |    | 778,636          |
|   |           |     |  | \$ | <b>1,826,626</b> |
| <b>Ecological Services and Equipment 0.8%</b> |           |     |  |    |                  |
|   |           |     | <b>Duratek, Inc.</b>                                 |    |                  |
|   | 173,585   |     | Term Loan, 7.76%, Maturing June 7, 2013              |    | 175,104          |
|   |           |     | <b>Energysolutions, LLC</b>                          |    |                  |
|   | 18,082    |     | Term Loan, 7.62%, Maturing June 7, 2013              |    | 18,240           |
|   | 383,333   |     | Term Loan, 7.76%, Maturing June 7, 2013              |    | 386,688          |
|   |           |     | <b>Environmental Systems Products Holdings, Inc.</b> |    |                  |
|   | 505,772   |     | Term Loan, 8.86%, Maturing December 12, 2008         |    | 509,565          |
|   |           |     | <b>Sensus Metering Systems, Inc.</b>                 |    |                  |
|   | 53,627    |     | Term Loan, 7.20%, Maturing December 17, 2010         |    | 53,761           |
|   | 403,727   |     | Term Loan, 7.24%, Maturing December 17, 2010         |    | 404,736          |
|   |           |     | <b>Sulo GmbH</b>                                     |    |                  |
|   | 625,000   | EUR | Term Loan, 9.24%, Maturing January 19, 2016          |    | 817,285          |
|   |           |     | <b>Synagro Technologies, Inc.</b>                    |    |                  |
|   | 227,143   |     | Term Loan, 7.76%, Maturing June 21, 2012             |    | 227,711          |
|   | 37,857    |     | Term Loan, 7.77%, Maturing June 21, 2012             |    | 37,952           |
|   |           |     |  | \$ | <b>2,631,042</b> |
| <b>Electronics/Electrical 1.4%</b>            |           |     |  |    |                  |
|   |           |     | <b>Network Solutions, LLC</b>                        |    |                  |
|   | 298,500   |     | Term Loan, 10.50%, Maturing January 9, 2012          |    | 302,231          |
|   |           |     | <b>Open Solutions, Inc.</b>                          |    |                  |
|   | 350,000   |     | Term Loan, 11.78%, Maturing March 3, 2012            |    | 359,188          |
|   |           |     | <b>Security Co., Inc.</b>                            |    |                  |
|   | 740,571   |     | Term Loan, 8.75%, Maturing June 30, 2010             |    | 742,422          |
|   |           |     | <b>Spectrum Brands, Inc.</b>                         |    |                  |
|   | 1,860,755 | EUR | Term Loan, 6.12%, Maturing February 7, 2012          |    | 2,374,603        |
|   |           |     | <b>Telcordia Technologies, Inc.</b>                  |    |                  |
|   | 667,803   |     | Term Loan, 7.73%, Maturing September 15, 2012        |    | 645,265          |
|   |           |     | <b>Vertafore, Inc.</b>                               |    |                  |
|   | 275,000   |     | Term Loan, 11.13%, Maturing January 31, 2013         |    | 279,354          |
|   |           |     |  | \$ | <b>4,703,063</b> |
| <b>Equipment Leasing 0.4%</b>                 |           |     |  |    |                  |
|   |           |     | <b>Ashtead Group, PLC</b>                            |    |                  |
|   | 990,000   |     | Term Loan, 6.94%, Maturing November 12, 2009         |    | 990,619          |
|   |           |     | <b>United Rentals, Inc.</b>                          |    |                  |
|   | 84,034    |     | Term Loan, 6.00%, Maturing February 14, 2011         |    | 84,274           |
|   | 410,714   |     | Term Loan, 7.40%, Maturing February 14, 2011         |    | 411,888          |
|   |           |     |  | \$ | <b>1,486,781</b> |
| <b>Financial Intermediaries 0.7%</b>          |           |     |  |    |                  |
|   |           |     | <b>AIMCO Properties, L.P.</b>                        |    |                  |
|   | 1,800,000 |     | Term Loan, 7.01%, Maturing November 2, 2009          |    | 1,804,500        |

|                            |             |     |   |                     |
|----------------------------|-------------|-----|---|---------------------|
|                            |             |     | <b>Blitz F04-506 GmbH</b>                     |                     |
| 500,000                    | EUR         |     | Term Loan, 5.93%, Maturing June 30, 2014      | \$ 648,159          |
|                            |             |     |   | <b>\$ 2,452,659</b> |
| <b>Food Products</b>       | <b>2.6%</b> |     |   |                     |
|                            |             |     | <b>American Seafoods Group, LLC</b>           |                     |
| 938,372                    |             |     | Term Loan, 7.25%, Maturing September 30, 2011 | 938,372             |
|                            |             |     | <b>BF Bolthouse HoldCo, LLC</b>               |                     |
| 375,000                    |             |     | Term Loan, 11.00%, Maturing December 16, 2013 | 382,188             |
|                            |             |     | <b>BL Marketing, Ltd.</b>                     |                     |
|                            | 300,000     | GBP | Term Loan, 7.19%, Maturing December 20, 2013  | 568,167             |
|                            | 300,000     | GBP | Term Loan, 7.69%, Maturing December 20, 2014  | 570,649             |
|                            | 409,228     | GBP | Term Loan, 12.46%, Maturing December 20, 2015 | 789,454             |
|                            |             |     | <b>Black Lion Beverages III B.V.</b>          |                     |
| 1,000,000                  | EUR         |     | Term Loan, 7.69%, Maturing January 24, 2016   | 1,306,193           |
|                            |             |     | <b>Charden International B.V.</b>             |                     |
| 250,000                    | EUR         |     | Term Loan, 5.47%, Maturing March 14, 2014     | 320,234             |
| 250,000                    | EUR         |     | Term Loan, 5.97%, Maturing March 14, 2015     | 321,670             |
|                            |             |     | <b>Chiquita Brands, LLC</b>                   |                     |
| 907,711                    |             |     | Term Loan, 7.65%, Maturing June 28, 2012      | 910,169             |
|                            |             |     | <b>Michael Foods, Inc.</b>                    |                     |
| 250,000                    |             |     | Term Loan, 7.51%, Maturing November 21, 2010  | 250,781             |
|                            |             |     | <b>Nash-Finch Co.</b>                         |                     |
| 500,000                    |             |     | Term Loan, 7.69%, Maturing November 12, 2010  | 502,813             |
|                            |             |     | <b>Picard Surgeles S.A.</b>                   |                     |
| 500,000                    | EUR         |     | Term Loan, 5.44%, Maturing June 4, 2014       | 643,110             |
|                            |             |     | <b>Pinnacle Foods Holdings Corp.</b>          |                     |
| 257,573                    |             |     | Term Loan, 7.48%, Maturing November 25, 2010  | 257,814             |
|                            |             |     | <b>QCE Finance, LLC</b>                       |                     |
| 275,000                    |             |     | Term Loan, 11.25%, Maturing November 5, 2013  | 279,297             |
|                            |             |     | <b>Reddy Ice Group, Inc.</b>                  |                     |
| 925,000                    |             |     | Term Loan, 7.25%, Maturing August 9, 2012     | 924,422             |
|                            |             |     |   | <b>\$ 8,965,333</b> |
| <b>Food Service</b>        | <b>0.4%</b> |     |   |                     |
|                            |             |     | <b>Carrols Corp.</b>                          |                     |
| 441,331                    |             |     | Term Loan, 8.00%, Maturing December 31, 2010  | 444,434             |
|                            |             |     | <b>Denny s, Inc.</b>                          |                     |
| 985,013                    |             |     | Term Loan, 8.59%, Maturing September 21, 2009 | 989,528             |
|                            |             |     |   | <b>\$ 1,433,962</b> |
| <b>Food/Drug Retailers</b> | <b>0.9%</b> |     |   |                     |
|                            |             |     | <b>General Nutrition Centers, Inc.</b>        |                     |
| 984,848                    |             |     | Term Loan, 8.06%, Maturing December 7, 2009   | 991,928             |
|                            |             |     | <b>Roundy s Supermarkets, Inc.</b>            |                     |
| 820,875                    |             |     | Term Loan, 8.23%, Maturing November 3, 2011   | 829,426             |

