

RIVUS BOND FUND SHAREHOLDER LETTER

April 11, 2011

DEAR SHAREHOLDERS:

Over the past six months the markets have primarily focused on and responded to improving economic data in the U.S. and overseas and largely ignored the series of crises including concerns over sovereign indebtedness in peripheral Europe, dramatic political changes in the Middle East, rising oil prices, and more recently, the tragic earthquake and tsunami in Japan. Clearly the focus has been on basic economic data such as improvement in consumer spending, positive Institute for Supply Management (ISM) Survey numbers for both Manufacturing and Non-Manufacturing and the declining unemployment rate that seem to indicate that growth is likely to be sustained in the U.S. and that last year's concerns over a possible "double-dip" recession are not likely to resurface in the immediate future.

With a positive outlook for growth in 2011 and the substantial liquidity provided by the Federal Reserve through its Quantitative Easing program, investors continued allocating capital to riskier assets despite periodic bouts of volatility. This risk appetite is reflected in the S&P 500 index that rose over 16 percent and high yield bonds that returned over 7 percent in the six-month period ended March 31, 2011. At the other end of the risk spectrum, US Treasuries declined 2.79 percent due to a rise in rates. The ten-year Treasury increased 96 basis points from 2.51 percent at the end of September to 3.47 percent at the end of the March quarter. Fundamentals for corporate bonds remain firm as default rates continue to fall given the improving economy and substantially stronger liquidity in the bond and loan markets enabling companies to refinance maturing debt at attractive rates. Moody's is forecasting that the global speculative grade default rate will continue to decline from 2.6 percent at March 2011 to 1.6 percent in March 2012.

Fourth quarter Gross Domestic Product (GDP) growth rate increased to 3.1 percent from 2.6 percent in the third quarter with strong contributions from consumer spending and net exports. Budget pressures at State and Local governments were a drag on economic growth and will likely continue being a drag in the near term. Expectations for the full year 2011 GDP growth are forecast to improve modestly at around 3.00 percent. This forecast is down from earlier expectations reflecting the continuing high debt burden, a weak housing market, and elevated unemployment levels. The recent increase in oil prices has also raised concerns about a decline in consumer spending in the U.S. as well as slower global growth. These significant headwinds notwithstanding, we continue to believe in a "checkmark" shaped recovery, as has been our expectation for a few quarters. Concerns over the substantial increase in the U.S. federal deficit, the potential for increased inflation and resolution of the deficit over the longer term remain and this could contribute to future periods of market volatility.

The merger of the Hartford Income Shares Fund (HSF) with the Rivus Bond Fund (BDF) closed on October 22, 2010. As a result of the merger, the number of securities held by the Fund increased substantially as shown in the attached holdings report. We intend to continue the consolidation of positions and reduce the number of securities over time, while maintaining our risk and diversification discipline.

As of March 31, 2011, the Fund had an NAV of \$20.01 per share. This represents a 1.1 percent decrease from \$20.23 per share at September 30, 2010. On March 31, 2011, the Fund's closing price on the New York Stock Exchange was \$18.03 per share, representing a 9.90 percent discount to NAV per share, compared with an 8.35 percent discount as of September 30, 2010. The market trading discount remains at 9.82 percent as of market close on April 11, 2011.

One of the primary objectives of the Fund is to maintain its high level of income. On March 9, 2011 the Board of Directors declared a dividend of \$0.2875 per share payable May 3, 2011 to shareholders of record on April 6, 2011. The dividend was unchanged from the prior quarter and has been for the last 24 quarters. On an annualized basis,

including the pending dividend, the Fund has paid a total of \$1.15 per share in dividends, representing a 6.46 percent dividend yield based on the market price on April 11, 2011 of \$17.86 per share. The dividend is evaluated on a quarterly basis and is based on the income generation capability of the portfolio.

Another primary objective of the Fund is to deliver a competitive total return. The table below compares the performance of the Fund to the Barclays Investment Grade Credit Index benchmark and the Fund's Peer average:

**Total Return-Percentage Change (Annualized for periods longer than 1 year)
In Net Asset Value Per Share with All Distributions Reinvested¹**

	6 Months to 03/31/11	1 Year to 03/31/11	3 Years to 03/31/11	5 Years to 03/31/11	10 Years to 03/31/11
Rivus Bond Fund	2.07%	11.64%	9.03%	7.28%	5.97% ²
Barclays Investment Grade Credit Index ³	-0.99%	7.01%	7.02%	6.42%	6.20%
Peer Group Average ⁴	2.12%	9.94%	8.68%	6.80%	6.32%

1 – This is historical information and should not be construed as indicative of any likely future performance

2 – Source: Lipper Inc.

3 – Comprised primarily of US investment grade corporate bonds (Fund's Benchmark)

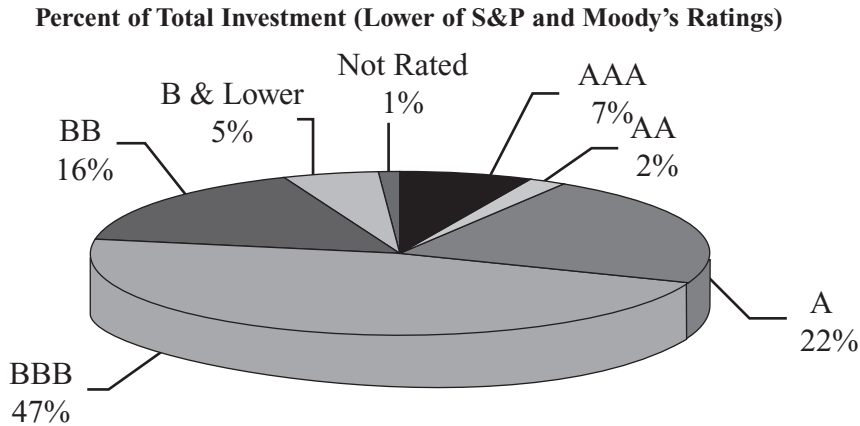
4 – Consists of a group of funds against which the Fund has historically compared itself

The Fund's performance for the 3-year, 5-year and 10-year historical periods shown was reduced by the 4.79 percent dilution of net asset value resulting from the rights offering during the September 2009 quarter. In addition to the impact from the September 2009 rights offering, the 10-year's performance was also reduced by the impact of the 4.5 percent dilution of net asset value resulting from the rights offering during the December 2003 quarter. Adjusting for the impact of both rights offerings, we estimate the return for the three year annualized return to be 10.78 percent, 5-year annualized return to be 8.33 percent, and 10-year annualized return to be 6.75 percent. The returns noted in the table above are actual returns as calculated by Lipper and BNY Mellon and do not adjust for dilution from the rights offerings.

The Fund continued to enjoy strong unlevered returns during the period relative to both the benchmark and peers. The drag on returns from higher rates over the 6-month period was offset by spread contraction in most sectors owned by the Fund. The Fund's high yield exposure also delivered strong gains helping the overall performance. The returns look strong across the time periods, particularly after adjusting for the dilutive effect of both sets of rights offerings noted above.

The Fund's performance will continue to be subject to the impact of trends in longer-term interest rates and trends in relative yield spreads on corporate bonds due to the concentration of the Fund's investments in such bonds.

Consistent with our investment discipline, we continue to emphasize diversity and risk management within the bounds of income stability. The pie chart below summarizes the portfolio quality of the Fund's long-term invested assets as of March 31, 2011:



Please refer to the Schedule of Investments in the financial statements for details concerning portfolio holdings.

We would like to remind shareholders of the opportunities presented by the Fund's dividend reinvestment plan as detailed in the Fund's prospectus and referred to in the Shareholder Information section of this report. The dividend reinvestment plan affords shareholders a price advantage by allowing the purchase of shares at the lower of NAV or market price. This means that the reinvestment is at market price when the Fund is trading at a discount to Net Asset Value, as is currently the situation, or at Net Asset Value per share when market trading is at a premium to that value. To participate in the plan, please contact BNY Mellon, the Fund's Transfer Agent and Dividend Paying Agent, at 1-800-331-1710. The Fund's investment adviser, Cutwater Investor Services Corp., may be reached at 866-766-3030.

Sincerely,

Clifford D. Corso
President

Mr. Corso's comments reflect the investment adviser's views generally regarding the market and the economy and are compiled from the investment adviser's research. These comments reflect opinions as of the date written and are subject to change at any time.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF THE RIVUS BOND FUND**

We have audited the accompanying statement of assets and liabilities of Rivus Bond Fund, including the schedule of investments, as of March 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2011 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Rivus Bond Fund as of March 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
May 3, 2011**