|                        |             |     |   |                     |
|------------------------|-------------|-----|---|---------------------|
|                        |             |     | <b>The Jean Coutu Group (PJC), Inc.</b>       |                     |
| \$                     | 1,356,230   |     | Term Loan, 8.00%, Maturing July 30, 2011      | \$ 1,360,161        |
|                        |             |     |   | <b>\$ 3,181,515</b> |
| <b>Forest Products</b> | <b>2.3%</b> |     |   |                     |
|                        |             |     | <b>Boise Cascade Holdings, LLC</b>            |                     |
| 2,063,309              |             |     | Term Loan, 7.20%, Maturing October 29, 2011   | 2,068,936           |
|                        |             |     | <b>Buckeye Technologies, Inc.</b>             |                     |
| 504,058                |             |     | Term Loan, 7.16%, Maturing April 15, 2010     | 504,058             |
|                        |             |     | <b>Georgia-Pacific Corp.</b>                  |                     |
| 1,741,250              |             |     | Term Loan, 7.35%, Maturing December 20, 2012  | 1,741,314           |
| 850,000                |             |     | Term Loan, 8.30%, Maturing December 23, 2013  | 858,386             |
|                        |             |     | <b>NewPage Corp.</b>                          |                     |
| 747,021                |             |     | Term Loan, 8.50%, Maturing May 2, 2011        | 752,624             |
|                        |             |     | <b>Xerium Technologies, Inc.</b>              |                     |
|                        | 1,574,578   | EUR | Term Loan, 5.31%, Maturing May 18, 2012       | 2,024,468           |
|                        |             |     |   | <b>\$ 7,949,786</b> |
| <b>Healthcare</b>      | <b>4.2%</b> |     |   |                     |
|                        |             |     | <b>Accellent, Inc.</b>                        |                     |
| 597,000                |             |     | Term Loan, 7.23%, Maturing November 22, 2012  | 596,378             |
|                        |             |     | <b>Alliance Imaging, Inc.</b>                 |                     |
| 490,000                |             |     | Term Loan, 7.95%, Maturing December 29, 2011  | 491,531             |
|                        |             |     | <b>AMR HoldCo, Inc.</b>                       |                     |
| 325,178                |             |     | Term Loan, 7.26%, Maturing February 10, 2012  | 325,686             |
|                        |             |     | <b>Carl Zeiss Topco GMBH</b>                  |                     |
| 166,667                |             |     | Term Loan, 7.86%, Maturing February 28, 2013  | 168,195             |
| 333,333                |             |     | Term Loan, 8.36%, Maturing February 28, 2014  | 338,055             |
| 500,000                |             |     | Term Loan, 10.61%, Maturing August 31, 2014   | 507,438             |
|                        |             |     | <b>Community Health Systems, Inc.</b>         |                     |
| 984,962                |             |     | Term Loan, 6.97%, Maturing August 19, 2011    | 986,347             |
|                        |             |     | <b>Concentra Operating Corp.</b>              |                     |
| 1,002,348              |             |     | Term Loan, 7.62%, Maturing September 30, 2011 | 1,005,167           |
|                        |             |     | <b>Davita, Inc.</b>                           |                     |
| 1,620,004              |             |     | Term Loan, 7.44%, Maturing October 5, 2012    | 1,625,211           |
|                        |             |     | <b>Encore Medical IHC, Inc.</b>               |                     |
| 527,896                |             |     | Term Loan, 8.31%, Maturing October 4, 2010    | 529,875             |
|                        |             |     | <b>FHC Health Systems, Inc.</b>               |                     |
| 294,118                |             |     | Term Loan, 11.23%, Maturing December 18, 2009 | 304,412             |
| 205,882                |             |     | Term Loan, 13.23%, Maturing December 18, 2009 | 213,088             |
|                        |             |     | <b>Kinetic Concepts, Inc.</b>                 |                     |
| 253,591                |             |     | Term Loan, 7.25%, Maturing August 11, 2010    | 255,176             |
|                        |             |     | <b>Lifecare Holdings, Inc.</b>                |                     |
| 223,313                |             |     | Term Loan, 7.65%, Maturing August 11, 2012    | 213,263             |
|                        |             |     | <b>Moinlycke</b>                              |                     |
|                        | 458,140     | EUR | Term Loan, 5.56%, Maturing November 4, 2013   | 593,419             |
|                        | 500,000     | EUR | Term Loan, 6.06%, Maturing November 4, 2014   | 650,617             |

|                             |             |     |   |                      |
|-----------------------------|-------------|-----|---|----------------------|
|                             |             |     | <b>National Mentor Holdings, Inc.</b>         |                      |
| \$                          | 16,800      |     | Term Loan, 7.84%, Maturing June 29, 2013      | \$ 16,853            |
| 283,200                     |             |     | Term Loan, 7.90%, Maturing June 29, 2013      | 284,085              |
|                             |             |     | <b>P&amp;F Capital S.A.R.L.</b>               |                      |
|                             | 209,223     | EUR | Term Loan, 5.63%, Maturing February 21, 2014  | 270,783              |
|                             | 125,235     | EUR | Term Loan, 5.63%, Maturing February 21, 2014  | 162,082              |
|                             | 100,494     | EUR | Term Loan, 5.63%, Maturing February 21, 2014  | 130,062              |
|                             | 65,049      | EUR | Term Loan, 6.13%, Maturing February 21, 2014  | 84,188               |
|                             | 94,595      | EUR | Term Loan, 6.13%, Maturing February 21, 2015  | 122,943              |
|                             | 35,135      | EUR | Term Loan, 6.13%, Maturing February 21, 2015  | 45,664               |
|                             | 72,973      | EUR | Term Loan, 6.13%, Maturing February 21, 2015  | 94,841               |
|                             | 297,297     | EUR | Term Loan, 6.13%, Maturing February 21, 2015  | 386,391              |
|                             |             |     | <b>Select Medical Holding Corp.</b>           |                      |
| 493,750                     |             |     | Term Loan, 6.94%, Maturing February 24, 2012  | 487,640              |
|                             |             |     | <b>Sirona Dental Systems GmbH</b>             |                      |
|                             | 500,000     | EUR | Term Loan, 5.43%, Maturing June 30, 2013      | 645,595              |
|                             |             |     | <b>Talecris Biotherapeutics, Inc.</b>         |                      |
| 246,875                     |             |     | Term Loan, 8.44%, Maturing March 31, 2010     | 248,109              |
| 234,375                     |             |     | Term Loan, 9.75%, Maturing May 31, 2010       | 234,375              |
|                             |             |     | <b>Vanguard Health Holding Co., LLC</b>       |                      |
| 740,658                     |             |     | Term Loan, 7.87%, Maturing September 23, 2011 | 744,515              |
|                             |             |     | <b>VWR International, Inc.</b>                |                      |
|                             | 1,446,747   | EUR | Term Loan, 5.87%, Maturing April 7, 2011      | 1,865,112            |
|                             |             |     |   | <b>\$ 14,627,096</b> |
| <b>Home Furnishings</b>     | <b>0.8%</b> |     |   |                      |
|                             |             |     | <b>Interline Brands, Inc.</b>                 |                      |
| 282,609                     |             |     | Term Loan, 7.26%, Maturing June 23, 2013      | 283,668              |
| 217,391                     |             |     | Term Loan, 7.26%, Maturing June 23, 2013      | 218,207              |
|                             |             |     | <b>Oreck Corp.</b>                            |                      |
| 455,274                     |             |     | Term Loan, 8.25%, Maturing February 2, 2012   | 456,128              |
|                             |             |     | <b>Sealy Mattress Co.</b>                     |                      |
| 821,593                     |             |     | Term Loan, 7.10%, Maturing April 6, 2012      | 823,005              |
|                             |             |     | <b>Simmons Co.</b>                            |                      |
| 832,637                     |             |     | Term Loan, 7.49%, Maturing December 19, 2011  | 836,280              |
|                             |             |     |   | <b>\$ 2,617,288</b>  |
| <b>Industrial Equipment</b> | <b>0.8%</b> |     |   |                      |
|                             |             |     | <b>Alliance Laundry Holdings, LLC</b>         |                      |
| 314,646                     |             |     | Term Loan, 7.60%, Maturing January 27, 2012   | 315,925              |
|                             |             |     | <b>Douglas Dynamics Holdings, Inc.</b>        |                      |
| 863,795                     |             |     | Term Loan, 7.25%, Maturing December 16, 2010  | 865,955              |
|                             |             |     | <b>Maxim Crane Works, L.P.</b>                |                      |
| 339,887                     |             |     | Term Loan, 7.44%, Maturing January 28, 2010   | 340,950              |
|                             |             |     | <b>MTD Products, Inc.</b>                     |                      |
| 1,234,257                   |             |     | Term Loan, 6.88%, Maturing June 1, 2010       | 1,243,514            |
|                             |             |     |   | <b>\$ 2,766,344</b>  |

|   |         |     |  |
|---|---------|-----|--|
| <b>Insurance 0.4%</b>                       |         |     |  |
|   |         |     | <b>ARG Holding, Inc.</b>                                 |
| \$  | 400,000 |     | Term Loan, 12.75%, Maturing November 30, 2012 \$ 406,000 |
|   |         |     | <b>CCC Information Services Group</b>                    |
| 225,000                                     |         |     | Term Loan, 8.00%, Maturing February 10, 2013 226,172     |
|   |         |     | <b>Conseco, Inc.</b>                                     |
| 798,222                                     |         |     | Term Loan, 7.12%, Maturing June 22, 2010 800,052         |
|   |         |     | <b>\$ 1,432,224</b>                                      |
| <b>Leisure Goods/Activities/Movies 2.3%</b> |         |     |  |
|   |         |     | <b>24 Hour Fitness Worldwide, Inc.</b>                   |
| 403,988                                     |         |     | Term Loan, 8.05%, Maturing June 8, 2012 406,512          |
|   |         |     | <b>AMC Entertainment, Inc.</b>                           |
| 572,125                                     |         |     | Term Loan, 7.53%, Maturing January 26, 2013 574,595      |
|   |         |     | <b>Bombardier Recreational Product</b>                   |
| 575,000                                     |         |     | Term Loan, 8.24%, Maturing June 28, 2013 574,641         |
|   |         |     | <b>Deluxe Entertainment Services</b>                     |
| 295,000                                     |         |     | Term Loan, 9.25%, Maturing January 28, 2011 305,694      |
|   |         |     | <b>Fender Musical Instruments Co.</b>                    |
| 250,000                                     |         |     | Term Loan, 11.12%, Maturing March 30, 2012 251,875       |
|   |         |     | <b>Metro-Goldwyn-Mayer Holdings, Inc.</b>                |
| 2,159,588                                   |         |     | Term Loan, 7.75%, Maturing April 8, 2012 2,165,775       |
|   |         |     | <b>Six Flags Theme Parks, Inc.</b>                       |
| 1,478,627                                   |         |     | Term Loan, 8.36%, Maturing June 30, 2009 1,492,754       |
|   |         |     | <b>Universal City Development Partners, Ltd.</b>         |
| 980,000                                     |         |     | Term Loan, 7.38%, Maturing June 9, 2011 981,532          |
|   |         |     | <b>WMG Acquisition Corp.</b>                             |
| 988,235                                     |         |     | Term Loan, 7.31%, Maturing February 28, 2011 991,657     |
|   |         |     | <b>\$ 7,745,035</b>                                      |
| <b>Lodging and Casinos 3.6%</b>             |         |     |  |
|   |         |     | <b>Alliance Gaming Corp.</b>                             |
| 991,640                                     |         |     | Term Loan, 9.33%, Maturing September 5, 2009 995,359     |
|   |         |     | <b>Columbia Entertainment</b>                            |
| 496,250                                     |         |     | Term Loan, 8.00%, Maturing October 24, 2011 499,041      |
|   |         |     | <b>Fairmont Hotels and Resorts, Inc.</b>                 |
| 400,000                                     |         |     | Term Loan, 8.61%, Maturing May 12, 2011 402,500          |
|   |         |     | <b>Gala Electric Casinos, Ltd.</b>                       |
|   | 875,000 | GBP | Term Loan, 7.26%, Maturing December 12, 2013 1,648,270   |
|   | 875,000 | GBP | Term Loan, 7.76%, Maturing December 12, 2014 1,654,536   |
|   |         |     | <b>Isle of Capri Casinos, Inc.</b>                       |
| 1,970,000                                   |         |     | Term Loan, 7.17%, Maturing February 4, 2011 1,971,724    |
|   |         |     | <b>Penn National Gaming, Inc.</b>                        |
| 1,404,388                                   |         |     | Term Loan, 7.13%, Maturing October 3, 2012 1,409,478     |
|   |         |     | <b>Pinnacle Entertainment, Inc.</b>                      |
| 225,000                                     |         |     | Term Loan, 0.00%, Maturing December 14, 2011 (2) 224,789 |
| 200,000                                     |         |     | Term Loan, 7.40%, Maturing December 14, 2011 200,656     |