SCHEDULE OF INVESTMENTS

March 31, 2011

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
CORPORATE DEBT SECURITIES (84.22%)			
AUTOMOTIVE (1.45%)			
Ford Holdings, Inc., Co. Gty., 9.30%, 03/01/30	Ba3/B+	\$ 1,000	\$ 1,178,171
Ford Motor Co., Sr. Unsec. Notes, 8.90%, 01/15/32	Ba3/B+	500	569,099
Ford Motor Credit Co. LLC, Sr. Unsec. Notes, 7.00%, 10/01/13	Ba2/BB-	1,000	1,079,468
Goodyear Tire & Rubber Co., Sr. Unsec. Notes, 10.50%, 05/15/16 ^(c)	B1/B+	250	280,000
			3,106,738
CHEMICALS (2.34%)			
Braskem Finance, Ltd., Co Gty., 7.00%, 05/07/20, 144A	Baa3/BBB-	500	542,500
Dow Chemical Co., Sr. Unsec. Notes, 8.55%, 05/15/19	Baa3/BBB-	500	632,022
Grupo Petrotemex SA de CV, Sr. Unsec. Notes, 9.50%, 08/19/14, 144A	NA/BB	500	555,000
Incitec Pivot Finance LLC, Co. Gty., 6.00%, 12/10/19, 144A	Baa3/BBB	405	424,371
Olin Corp., Sr. Unsec. Notes, 9.125%, 12/15/11	Ba1/B	66	67,964
Sinochem Overseas Capital Co., Ltd., Co. Gty., 4.50%, 11/12/20, 144A	Baa1/BBB+	500	473,636
Union Carbide Corp., Sr. Unsec. Notes, 7.75%, 10/01/96	Baa3/BBB-	2,000	2,061,576
Westlake Chemicals, Co. Gty., 6.625%, 01/15/16 ^(c)	Ba2/BBB-	250	257,500
			5,014,569
DIVERSIFIED FINANCIAL SERVICES (15.49%)			
Akbank TAS, Sr. Unsec. Notes, 6.50%, 03/09/18, 144A	Ba1/NR	1,500	1,526,250
Ally Financial, Inc., Co. Gty., 7.50%, 09/15/20, 144A	B1/B	315	335,868
American Express Co., Sr. Unsec. Notes, 7.00%, 03/19/18	A3/BBB+	1,000	1,168,725
Bank of America Corp., Sr. Unsec. Notes, 5.625%, 07/01/20	A2/A	190	195,068
Bank of America Corp., Sr. Unsec. Notes, 8.875%, 01/05/21	A2/A	500	522,089
Bank of America Corp., Sub. Notes, 5.42%, 03/15/17	A3/A-	1,000	1,020,884
BankBoston Capital Trust III, Ltd. Gtd., 1.06%, 06/15/27 ^{(c),(d)}	Baa3/NR	270	208,068
BNP Paribas, Jr. Sub. Notes, 5.186%, 06/29/15, 144A ^{(d),(e)}	Baa1/A	1,000	960,000
Capital One Capital V, Ltd. Gtd., 10.25%, 08/15/39	Baa3/BB	1,500	1,627,500
CDP Financial, Inc., Co. Gtd., 4.40%, 11/25/19, 144A	Aaa/AAA	400	403,590
Chase Capital II, Ltd. Gtd., Series B, 0.804%, 02/01/27 ^{(c),(d)}	A2/BBB+	70	59,162
Citigroup Capital XXI, Co. Gty., 8.30%, 12/21/77 ^{(c),(d)}	Ba1/BB+	500	520,000
Citigroup, Inc., Sr. Unsec. Notes, 6.375%, 08/12/14	A3/A	151	166,921
Citigroup, Inc., Sr. Unsec. Notes, 6.01%, 01/15/15	A3/A	1,000	1,092,815
Citigroup, Inc., Sr. Unsec. Notes, 5.375%, 08/09/20	A3/A	105	108,093
Citigroup, Inc., Sr. Unsec. Notes, 8.125%, 07/15/39	A3/A	125	156,689
Citigroup, Inc., Unsec. Notes, 8.50%, 05/22/19	A3/A	595	734,156
CoBank, ACB, Sub. Notes, 7.875%, 04/16/18, 144A	NR/A	500	564,496
Corp. Andina de Fomento, Sr. Unsec. Notes, 3.75%, 01/15/16	A1/A+	95	94,009
Credit Agricole SA, Jr. Sub. Notes, 6.637%, 05/31/17, 144A ^{(d),(e)}	A3/A-	1,250	1,118,750
Discover Financial Services, Sr. Unsec. Notes, 10.25%, 07/15/19	Ba1/BBB-	200	257,294
Export-Import Bank of Korea, Sr. Notes, 8.125%, 01/21/14	A1/A	500	573,163
FleetBoston Financial Corp., Sub. Notes, 6.875%, 01/15/28	A3/A-	500	521,000
General Electric Capital Corp, Sr. Unsec. Notes, 5.625%, 05/01/18	Aa2/AA+	230	248,657
General Electric Capital Corp., Sr. Unsec. Notes, 6.875%, 01/10/39	Aa2/AA+	1,000	1,115,993
HSBC America Capital Trust II, Bank Gtd., 8.38%, 05/15/27, 144A ^(c)	NR/A-	2,500	2,510,828
HSBC Capital Funding LP, Ltd. Gtd., 10.176%, 06/30/30, 144A ^{(d),(e)}	A3/A-	500	670,000
HSBC Finance Corp., Sr. Unsec. Notes, 6.75%, 05/15/11	A3/A	1,000	1,006,846
HSBC Finance Corp., Sr. Unsec. Notes, 7.00%, 05/15/12	A3/A	500	531,789
ICICI Bank Ltd., Sr. Unsec. Notes, 5.75%, 11/16/20, 144A	Baa2/BBB-	1,000	985,155
Jefferies Group, Inc., Sr. Unsec. Notes, 8.50%, 07/15/19	Baa2/BBB	129	152,181
Jefferies Group, Inc., Sr. Unsec. Notes, 6.875%, 04/15/21	Baa2/BBB	1,000	1,062,131
JP Morgan Chase & Co., Sr. Unsec. Notes, 4.40%, 07/22/20	Aa3/A+	175	169,112
JP Morgan Chase Bank NA, Sub. Notes, 6.00%, 10/01/17	Aa2/A+	1,000	1,093,768
JP Morgan Chase Capital XXV, Ltd. Gtd., Series Y, 6.80%, 10/01/37	A2/BBB+	850	854,364