|  |           |     |  |                      |
|--|-----------|-----|--|----------------------|
|  |           |     | <b>Resorts International Holdings, LLC</b>   |                      |
| \$                                     | 716,285   |     | Term Loan, 9.50%, Maturing April 26, 2012    | \$ 721,926           |
|  | 149,139   |     | Term Loan, 16.50%, Maturing April 26, 2013   | 155,322              |
|  |           |     | <b>Venetian Casino Resort, LLC</b>           |                      |
|  | 1,243,590 |     | Term Loan, 7.25%, Maturing June 15, 2011     | 1,243,687            |
|  | 256,410   |     | Term Loan, 7.25%, Maturing June 15, 2011     | 256,430              |
|  |           |     | <b>VML US Finance, LLC</b>                   |                      |
|  | 133,333   |     | Term Loan, 1.38%, Maturing May 25, 2012 (2)  | 133,167              |
|  | 266,667   |     | Term Loan, 8.20%, Maturing May 25, 2013      | 267,917              |
|  |           |     | <b>Wynn Las Vegas, LLC</b>                   |                      |
|  | 500,000   |     | Term Loan, 7.55%, Maturing December 14, 2011 | 500,938              |
|  |           |     |  | <b>\$ 12,285,740</b> |
| <b>Nonferrous Metals/Minerals 0.8%</b> |           |     |  |                      |
|  |           |     | <b>Almatis Holdings 5 BV</b>                 |                      |
|  | 250,000   | EUR | Term Loan, 5.74%, Maturing December 21, 2013 | 323,624              |
|  | 250,000   | EUR | Term Loan, 6.24%, Maturing December 21, 2014 | 324,820              |
|  |           |     | <b>International Mill Service, Inc.</b>      |                      |
|  | 496,250   |     | Term Loan, 8.25%, Maturing December 31, 2010 | 497,491              |
|  |           |     | <b>Murray Energy Corp.</b>                   |                      |
|  | 740,625   |     | Term Loan, 8.40%, Maturing January 28, 2010  | 748,031              |
|  |           |     | <b>Novelis, Inc.</b>                         |                      |
|  | 336,408   |     | Term Loan, 7.38%, Maturing January 7, 2012   | 338,721              |
|  | 584,288   |     | Term Loan, 7.38%, Maturing January 7, 2012   | 588,305              |
|  |           |     |  | <b>\$ 2,820,992</b>  |
| <b>Oil and Gas 2.8%</b>                |           |     |  |                      |
|  |           |     | <b>Coffeyville Resources, LLC</b>            |                      |
|  | 400,601   |     | Term Loan, 5.40%, Maturing June 24, 2011     | 402,980              |
|  | 594,915   |     | Term Loan, 7.94%, Maturing June 24, 2012     | 598,447              |
|  |           |     | <b>Concho Resources, Inc.</b>                |                      |
|  | 625,000   |     | Term Loan, 9.50%, Maturing July 6, 2011 (3)  | 622,063              |
|  |           |     | <b>Dresser Rand Group, Inc.</b>              |                      |
|  | 976,902   | EUR | Term Loan, 5.17%, Maturing October 29, 2011  | 1,256,023            |
|  |           |     | <b>Epco Holdings, Inc.</b>                   |                      |
|  | 990,000   |     | Term Loan, 7.40%, Maturing August 18, 2010   | 995,492              |
|  |           |     | <b>Key Energy Services, Inc.</b>             |                      |
|  | 497,500   |     | Term Loan, 8.90%, Maturing June 30, 2012     | 499,884              |
|  |           |     | <b>LB Pacific, L.P.</b>                      |                      |
|  | 711,000   |     | Term Loan, 7.95%, Maturing March 3, 2012     | 714,555              |
|  |           |     | <b>Lyondell-Citgo Refining, L.P.</b>         |                      |
|  | 1,960,000 |     | Term Loan, 7.50%, Maturing May 21, 2007      | 1,964,900            |

|                   |             |     |   |                     |
|-------------------|-------------|-----|---|---------------------|
|                   |             |     | <b>Niska Gas Storage</b>                      |                     |
| \$                | 50,909      |     | Term Loan, 0.00%, Maturing May 13, 2011 (2)   | \$ 50,909           |
|                   | 72,727      |     | Term Loan, 7.03%, Maturing May 13, 2011       | 72,727              |
|                   | 76,173      |     | Term Loan, 7.03%, Maturing May 13, 2011       | 76,173              |
|                   | 399,045     |     | Term Loan, 7.03%, Maturing May 12, 2013       | 399,045             |
|                   |             |     | <b>Petroleum Geo-Services ASA</b>             |                     |
|                   | 388,184     |     | Term Loan, 7.75%, Maturing December 16, 2012  | 390,610             |
|                   |             |     | <b>Primary Natural Resources, Inc.</b>        |                     |
|                   | 500,000     |     | Term Loan, 9.50%, Maturing July 28, 2010 (3)  | 499,050             |
|                   |             |     | <b>Targa Resources, Inc.</b>                  |                     |
|                   | 390,000     |     | Term Loan, 7.48%, Maturing October 31, 2007   | 390,569             |
|                   | 542,994     |     | Term Loan, 7.39%, Maturing October 31, 2012   | 544,593             |
|                   | 87,903      |     | Term Loan, 7.75%, Maturing October 31, 2012   | 88,162              |
|                   |             |     |   | <b>\$ 9,566,182</b> |
| <b>Publishing</b> | <b>4.3%</b> |     |   |                     |
|                   |             |     | <b>American Media Operations, Inc.</b>        |                     |
|                   | 1,000,000   |     | Term Loan, 8.12%, Maturing January 31, 2013   | 1,009,125           |
|                   |             |     | <b>CBD Media, LLC</b>                         |                     |
|                   | 803,922     |     | Term Loan, 7.87%, Maturing December 31, 2009  | 809,951             |
|                   |             |     | <b>Dex Media West, LLC</b>                    |                     |
|                   | 830,502     |     | Term Loan, 6.80%, Maturing March 9, 2010      | 826,774             |
|                   |             |     | <b>Gatehouse Media Operating, Inc.</b>        |                     |
|                   | 475,000     |     | Term Loan, 7.59%, Maturing June 6, 2013       | 474,555             |
|                   |             |     | <b>Hanley-Wood, LLC</b>                       |                     |
|                   | 51,738      |     | Term Loan, 7.46%, Maturing August 1, 2012     | 51,792              |
|                   | 433,161     |     | Term Loan, 7.52%, Maturing August 1, 2012     | 433,612             |
|                   |             |     | <b>Nebraska Book Co., Inc.</b>                |                     |
|                   | 740,530     |     | Term Loan, 7.61%, Maturing March 4, 2011      | 744,233             |
|                   |             |     | <b>Philadelphia Newspapers, LLC</b>           |                     |
|                   | 225,000     |     | Term Loan, 8.09%, Maturing June 29, 2013      | 225,844             |
|                   |             |     | <b>R.H. Donnelley Corp.</b>                   |                     |
|                   | 1,472,475   |     | Term Loan, 6.88%, Maturing June 30, 2011      | 1,463,043           |
|                   |             |     | <b>Seat Pagine Gialle Spa</b>                 |                     |
|                   | 1,744,216   | EUR | Term Loan, 5.35%, Maturing May 25, 2012       | 2,246,453           |
|                   |             |     | <b>SP Newsprint Co.</b>                       |                     |
|                   | 652,602     |     | Term Loan, 5.40%, Maturing January 9, 2010    | 655,049             |
|                   | 141,772     |     | Term Loan, 7.83%, Maturing January 9, 2010    | 142,304             |
|                   |             |     | <b>World Directories ACQI Corp.</b>           |                     |
|                   | 500,000     | EUR | Term Loan, 5.66%, Maturing November 29, 2012  | 645,874             |
|                   | 2,000,000   | EUR | Term Loan, 6.16%, Maturing November 29, 2013  | 2,589,875           |
|                   |             |     | <b>Xsys, Inc.</b>                             |                     |
|                   | 1,000,000   | EUR | Term Loan, 6.06%, Maturing September 27, 2014 | 1,303,268           |