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
DIVERSIFIED FINANCIAL SERVICES (Continued)			
Landesbank Baden-Württ NY, Sub. Notes, 6.35%, 04/01/12	Aaa/NR	\$ 500	\$ 523,531
Lloyds TSB Bank PLC, Bank Gtd., 6.375%, 01/21/21	Aa3/A+	2,000	2,084,192
Merrill Lynch & Co. Inc., Notes, 6.875%, 04/25/18	A2/A	1,000	1,110,692
Merrill Lynch & Co. Inc., Sub. Notes, 7.75%, 05/14/38	A3/A-	500	574,096
Merrill Lynch & Co., Inc., Sub. Notes, 6.05%, 05/16/16	A3/A-	320	338,204
Morgan Stanley, Sr. Unsec. Notes, 6.25%, 08/28/17	A2/A	300	326,065
National Agricultural Cooperative Federation, Sr. Notes, 5.00%, 09/30/14, 144A	A1/A	500	527,689
Santander US Debt SA Unipersonal, Bank Gtd., 3.724%, 01/20/15, 144A	Aa2/AA	100	96,705
Sanwa Bank Ltd., Sub. Notes, 7.40%, 06/15/11	Aa3/A	500	506,454
UBS AG Stamford CT, Sr. Unsec. Notes, Bank Notes, 4.875%, 08/04/20	Aa3/A+	250	252,073
UBS PFD Funding Trust V, Jr. Sub. Notes, Series 1, 6.243%, 05/15/16 ^{(d)(e)}	Baa3/BBB-	500	493,750
Wachovia Capital Trust III, Ltd. Gtd., 5.57%, 05/02/11 ^{(d)(e)}	Baa3/A-	1,000	917,500
Wells Fargo Capital XV, Ltd. Gtd., 9.75%, 09/26/13 ^{(d)(e)}	Baa3/A-	1,000	1,097,500
			33,183,865
ENERGY (11.82%)			
Apache Corp., Sr. Unsec. Notes, 7.70%, 03/15/26	A3/A-	500	645,232
Burlington Resources, Inc., Co. Gty., 9.125%, 10/01/21	A2/A	850	1,156,106
Citgo Petroleum Corp. Sr. Sec. Notes, 11.50%, 07/01/17, 144A ^(c)	Ba2/BB+	900	1,048,500
CMS Panhandle Holding Co., Sr. Unsec. Notes, 7.00%, 07/15/29	Baa3/BBB-	1,000	1,018,711
EL Paso Corp., Notes, 8.05%, 10/15/30	Ba3/BB-	1,000	1,137,750
Enterprise Products Operating LLC, Co. Gty., Series B, 7.034%, 01/15/68 ^{(c)(d)}	Ba1/BB	1,000	1,037,500
Florida Gas Transmission Co., LLC, Sr. Unsec. Notes, 9.19%, 11/01/24, 144A	Baa2/BBB	140	175,721
Gaz Capital SA, Sec. Notes, 8.125%, 07/31/14, 144A	Baa1/BBB	500	571,250
KazMunaiGaz Finance Sub BV, Sr. Unsec. Notes, 11.75%, 01/23/15, 144A	Baa3/BBB-	500	625,600
KazMunayGas National Co., Sr. Unsec. Notes, 6.375%, 04/09/21, 144A	Baa3/BBB-	500	517,500
Lukoil International Finance BV, Co. Gty., 6.125%, 11/09/20, 144A	Baa2/BBB-	1,000	1,020,000
Motiva Enterprises LLC, Notes, 5.75%, 01/15/20, 144A	A2/A	64	69,968
Motiva Enterprises LLC, Sr. Unsec. Notes, 6.85%, 01/15/40, 144A	A2/A	124	141,719
Nabors Industries, Inc., Co. Gty., 9.25%, 01/15/19	Baa2/BBB	625	787,844
NiSource Finance Corp., Co. Gty., 10.75%, 03/15/16	Baa3/BBB-	250	324,879
NRG Energy, Inc., Co. Gty., 8.25%, 09/01/20, 144A ^(c)	B1/BB-	500	520,000
ONEOK Partners LP, Co. Gty., 8.625%, 03/01/19	Baa2/BBB	375	471,682
Pemex Project Funding Master Trust, Co. Gty., 6.625%, 06/15/35	Baa1/BBB	105	105,327
Petrohawk Energy Corp., Co. Gty., 7.875%, 06/01/15 ^(c)	B3/B+	160	169,600
Petroleos Mexicanos, Co. Gty., 8.00%, 05/03/19	Baa1/BBB	250	300,250
Petroleos Mexicanos, Co. Gty., 6.00%, 03/05/20	Baa1/BBB	750	796,125
Petroleum Co. of Trinidad & Tobago, Ltd., Sr. Unsec. Notes, 9.75%, 08/14/19, 144A	Baa3/BBB	500	606,250
Pride International, Inc., Sr. Unsec. Notes, 8.50%, 06/15/19	Ba1/BBB-	500	617,500
Pride International, Inc., Sr. Unsec. Notes, 6.875%, 08/15/20	Ba1/BBB-	500	566,875
SEACOR Holdings, Inc., Sr. Unsec. Notes, 7.375%, 10/01/19	Ba1/BBB-	1,000	1,063,761
Shell International Finance BV, Co. Gty., 4.30%, 09/22/19	Aa1/AA	1,000	1,029,751
Sunoco Logistics Partners Operations LP, Co. Gty., 5.50%, 02/15/20	Baa2/BBB	335	340,850
Transocean, Inc. Co. Gty., Series C, 1.50%, 12/15/37 ^(c)	Baa3/BBB	280	272,650
Transocean, Inc., Co. Gty., 7.50%, 04/15/31	Baa3/BBB	500	561,100
Valero Energy Corp., Co. Gty., 9.375%, 03/15/19	Baa2/BBB	124	158,508
Valero Energy Corp., Co. Gty., 8.75%, 06/15/30	Baa2/BBB	1,000	1,165,491
Valero Energy Corp., Co. Gty., 10.50%, 03/15/39	Baa2/BBB	500	705,314
Weatherford Bermuda Holdings, Ltd., Co. Gty., 6.75%, 09/15/40	Baa2/BBB	2,000	2,073,172
Western Atlas, Inc., Sr. Unsec. Notes, 8.55%, 06/15/24	A2/A	2,539	3,355,045
Williams Cos., Inc., Sr. Unsec. Notes, 8.75%, 03/15/32	Baa3/BB+	130	168,246
			25,325,777

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
FOOD AND BEVERAGE (0.95%)			
Anheuser-Busch InBev Worldwide, Inc. Co. Gty., 7.75%, 01/15/19	Baa1/BBB+	\$ 325	\$ 399,850
Anheuser-Busch InBev Worldwide, Inc. Co. Gty., 8.20%, 01/15/39	Baa1/BBB+	27	36,733
Bunge Ltd. Finance Corp., Co. Gty., 8.50%, 06/15/19	Baa2/BBB-	125	148,433
Delhaize Group SA Co. Gty., 5.70%, 10/01/40	Baa3/BBB-	709	647,905
Kraft Foods, Inc., Sr. Unsec. Notes, 5.375%, 02/10/20	Baa2/BBB-	241	254,435
Smithfield Foods, Inc., Sr. Sec. Notes., 10.00%, 07/15/14	Ba3/BB	290	341,475
Supervalu, Inc., Sr. Unsec. Notes, 8.00%, 05/01/16	B2/B	40	40,000
WM Wrigley Jr. Co., Sr. Sec. Notes, 3.70%, 06/30/14, 144A	Baa2/BBB	165	168,762
			<u>2,037,593</u>
GAMING, LODGING & LEISURE (0.84%)			
Firekeepers Development Authority, Sr. Sec. Notes, 13.875%, 05/01/15, 144A ^(c) ..	B2/B+	750	888,750
Mandalay Resort Group, Co. Gty., 7.625%, 07/15/13	Caa3/CCC-	250	247,500
Royal Caribbean Cruises Ltd., Sr. Unsec. Notes, 7.00%, 06/15/13	Ba2/BB	250	266,250
Wynn Las Vegas LLC, 7.875%, 11/01/17 ^(c)	Ba3/BB+	125	134,062
Wynn Las Vegas LLC, 7.875%, 05/01/20 ^(c)	Ba3/BB+	250	266,875
			<u>1,803,437</u>
HEALTHCARE (2.21%)			
Alere, Inc., Co. Gty., 9.00%, 05/15/16 ^(c)	B3/B-	150	159,750
Boston Scientific Corp., Sr. Unsec. Notes, 6.00%, 01/15/20	Ba1/BBB-	500	523,909
Fresenius Medical Care US Finance, Inc. Co. Gty., 5.75%, 02/15/21, 144A	Ba2/BB	750	726,563
Fresenius US Finance II, Inc., Co. Gty., 9.00%, 07/15/15, 144A	Ba1/BB	250	286,562
HCA, Inc., Sec. Notes, 9.25%, 11/15/16 ^(c)	B2/BB-	370	398,212
HCP, Inc., Sr. Unsec. Notes, 5.375%, 02/01/21 ^(c)	Baa2/BBB	1,500	1,514,823
Monsanto Co. (Pharmacia Corp.), Sr. Unsec. Notes, 6.50%, 12/01/18	A1/AA	500	579,346
Mylan, Inc., Co. Gty., 7.875%, 07/15/20, 144A ^(c)	Ba3/BB	500	543,750
			<u>4,732,915</u>
INDUSTRIAL (4.68%)			
Affinion Group, Inc., Co. Gty., 11.50%, 10/15/15 ^(c)	Caa1/B-	460	485,300
Alcoa, Inc., Sr. Unsec. Notes, 6.15%, 08/15/20	Baa3/BBB-	640	676,303
Alcoa, Inc., Sr. Unsec. Notes, 5.95%, 02/01/37	Baa3/BBB-	244	230,190
Altria Group, Inc., Co. Gty., 9.70%, 11/10/18	Baa1/BBB	317	416,892
Altria Group, Inc., Co. Gty., 10.20%, 02/06/39	Baa1/BBB	29	41,145
ArcelorMittal, Sr. Unsec. Notes, 7.00%, 10/15/39	Baa3/BBB-	405	406,084
Arrow Electronics, Inc., Sr. Unsec. Notes, 6.00%, 04/01/20	Baa3/BBB-	500	529,165
Belden, Inc., Co. Gty., 7.00%, 03/15/17 ^(c)	Ba2/BB-	250	255,937
Gerdau Trade, Inc., Co. Gty., 5.75%, 01/30/21, 144A	NR/BBB-	500	506,250
GXS Worldwide, Inc., Sr. Sec. Notes, 9.75%, 06/15/15 ^(c)	B2/B	65	66,137
Holcim US Finance Sarl & Cie SCS, Co. Gty., 6.00%, 12/30/19, 144A	Baa2/BBB	1,000	1,048,064
Ingersoll-Rand Global Holding Co., Ltd., Co. Gty., 6.875%, 08/15/18	Baa1/BBB+	185	214,785
L-3 Communications Corp., Co. Gty., 6.375%, 10/15/15 ^(c)	Ba1/BB+	1,000	1,030,000
Meccanica Holdings USA, Co. Gty., 6.25%, 07/15/19, 144A	A3/BBB	129	135,316
Northrop Grumman Space & Mission Systems Corp., Co. Gty., 7.75%, 06/01/29 ..	Baa1/BBB+	500	629,985
Sealed Air Corp., Sr. Notes, 7.875%, 06/15/17 ^(c)	Baa3/BB+	500	559,121
Tyco International Finance SA, Co. Gty., 8.50%, 01/15/19	Baa1/A-	93	119,978
Tyco International Ltd./Tyco International Finance SA, Co. Gty., 7.00%, 12/15/19	Baa1/A-	1,250	1,505,263
Waste Management, Inc., Sr. Unsec. Notes, 7.125%, 12/15/17	Baa3/BBB	500	580,232
Worthington Industries, Inc., Sr. Unsec. Notes, 6.50%, 04/15/20	Baa2/BBB	500	534,828
XM Satellite Radio, Inc., Co. Gty., 13.00%, 08/01/14, 144A	B3/BB-	57	67,688
			<u>10,038,663</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
INSURANCE (7.47%)			
AIG SunAmerica Global Finance VI, Sr. Sec. Notes, 6.30%, 05/10/11, 144A	A2/A+	\$ 1,000	\$ 1,004,510