|  |     |   |                      |
|--|-----|---|----------------------|
| <b>YBR Acquisition BV</b>                    |     |   |                      |
| 450,000                                      | EUR | Term Loan, 5.74%, Maturing June 30, 2013      | \$ 582,020           |
| 450,000                                      | EUR | Term Loan, 6.24%, Maturing June 30, 2014      | 584,341              |
|  |     |   | <b>\$ 14,788,113</b> |
| <b>Radio and Television 2.8%</b>             |     |   |                      |
| <b>Adams Outdoor Advertising, L.P.</b>       |     |   |                      |
| 463,784                                      |     | Term Loan, 7.27%, Maturing October 18, 2012   | 464,847              |
| <b>ALM Media Holdings, Inc.</b>              |     |   |                      |
| 489,989                                      |     | Term Loan, 8.00%, Maturing March 5, 2010      | 489,785              |
| <b>Block Communications, Inc.</b>            |     |   |                      |
| 273,625                                      |     | Term Loan, 7.50%, Maturing December 22, 2011  | 274,309              |
| <b>Cequel Communications, LLC</b>            |     |   |                      |
| 475,000                                      |     | Term Loan, 9.85%, Maturing May 5, 2014        | 460,750              |
| 850,000                                      |     | Term Loan, 11.35%, Maturing May 5, 2014       | 817,417              |
| <b>CMP KC, LLC</b>                           |     |   |                      |
| 500,000                                      |     | Term Loan, 9.31%, Maturing May 3, 2011        | 500,625              |
| <b>Nexstar Broadcasting, Inc.</b>            |     |   |                      |
| 391,093                                      |     | Term Loan, 7.25%, Maturing October 1, 2012    | 390,685              |
| 379,859                                      |     | Term Loan, 7.25%, Maturing October 1, 2012    | 379,463              |
| <b>P7S1 Holding II S.A.R.L.</b>              |     |   |                      |
| 1,000,000                                    | EUR | Term Loan, 6.84%, Maturing July 18, 2011      | 1,276,150            |
| <b>Paxson Communcations Corp.</b>            |     |   |                      |
| 850,000                                      |     | Term Loan, 8.76%, Maturing December 30, 2011  | 868,063              |
| <b>SFX Entertainment</b>                     |     |   |                      |
| 447,750                                      |     | Term Loan, 7.75%, Maturing June 21, 2013      | 448,217              |
| <b>TDF SA</b>                                |     |   |                      |
| 1,305,762                                    | EUR | Term Loan, 4.85%, Maturing March 11, 2013     | 1,682,492            |
| 305,762                                      | EUR | Term Loan, 5.85%, Maturing March 11, 2014     | 395,620              |
| 388,476                                      | EUR | Term Loan, 6.48%, Maturing March 11, 2015     | 503,965              |
| <b>Young Broadcasting, Inc.</b>              |     |   |                      |
| 247,500                                      |     | Term Loan, 7.73%, Maturing November 3, 2012   | 246,765              |
| 498,750                                      |     | Term Loan, 7.88%, Maturing November 3, 2012   | 497,269              |
|  |     |   | <b>\$ 9,696,422</b>  |
| <b>Rail Industries 0.1%</b>                  |     |   |                      |
| <b>Railamerica, Inc.</b>                     |     |   |                      |
| 470,851                                      |     | Term Loan, 7.25%, Maturing September 29, 2011 | 474,530              |
|  |     |   | <b>\$ 474,530</b>    |
| <b>Retailers (Except Food and Drug) 2.0%</b> |     |   |                      |
| <b>Alimentation Couche-Tard, Inc.</b>        |     |   |                      |
| 976,855                                      |     | Term Loan, 7.13%, Maturing December 17, 2010  | 982,757              |
| <b>American Achievement Corp.</b>            |     |   |                      |
| 432,631                                      |     | Term Loan, 7.95%, Maturing March 25, 2011     | 435,876              |
| <b>Coinmach Laundry Corp.</b>                |     |   |                      |
| 1,122,730                                    |     | Term Loan, 7.78%, Maturing December 19, 2012  | 1,132,086            |

|                                |   |                     |
|--------------------------------|---|---------------------|
|                                | <b>Josten s Corp.</b>                               |                     |
| \$ 849,035                     | Term Loan, 7.07%, Maturing October 4, 2010          | \$ 854,165          |
|                                | <b>Mapco Express, Inc.</b>                          |                     |
| 448,541                        | Term Loan, 8.20%, Maturing April 28, 2011           | 451,064             |
|                                | <b>Mauser Werke GMBH &amp; Co. KG</b>               |                     |
| 375,000                        | Term Loan, 8.25%, Maturing December 3, 2011         | 377,344             |
|                                | <b>Movie Gallery, Inc.</b>                          |                     |
| 230,773                        | Term Loan, 10.75%, Maturing April 27, 2011          | 225,382             |
|                                | <b>Neiman Marcus Group, Inc.</b>                    |                     |
| 237,342                        | Term Loan, 7.77%, Maturing April 5, 2013            | 239,547             |
|                                | <b>Savers, Inc.</b>                                 |                     |
| 882,355                        | Term Loan, 8.60%, Maturing August 4, 2009           | 884,561             |
|                                | <b>Sears Canada, Inc.</b>                           |                     |
| 299,250                        | Term Loan, 7.25%, Maturing December 22, 2012        | 299,811             |
|                                | <b>Stewert Enterprises, Inc.</b>                    |                     |
| 377,893                        | Term Loan, 6.86%, Maturing November 19, 2011        | 378,838             |
|                                | <b>Travelcenters of America, Inc.</b>               |                     |
| 746,250                        | Term Loan, 7.02%, Maturing November 30, 2008        | 746,903             |
|                                |   | <b>\$ 7,008,334</b> |
| <b>Steel 0.1%</b>              |   |                     |
|                                | <b>Gibraltar Industries, Inc.</b>                   |                     |
| 163,043                        | Term Loan, 7.19%, Maturing December 8, 2010         | 163,043             |
|                                |   | <b>\$ 163,043</b>   |
| <b>Surface Transport 0.2%</b>  |   |                     |
|                                | <b>Sirva Worldwide, Inc.</b>                        |                     |
| 360,424                        | Term Loan, 9.97%, Maturing December 1, 2010         | 349,161             |
|                                | <b>Vanguard Car Rental USA</b>                      |                     |
| 475,000                        | Term Loan, 8.32%, Maturing June 14, 2013            | 477,078             |
|                                |   | <b>\$ 826,239</b>   |
| <b>Telecommunications 2.8%</b> |   |                     |
|                                | <b>Alaska Communications Systems Holdings, Inc.</b> |                     |
| 500,000                        | Term Loan, 7.25%, Maturing February 1, 2011         | 500,000             |
|                                | <b>Cellular South, Inc.</b>                         |                     |
| 992,405                        | Term Loan, 7.25%, Maturing May 4, 2011              | 994,886             |
|                                | <b>Centennial Cellular Operating Co., LLC</b>       |                     |
| 692,695                        | Term Loan, 7.68%, Maturing February 9, 2011         | 695,973             |
|                                | <b>Consolidated Communications, Inc.</b>            |                     |
| 1,000,000                      | Term Loan, 7.44%, Maturing October 14, 2011         | 996,875             |
|                                | <b>Fairpoint Communications, Inc.</b>               |                     |
| 1,000,000                      | Term Loan, 7.25%, Maturing February 8, 2012         | 995,625             |
|                                | <b>Hawaiian Telecom Communications, Inc.</b>        |                     |
| 498,889                        | Term Loan, 7.75%, Maturing October 31, 2012         | 501,740             |
|                                | <b>Madison River Capital, LLC</b>                   |                     |
| 1,000,000                      | Term Loan, 7.73%, Maturing July 31, 2012            | 1,001,875           |

|  |   |                       |
|--|---|-----------------------|
|  | <b>NTelos, Inc.</b>                           |                       |
| \$ 492,506                                   | Term Loan, 7.65%, Maturing August 24, 2011    | \$ 492,382            |
|  | <b>Qwest Corp.</b>                            |                       |
| 800,000                                      | Term Loan, 11.00%, Maturing June 4, 2007      | 814,300               |
|  | <b>Stratos Global Corp.</b>                   |                       |
| 325,000                                      | Term Loan, 8.25%, Maturing February 13, 2012  | 326,083               |
|  | <b>Syniverse Holdings, Inc.</b>               |                       |
| 369,634                                      | Term Loan, 7.25%, Maturing February 15, 2012  | 369,634               |
|  | <b>Triton PCS, Inc.</b>                       |                       |
| 740,602                                      | Term Loan, 8.65%, Maturing November 18, 2009  | 746,897               |
|  | <b>Windstream Corp.</b>                       |                       |
| 1,200,000                                    | Term Loan, 7.26%, Maturing July 17, 2013      | 1,205,357             |
|  |   | <b>\$ 9,641,627</b>   |
| <b>Utilities 1.6%</b>                        |   |                       |
|  | <b>Astoria Generating Co.</b>                 |                       |
| 375,000                                      | Term Loan, 9.20%, Maturing August 23, 2013    | 380,484               |
|  | <b>Cogentrix Delaware Holdings, Inc.</b>      |                       |
| 672,383                                      | Term Loan, 7.00%, Maturing April 14, 2012     | 673,924               |
|  | <b>Covanta Energy Corp.</b>                   |                       |
| 234,146                                      | Term Loan, 5.46%, Maturing May 27, 2013       | 235,463               |
| 167,790                                      | Term Loan, 7.70%, Maturing May 27, 2013       | 168,733               |
| 162,500                                      | Term Loan, 10.96%, Maturing June 24, 2013     | 166,156               |
|  | <b>KGen, LLC</b>                              |                       |
| 187,625                                      | Term Loan, 8.12%, Maturing August 5, 2011     | 185,749               |
|  | <b>La Paloma Generating Co., LLC</b>          |                       |
| 65,152                                       | Term Loan, 7.15%, Maturing August 16, 2012    | 64,582                |
| 382,701                                      | Term Loan, 7.25%, Maturing August 16, 2012    | 379,352               |
| 30,025                                       | Term Loan, 7.25%, Maturing August 16, 2012    | 29,762                |
|  | <b>LSP General Finance Co., LLC</b>           |                       |
| 12,121                                       | Term Loan, 0.00%, Maturing April 14, 2013 (2) | 12,091                |
| 287,879                                      | Term Loan, 7.25%, Maturing April 14, 2013     | 287,159               |
|  | <b>NRG Energy, Inc.</b>                       |                       |
| 1,471,313                                    | Term Loan, 7.23%, Maturing February 1, 2013   | 1,477,212             |
| 575,000                                      | Term Loan, 7.50%, Maturing February 1, 2013   | 576,761               |
|  | <b>Pike Electric, Inc.</b>                    |                       |
| 448,530                                      | Term Loan, 6.88%, Maturing July 1, 2012       | 448,670               |
|  | <b>Plains Resources, Inc.</b>                 |                       |
| 480,744                                      | Term Loan, 6.69%, Maturing August 12, 2011    | 481,345               |
|  | <b>Reliant Energy, Inc.</b>                   |                       |
| 90,147                                       | Term Loan, 7.78%, Maturing December 22, 2010  | 90,260                |
|  |   | <b>\$ 5,657,703</b>   |
| <b>Total Senior, Floating Rate Interests</b> |   |                       |
| <b>(identified cost \$248,057,165)</b>       |   | <b>\$ 250,650,205</b> |

**Mortgage Pass-Throughs 55.2%**

| Principal Amount<br>(000 s omitted) | Security   | Value                |
|-------------------------------------|--|----------------------|
|                                     | <b>Federal Home Loan Mortgage Corp.:</b>   |                      |
| \$ 3,607                            | 6.15%, with maturity at 2027 (4)   | \$ 3,646,679         |
| 10,859                              | 7.00%, with maturity at 2013 (4)   | 11,094,511           |
| 7,014                               | 7.50%, with maturity at 2024 (4)   | 7,429,430            |
| 20,379                              | 8.00%, with various maturities to 2031 (4)   | 21,677,817           |
| 11,068                              | 8.50%, with various maturities to 2031 (4)   | 12,033,150           |
| 1,243                               | 9.00%, with maturity at 2031   | 1,369,128            |
| 1,243                               | 9.50%, with various maturities to 2022   | 1,376,115            |
| 2,909                               | 11.50%, with maturity at 2019 (4)  | 3,247,149            |
|                                     |  | <b>\$ 61,873,979</b> |
|                                     | <b>Federal National Mortgage Association:</b>                                      |                      |
| 5,159                               | 6.321%, with maturity at 2032  | 5,311,937            |
| 18,918                              | 6.50%, with various maturities to 2028 (4)   | 19,234,094           |
| 2,795                               | 7.00%, with maturity at 2014   | 2,854,834            |
| 6,379                               | 7.50%, with various maturities to 2028 (4)   | 6,680,481            |
| 7,720                               | 8.00%, with various maturities to 2029 (4)   | 8,216,896            |
| 1,786                               | 8.50%, with maturity at 2027   | 1,930,185            |
| 1,629                               | 9.00%, with various maturities to 2028   | 1,785,265            |
| 10,229                              | 9.50%, with various maturities to 2031 (4)   | 11,355,797           |
| 4,290                               | 10.00%, with various maturities to 2031  | 4,781,873            |
|                                     |  | <b>\$ 62,151,362</b> |
|                                     | <b>Government National Mortgage Association:</b>                                   |                      |
| 8,399                               | 7.50%, with maturity at 2022 (4)   | 8,897,659            |
| 11,069                              | 8.00%, with various maturities to 2027 (4)   | 11,860,429           |
| 5,628                               | 9.00%, with maturity at 2026 (4)   | 6,215,044            |
| 1,111                               | 9.50%, with maturity at 2025   | 1,237,311            |
| 1,585                               | 11.00%, with maturity at 2018  | 1,773,588            |
|                                     |  | <b>\$ 29,984,031</b> |
|                                     | <b>Collateralized Mortgage Obligations:</b>  |                      |
| 4,412                               | Federal Home Loan Mortgage Corp., Series 2137, Class Z, 6.00%,<br>3/15/29 (4)      | 4,456,451            |
| 5,194                               | Federal Home Loan Mortgage Corp., Series 2167, Class BZ, 7.00%,<br>6/15/29 (4)     | 5,369,984            |
| 1,175                               | Federal Home Loan Mortgage Corp., Series 2214, Class NC, 11.052%,<br>8/15/21       | 1,291,536            |
| 7,027                               | Federal Home Loan Mortgage Corp., Series S 2182, Class ZB, 8.00%,<br>9/15/29 (4)   | 7,394,009            |
| 390                                 | Federal National Mortgage Association, Series 1989-89, Class H,<br>9.00%, 11/25/19 | 423,993              |
| 963                                 | Federal National Mortgage Association, Series 1991-122, Class N,<br>7.50%, 9/25/21 | 1,001,938            |
| 18                                  |  |                      |

|  |       |  |    |                       |
|--|-------|--|----|-----------------------|
| \$                                     | 7,223 | Federal National Mortgage Association, Series 1993-84, Class M, 7.50%, 6/25/23 (4) | \$ | 7,618,240             |
| 2,301                                  |       | Federal National Mortgage Association, Series 1997-28, Class ZA, 7.50%, 4/20/27    |    | 2,405,224             |
| 2,159                                  |       | Federal National Mortgage Association, Series 1997-38, Class N, 8.00%, 5/20/27     |    | 2,281,960             |
| 3,851                                  |       | Federal National Mortgage Association, Series G-33, Class PT, 7.00%, 10/25/21 (4)  |    | 3,967,403             |
|  |       |  | \$ | <b>36,210,738</b>     |
| <b>Total Mortgage Pass-Throughs</b>    |       |  |    |                       |
| <b>(identified cost \$192,815,616)</b> |       |  |    | <b>\$ 190,220,110</b> |