AIG SunAmerica, Inc., Sr. Unsec. Notes, 8.125%, 04/28/23	Baa1/A-	750	814,287
American International Group, Inc., Jr. Sub. Debs., 8.175%, 05/15/68 ^{(c),(d)}	Baa2/BBB	2,000	2,152,500
Farmers Exchange Capital, Sub. Notes, 7.20%, 07/15/48, 144A	Baa2/BBB+	3,000	2,879,217
Guardian Life Insurance Co., Sub. Notes, 7.375%, 09/30/39, 144A	A1/AA-	108	126,168
Liberty Mutual Group, Inc., Bonds, 7.00%, 03/15/34, 144A	Baa2/BBB-	250	246,340
Liberty Mutual Group, Inc., Co. Gty., 10.75%, 06/15/88, 144A ^{(c),(d)}	Baa3/BB	1,000	1,300,000
Lincoln National Corp. Jr. Sub. Notes, 6.05%, 04/20/67 ^{(c),(d)}	Ba1/BBB	500	467,500
Manulife Financial Corp., Sr. Unsec. Notes, 4.90%, 09/17/20	NR/A-	250	244,814
Massachusetts Mutual Life Insurance Co., Sub. Notes, 8.875%, 06/01/39, 144A	A1/AA-	500	683,780
MetLife Capital Trust X, Jr. Sub. Notes, 9.25%, 04/08/68, 144A ^{(c),(d)}	Baa2/BBB	500	603,750
MetLife, Inc., Jr. Sub. Notes, 10.75%, 08/01/69 ^(c)	Baa2/BBB	1,000	1,380,000
Nationwide Mutual Insurance Co., Sub. Notes, 9.375%, 08/15/39, 144A	A3/A-	215	245,462
New York Life Insurance Co., Sub. Notes, 6.75%, 11/15/39, 144A	Aa2/AA	103	118,143
Penn Central Corp., Sub. Notes, 10.875%, 05/01/11	WR/NR	1,500	1,507,063
Prudential Financial, Inc., Jr. Sub. Notes, 8.875%, 06/15/68 ^{(c),(d)}	Baa3/BBB+	1,000	1,180,000
Travelers Cos., Inc., Jr. Sub. Notes, 6.25%, 03/15/67 ^{(c),(d)}	A3/BBB	500	520,000
XL Capital Europe PLC, Co. Gty., 6.50%, 01/15/12	Baa2/BBB+	500	520,617
			16,010,151
MEDIA (8.44%)			
CBS Corp., Co. Gty., 8.875%, 05/15/19	Baa3/BBB-	350	439,496
Cengage Learning Acquisitions, Inc., Sr. Discount Notes, 13.25%, 07/15/15, 144A ^{(c),(f)}	Caa2/CCC+	500	525,000
Charter Communications Operating LLC, Sec. Notes, 8.00%, 04/30/12, 144A	Ba3/BB+	150	157,500
Comcast Cable Holdings LLC, Co. Gty., 9.80%, 02/01/12	Baa1/BBB+	1,500	1,612,924
Comcast Corp., Co. Gty., 7.05%, 03/15/33	Baa1/BBB+	2,000	2,233,776
COX Communications, Inc., Sr. Unsec. Notes, 6.80%, 08/01/28	Baa2/BBB-	1,500	1,568,508
COX Enterprises, Inc., Sr. Unsec. Notes, 7.375%, 07/15/27, 144A	Baa3/BBB-	500	550,926
Grupo Televisa SA, Sr. Unsec. Notes, 6.625%, 01/15/40	Baa1/BBB+	159	168,465
Harcourt General, Inc., Sr. Unsec. Notes, 8.875%, 06/01/22	WR/BBB+	2,000	2,390,122
Interpublic Group of Cos., Inc., Sr. Unsec. Notes, 10.00%, 07/15/17 ^(c)	Ba2/BB	500	595,000
Myriad International Holding BV, Co. Gty., 6.375%, 07/28/17, 144A	Baa3/NR	100	105,620
NBC Universal, Inc., Sr. Unsec. Notes, 5.15%, 04/30/20, 144A	Baa2/BBB+	175	180,364
NBC Universal, Inc., Sr. Unsec. Notes, 5.95%, 04/01/41, 144A	Baa2/BBB+	95	91,035
News America Holdings, Inc., Co. Gty., 7.90%, 12/01/95	Baa1/BBB+	1,400	1,563,692
Time Warner Entertainment Co., LP, Co. Gty., 8.375%, 07/15/33	Baa2/BBB	1,360	1,663,649
Time Warner, Inc., Co. Gty., 9.15%, 02/01/23	Baa2/BBB	3,000	3,940,968
Viacom, Inc., Co. Gty., 7.875%, 07/30/30	Baa3/BBB-	250	290,215
			18,077,260
MINING (2.35%)			
Anglo American Capital PLC, Co. Gty., 9.375%, 04/08/14, 144A	Baa1/BBB	339	405,471
Anglo American Capital PLC, Co. Gty., 9.375%, 04/08/19, 144A	Baa1/BBB	500	666,209
AngloGold Ashanti Holdings PLC, Co. Gty., 5.375%, 04/15/20	Baa3/BBB-	310	314,444
Barrick North America Finance LLC, Co. Gty., 6.80%, 09/15/18	Baa1/A-	500	595,241
Freeport-McMoran Copper & Gold, Inc., Sr. Unsec. Notes, 8.375%, 04/01/17 ^(c)	Baa3/BBB-	500	551,250
Freeport-McMoran Corp., Co. Gty., 9.50%, 06/01/31	Baa2/BBB-	250	331,223
Newmont Mining Corp., Sr. Unsec. Notes, 8.625%, 05/15/11	Baa1/BBB+	500	504,268
Rio Tinto Finance USA Ltd., Co. Gty., 9.00%, 05/01/19	A3/BBB+	85	111,700
Teck Resources Ltd., Co. Gty., 6.00%, 08/15/40 ^(c)	Baa2/BBB	1,000	1,007,090
Vale Overseas Ltd., Co. Gty., 6.25%, 01/23/17	Baa2/BBB+	500	556,564
			5,043,460