**Corporate Bonds & Notes 1.5%**

| Principal Amount<br>(000 s omitted)        |     | Security  |    | Value               |
|--|-----|---|----|---------------------|
| <b>Cable and Satellite Television 0.7%</b> |     |   |    |                     |
|  |     | <b>Iesy Hessen &amp; ISH NRW, Variable Rate</b> |    |                     |
| 2,000                                      | EUR | 6.021%, 4/15/13 (5)                             | \$ | 2,494,873           |
|  |     |   | \$ | <b>2,494,873</b>    |
| <b>Financial Intermediaries 0.1%</b>       |     |   |    |                     |
|  |     | <b>Centurion CDO 9 Ltd., Series 2005-9A</b>     |    |                     |
| 500  |     | 9.35%, 7/17/19                                  |    | 515,095             |
|  |     |   | \$ | <b>515,095</b>      |
| <b>Index Linked Notes 0.6%</b>             |     |   |    |                     |
|  |     | <b>JP Morgan Chilean Inflation Linked Note</b>  |    |                     |
| 2,000                                      |     | 7.433%, 11/17/15                                |    | 2,011,600           |
|  |     |   | \$ | <b>2,011,600</b>    |
| <b>Telecommunications 0.1%</b>             |     |   |    |                     |
|  |     | <b>Qwest Corp., Sr. Notes, Variable Rate</b>    |    |                     |
| 200  |     | 8.579%, 6/15/13 (5)                             |    | 215,000             |
|  |     |   | \$ | <b>215,000</b>      |
| <b>Total Corporate Bonds &amp; Notes</b>   |     |   |    |                     |
| <b>(identified cost \$5,152,301)</b>       |     |   |    | <b>\$ 5,236,568</b> |

**Sovereign Issues 6.5%**

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| Principal Amount<br>(000 s omitted)                                    |     | Security                               | Value                |
|--|-----|--|----------------------|
|  |     | <b>Egyptian Treasury Bill</b>          |                      |
| 8,275  | EGP | 0.00%, 8/1/06                          | \$ 1,440,696         |
| 8,000  | EGP | 0.00%, 9/5/06                          | 1,381,620            |
| 8,400  | EGP | 0.00%, 10/10/06                        | 1,438,716            |
| 8,000  | EGP | 0.00%, 12/5/06                         | 1,352,211            |
| 7,590  | EGP | 0.00%, 2/27/07                         | 1,257,948            |
|  |     | <b>Federal Republic of Brazil</b>      |                      |
| 4,204  | BRL | 12.50%, 1/5/16                         | 1,943,526            |
|  |     | <b>Indonesia Government</b>            |                      |
| 30,000,000   | IDR | 11.00%, 12/15/12                       | 3,171,504            |
|  |     | <b>Indonesia Recapitalization Bond</b> |                      |
| 35,000,000   | IDR | 12.25%, 7/15/07                        | 3,882,708            |
|  |     | <b>Republic of Colombia</b>            |                      |
| 14,760,000   | COP | 11.75%, 3/1/10                         | 6,554,053            |
|  |     |  | <b>\$ 22,422,982</b> |
| <b>Total Sovereign Issues</b><br><b>(identified cost \$22,587,229)</b> |     |  | <b>\$ 22,422,982</b> |

**Short-Term Investments 1.7%**

| Principal Amount   | Maturity Date | Borrower  | Rate | Amount                   |
|--|---------------|---|------|--------------------------|
| \$ 1,817,000   | 08/01/06      | General Electric Capital Corp. Commercial Paper | 5.30 | % \$ 1,817,000           |
| 3,870,000  | 08/01/06      | Investors Bank and Trust Company Time Deposit   | 5.31 | % 3,870,000              |
| <b>Total Short-Term Investments</b><br><b>(at amortized cost, \$5,687,000)</b> |               |   |      | <b>\$ 5,687,000</b>      |
| <b>Gross Investments 137.6%</b><br><b>(identified cost \$474,299,312)</b>      |               |   |      | <b>\$ 474,216,865</b>    |
| <b>Less Unfunded Loan Commitments (0.2)%</b>                                   |               |   |      | <b>\$ (653,650 )</b>     |
| <b>Net Investments 137.4%</b><br><b>(identified cost \$473,645,662)</b>        |               |   |      | <b>\$ 473,563,215</b>    |
| <b>Other Assets, Less Liabilities (37.4)%</b>                                  |               |   |      | <b>\$ (128,972,773 )</b> |
| <b>Net Assets 100.0%</b>   |               |   |      | <b>\$ 344,590,442</b>    |

BRL Brazilian Real  
COP Colombian Peso

20

EGP Egyptian Pound  
 EUR Euro  
 GBP British Pound  
 IDR Indonesian Rupiah

- (1) Senior floating-rate interests often require prepayments from excess cash flows or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior floating-rate interests will have an expected average life of approximately two to three years. The stated interest rate represents the weighted average interest rate of all contracts within the senior loan facility. Senior Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London-Interbank Offered Rate ( LIBOR ), and secondarily the prime rate offered by one or more major United States banks (the Prime Rate ) and the certificate of deposit ( CD ) rate or other base lending rates used by commercial lenders.
- (2) Unfunded loan commitments. The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrower's discretion.
- (3) Security valued at fair value using methods determined in good faith by or at the direction of the Trustees.
- (4) All or a portion of these securities were on loan at July 31, 2006.
- (5) Adjustable rate securities. Rates shown are the rates at period end.

A summary of financial instruments at July 31, 2006 is as follows:

**Futures Contracts**

| Expiration Date | Contracts             | Position | Aggregate Cost   | Value            | Net Unrealized Depreciation |
|-----------------|-----------------------|----------|------------------|------------------|-----------------------------|
| 09/06           | 21 Japan 10 Year Bond | Short    | \$ (24,214,183 ) | \$ (24,219,688 ) | \$ (5,505 )                 |

Description of the underlying instruments to futures contracts: Japanese Government Bonds (JGB) having a maturity of 7 years or more but less than 11 years.



**Forward Foreign Currency Exchange Contracts**

**Sales**

| <b>Settlement Date(s)</b> | <b>Deliver</b>                   | <b>In Exchange For</b>             | <b>Net Unrealized Appreciation (Depreciation)</b> |
|---------------------------|----------------------------------|------------------------------------|---|
| 8/02/06                   | Brazilian Real<br>5,300,000      | United States Dollar<br>2,424,520  | \$ (12,822 )                                      |
| 8/08/06                   | Canadian Dollar<br>4,000,000     | United States Dollar<br>3,496,504  | (43,314 )   |
| 8/29/06                   | Euro<br>50,256,015               | United States Dollar<br>63,623,222 | (623,940 )  |
| 8/29/06                   | Great British Pound<br>4,090,483 | United States Dollar<br>7,576,270  | (65,252 )   |
| 8/09/06                   | Japanese Yen<br>249,600,000      | United States Dollar<br>2,154,296  | (28,984 )   |
| 8/01/06                   | Turkish Lira<br>8,124,500        | United States Dollar<br>5,452,685  | 21,869  |
| 8/07/06                   | South African Rand<br>12,000,000 | United States Dollar<br>1,740,449  | 10,319  |
|                           |                                  |                                    | <b>\$ (742,124 )</b>                              |

**Purchases**

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| Settlement Date(s) | Acquire                             | In Exchange For                    | Net Unrealized Appreciation (Depreciation) |
|--------------------|-------------------------------------|------------------------------------|--|
| 8/02/06            | Brazilian Real<br>5,300,000         | United States Dollar<br>2,382,986  | \$ 54,356                                  |
| 9/05/06            | Brazilian Real<br>5,300,000         | United States Dollar<br>2,405,155  | 12,177                                     |
| 8/14/06            | Chilean Peso<br>1,800,000,000       | United States Dollar<br>3,339,208  | (3,776 )                                   |
| 8/07/06            | Indonesian Rupiah<br>32,000,000,000 | United States Dollar<br>3,490,401  | 34,341                                     |
| 8/04/06            | Icelandic Krona<br>211,144,000      | Euro<br>2,248,365                  | 29,637                                     |
| 8/11/06            | Icelandic Krona<br>545,174,800      | Euro<br>5,924,847                  | (89,150 )                                  |
| 8/07/06            | Japanese Yen<br>201,000,000         | United States Dollar<br>1,753,927  | 3,754                                      |
| 8/07/06            | Korean Won<br>10,280,000,000        | United States Dollar<br>10,811,152 | (53,148 )                                  |
| 8/28/06            | Kazakhstan Tenge<br>35,700,000      | United States Dollar<br>302,542    | (528 )                                     |
| 8/14/06            | Mexican Peso<br>38,328,000          | United States Dollar<br>3,484,364  | 29,168                                     |
| 8/07/06            | Malaysian Ringgit<br>21,495,000     | United States Dollar<br>5,843,414  | 35,099                                     |

22

|          |                                 |                                   |                   |
|----------|---------------------------------|-----------------------------------|-------------------|
| 8/22/06  | Malaysian Ringgit<br>26,000,000 | United States Dollar<br>7,077,141 | 39,037            |
| 8/25/06  | Malaysian Ringgit<br>13,000,000 | United States Dollar<br>3,532,033 | 26,619            |
| 8/04/06  | Philippines Peso<br>180,000,000 | United States Dollar<br>3,430,663 | 66,253            |
| 8/22/06  | Philippines Peso<br>185,000,000 | United States Dollar<br>3,527,303 | 64,273            |
| 8/18/06  | Romanian Leu<br>5,100,000       | Euro<br>1,417,415                 | 22,989            |
| 10/27/06 | Romanian Leu<br>28,500,000      | Euro<br>7,730,849                 | 265,381           |
| 8/01/06  | Turkish Lira<br>8,124,500       | United States Dollar<br>5,450,855 | (20,040 )         |
| 8/15/06  | Turkish Lira<br>8,124,500       | United States Dollar<br>5,427,188 | (21,941 )         |
|          |                                 |                                   | <b>\$ 494,501</b> |

At July 31, 2006, the Fund had sufficient cash and/or securities to cover potential obligations arising from open futures and forward foreign currency exchange contracts, as well as margin requirements on open futures contracts.

The Portfolio has entered into an interest rate swap with JPMorgan Chase Bank N.A. whereby the Portfolio makes a payment every 28 days at a rate equal to the MXN-TIIE-BANXICO on the notional amount of \$39,000,000 MXN. In exchange, the Portfolio receives payments every 28 days at a fixed rate equal to 9.870% on the same notional amount. The value of the contract, which terminates on May 26, 2016, is recorded as a receivable for open swap contracts of \$173,468, at July 31, 2006.

#### Credit Default Swaps

The Fund has entered into credit default swaps whereby the Fund is buying exposure to an increase in credit spreads for the underlying instrument. The maximum payouts are limited to the notional amount of each swap.

| Notional Amount | Expiration Date | Description  | Net Unrealized Depreciation |
|-----------------|-----------------|--|-----------------------------|
| 10,000,000 USD  | 3/20/2010       | Agreement with Credit Suisse First Boston dated 3/05/2005 whereby the Fund will pay 2.01% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Turkish sovereign issues, Credit Suisse First Boston agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by Turkey to Credit Suisse First Boston. | \$ (57,779 )                |

|                  |           |  |                     |
|------------------|-----------|--|---------------------|
| 5,000,000<br>USD | 9/20/2011 | Agreement with Credit Suisse First Boston dated 7/21/2006 whereby the Fund will pay 2.15% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Philippine sovereign issues, Credit Suisse First Boston agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by the Philippines to Credit Suisse First Boston. | \$(62,870 )         |
| 10,000,000 USD   | 3/20/2010 | Agreement with JP Morgan Chase Bank dated 3/05/2005 whereby the Fund will pay 2.00% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Turkish sovereign issues, JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by Turkey to JP Morgan Chase Bank.                               | \$(54,579 )         |
| 10,000,000 USD   | 9/20/2011 | Agreement with JP Morgan Chase Bank dated 7/21/2006 whereby the Fund will pay 2.09% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Indonesian sovereign issues, JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by Indonesia to JP Morgan Chase Bank.                         | \$(127,656 )        |
| 5,000,000 USD    | 9/20/2011 | Agreement with JP Morgan Chase Bank dated 7/21/2006 whereby the Fund will pay 2.17% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Philippine sovereign issues, JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by the Philippines to JP Morgan Chase Bank.                   | \$(67,213 )         |
|                  |           |  | <b>\$(370,097 )</b> |

The cost and unrealized appreciation (depreciation) in value of the investments owned by the Fund at July 31, 2006, as computed on a federal income tax basis, were as follows:

|                                    |           |                    |          |
|------------------------------------|-----------|--------------------|----------|
| <b>Aggregate cost</b>              | <b>\$</b> | <b>474,705,231</b> |          |
| Gross unrealized appreciation      | \$        | 4,326,856          |          |
| Gross unrealized depreciation      |           | (5,468,872         | )        |
| <b>Net unrealized depreciation</b> | <b>\$</b> | <b>(1,142,016</b>  | <b>)</b> |

The unrealized depreciation on foreign currency, swaps, futures and forward contracts at July 31, 2006 on a federal income tax basis was \$467,380.

25

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**Item 2. Controls and Procedures**

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant on this Form N-Q has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant on this Form N-Q has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the fiscal quarter for which the report is being filed that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eaton Vance Short Duration Diversified Income Fund

By: /s/ Thomas E. Faust Jr.  
Thomas E. Faust Jr.  
President and Principal Executive Officer  
Date: September 22, 2006

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

By: /s/ Thomas E. Faust Jr.  
Thomas E. Faust Jr.  
President and Principal Executive Officer  
Date: September 22, 2006  
By: /s/ Barbara E. Campbell  
Barbara E. Campbell  
Treasurer and Principal Financial Officer  
Date: September 22, 2006

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