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
PAPER (1.89%)			
Cenveo Corp., Co. Gty., 10.50%, 08/15/16, 144A ^(c)	Caa1/CCC+	\$ 400	\$ 402,000
Georgia-Pacific LLC, Co. Gty., 5.40%, 11/01/20, 144A	Ba2/BBB	670	661,607
Smurfit Capital Funding PLC, Co. Gty., 7.50%, 11/20/25	Ba2/BB	2,000	1,910,000
Westvaco Corp., Co. Gty., 8.20%, 01/15/30	Ba1/BBB	1,000	1,067,226
			<u>4,040,833</u>
REAL ESTATE INVESTMENT TRUST (REIT) (5.17%)			
Biomed Realty LP, Co. Gty., 6.125%, 04/15/20	Baa3/BBB-	350	369,941
Duke Realty LP, Sr. Unsec. Notes, 6.50%, 01/15/18	Baa2/BBB-	500	550,897
Duke Realty LP, Sr. Unsec. Notes, 8.25%, 08/15/19	Baa2/BBB-	500	600,459
Federal Realty Investment Trust, Sr. Unsec. Notes, 5.40%, 12/01/13	Baa1/BBB+	750	806,217
Federal Realty Investment Trust, Sr. Unsec. Notes, 5.65%, 06/01/16	Baa1/BBB+	210	228,598
Federal Realty Investment Trust, Sr. Unsec. Notes, 6.20%, 01/15/17	Baa1/BBB+	290	321,776
First Industrial LP, Sr. Unsec. Notes, 7.50%, 12/01/17	Ba3/BB-	200	199,372
Goodman Funding Property, Ltd., Sr. Unsec. Notes, 6.375%, 04/15/21, 144A	Baa3/BBB	1,050	1,047,745
Health Care, Inc., Sr. Unsec. Notes, 5.25%, 01/15/22 ^(c)	Baa2/BBB-	1,500	1,463,495
Host Hotels & Resorts, Inc., Co. Gty., 6.00%, 11/01/20 ^(c)	Ba1/BB+	1,000	982,500
Liberty Property LP, Sr. Unsec. Notes, 7.50%, 01/15/18	Baa2/BBB	1,000	1,165,395
Mack-Cali Realty Corp., Sr. Unsec. Notes, 7.75%, 08/15/19	Baa2/BBB	665	801,288
Nationwide Health Properties, Inc., Sr. Unsec. Notes, 6.00%, 05/20/15	Baa2/BBB	500	540,984
Simon Property Group LP, Sr. Unsec. Notes, 6.125%, 05/30/18	A3/A-	750	840,535
WEA Finance, LLC, Co. Gty., 7.125%, 04/15/18, 144A	A2/A-	500	579,822
WEA Finance, LLC, Co. Gty., 6.75%, 09/02/19, 144A	A2/A-	500	573,709
			<u>11,072,733</u>
RETAIL & RESTAURANT (1.04%)			
Best Buy Co., Inc., Sr. Unsec. Notes, 5.50%, 03/15/21 ^(c)	Baa2/BBB-	1,000	981,211
Darden Restaurants, Inc., Sr. Unsec. Notes, 7.125%, 02/01/16	Baa2/BBB	500	561,810
Levi Strauss & Co., Sr. Unsec. Notes, 8.875%, 04/01/16 ^(c)	B2/B+	500	521,250
Limited Brands, Inc., Co. Gty., 8.50%, 06/15/19	Ba1/BB+	150	172,125
			<u>2,236,396</u>
TECHNOLOGY (0.08%)			
Corning, Inc., Sr. Unsec. Notes, 5.75%, 08/15/40	Baa1/BBB+	60	59,742
Mantech International Corp., Co. Gty., 7.25%, 04/15/18 ^(c)	Ba2/BB+	100	105,000
			<u>164,742</u>
TELECOMMUNICATIONS (8.76%)			
AT&T, Inc., Sr. Unsec. Notes, 5.35%, 09/01/40, 144A	A2/A-	2,548	2,282,358
Cellco Partnership/Verizon Wireless Capital LLC, Sr. Unsec. Notes, 8.50%, 11/15/18	A2/A-	229	294,222
Deutsche Telekom International Finance BV, Co. Gtd., 8.75%, 06/15/30	Baa1/BBB+	2,000	2,622,192
Frontier Communications Corp., Sr. Unsec. Notes, 6.625%, 03/15/15	Ba2/BB	150	156,375
Frontier Communications Corp., Sr. Unsec. Notes, 8.125%, 10/01/18	Ba2/BB	500	538,125
Frontier Communications Corp., Sr. Unsec. Notes, 9.00%, 08/15/31	Ba2/BB	500	511,250
GTE Corp., Co. Gty., 6.94%, 04/15/28	Baa1/A-	1,500	1,663,043
Hearst-Argyle Television, Inc., Sr. Unsec. Notes, 7.00%, 01/15/18	WR/NR	1,000	800,659
Intelsat Intermediate Holding Co., SA, Co. Gty., 9.50%, 02/01/15 ^{(c)(d)}	Caa2/CCC+	170	175,950
Intelsat Jackson Holdings SA, Co. Gty., 11.50%, 06/15/16 ^(c)	Caa2/CCC+	805	863,362
Level 3 Financing, Inc., Co. Gty., 10.00%, 02/01/18 ^(c)	Caa1/CCC	610	610,762
NII Capital Corp., Co. Gty., 10.00%, 08/15/16 ^(c)	B2/B+	500	570,000
Qwest Corp., Sr. Unsec. Notes, 7.20%, 11/10/26 ^(c)	Baa3/BBB-	1,000	1,005,000
Qwest Corp., Sr. Unsec. Notes, 6.875%, 09/15/33 ^(c)	Baa3/BBB-	1,100	1,101,375

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
TELECOMMUNICATIONS (Continued)			
Qwest Corp., Sr. Unsec. Notes, 7.25%, 10/15/35 ^(c)	Baa3/BBB-	\$ 500	\$ 507,500
Sprint Capital Corp., Co. Gty., 6.875%, 11/15/28	Ba3/BB-	1,500	1,383,750
Sprint Capital Corp., Co. Gty., 8.75%, 03/15/32	Ba3/BB-	1,000	1,063,750
TELUS Corp., Sr. Unsec. Notes, 8.00%, 06/01/11	Baa1/BBB+	154	155,838
Trilogy International Partners LLC, Sr. Sec. Notes, 10.25%, 08/15/16, 144A ^(c) ..	Caa1/CCC+	100	103,500
Verizon Communications, Inc., Sr. Unsec. Notes, 8.75%, 11/01/18	A3/A-	292	373,598
Verizon Global Funding Corp., Sr. Unsec. Notes, 7.75%, 12/01/30	A3/A-	1,646	1,982,572
			<u>18,765,181</u>
TRANSPORTATION (5.23%)			
American Airlines Pass Through Trust, Pass Through Certs., Series 2001-02, 7.858%, 10/01/11	Ba1/BBB-	2,500	2,584,250
BNSF Funding Trust I, Co. Gty., 6.613%, 12/15/55 ^{(c),(d)}	Baa2/BBB	250	259,688
Continental Airlines, Pass Through Certs., Series 1999-1, Class B, 6.795%, 02/02/20	Ba1/BB	588	576,234
Continental Airlines, Pass Through Certs., Series 2000-A1, 8.048%, 05/01/22 ...	Baa2/BBB	877	956,367
Continental Airlines, Pass Through Certs., Series 2000-A1, 7.707%, 10/02/22 ...	Baa2/BBB	1,241	1,343,310
Delta Air Lines, Pass Through Certs, Series 1993-A2, 10.50%, 04/30/16	WR/NR	430	193,796
ERAC USA Finance, Co., Co. Gty., 7.00%, 10/15/37, 144A	Baa1/BBB+	1,500	1,634,292
Federal Express Corp., Pass Through Certs, Series 1996-B2, 7.84%, 01/30/18 ^(c) ..	Baa1/BBB	1,000	1,051,430
Federal Express Corp., Sr. Unsec. Notes, 9.65%, 06/15/12	Baa2/BBB	1,750	1,916,637
Norfolk Southern Corp., Sr. Unsec. Notes, 5.75%, 04/01/18	Baa1/BBB+	170	190,580
Stena AB, Sr. Unsec. Notes, 7.00%, 12/01/16 ^(c)	Ba3/BB+	500	497,500
			<u>11,204,084</u>
UTILITIES (4.01%)			
Avista Corp., 5.95%, 06/01/18	A3/BBB+	500	555,064
Avista Corp., 5.125%, 04/01/22	A3/BBB+	500	520,078
Dominion Resources, Inc., Sr. Unsec. Notes, Series 07-A, 6.00%, 11/30/17	Baa2/A-	500	560,014
Duquesne Light Holdings, Inc., Sr. Unsec. Notes, 6.40%, 09/15/20, 144A	Ba1/BBB-	1,000	1,017,375
Georgia Power Co., Sr. Unsec. Notes, 5.40%, 06/01/40	A3/A	110	108,277
Hydro-Quebec, 8.25%, 04/15/26	Aa2/A+	1,550	2,032,225
MidAmerican Funding LLC, Sr. Sec. Bonds, 6.927%, 03/01/29	A3/BBB+	500	561,501
NextEra Energy Capital Holding, Inc., Jr. Sub. Notes., Series D, 7.30%, 09/01/67 ^{(c),(d)}	Baa2/BBB	500	521,875
Ohio Power Co., Sr. Unsec. Notes, 6.00%, 06/01/16	Baa1/BBB	500	562,713
Ohio Power Co., Sr. Unsec. Notes, 5.375%, 10/01/21	Baa1/BBB	1,000	1,063,567
Old Dominion Electric Coop., Sec. Bonds, 6.25%, 06/01/11	A3/A	500	504,327
Toledo Edison Co., 7.25%, 05/01/20	Baa1/BBB	500	591,079
			<u>8,598,095</u>
TOTAL CORPORATE DEBT SECURITIES (Cost of \$164,231,687)			<u>180,456,492</u>
ASSET BACKED SECURITIES (0.71%)			
Credit-Based Asset Servicing and Securitization LLC, Series 2006-SC1, Class A, 0.52%, 05/25/36, 144A ^{(c),(d)}	Aa3/AAA	68	49,695
Option One Mortgage Loan Trust, Series 2007-FXD2, Class 2A1, 5.90%, 03/25/37 ^(b)	Aa3/AA+	278	265,583
Renaissance Home Equity Loan Trust, Series 2006-3, Class AF2, 5.58%, 11/25/36 ^(b)	B3/B-	165	129,749
Small Business Administration Participation Certificates, Series 2010-20F, Class 1, 3.88%, 06/01/30	Aaa/AAA	317	319,661
Sonic Capital LLC, Series 2006-1A, Class A2, 5.096%, 12/20/31, 144A	Baa2/BB+	741	755,473
TOTAL ASSET BACKED SECURITIES (Cost of \$1,537,703)			<u>1,520,161</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
COMMERCIAL MORTGAGE-BACKED SECURITIES (6.01%)			
American Tower Trust, Series 2007-1A, Class AFX, 5.42%, 04/15/37, 144A	Aaa/AAA	\$ 700	\$ 750,692
Banc of America Commercial Mortgage, Inc., Series 2006-2, Class AM, 5.964%, 05/10/45 ^(d)	NA/A	1,440	1,492,106
Citigroup/Deutsche Bank Commercial Mortgage Trust, Series 2007-CD4, Class A4, 5.322%, 12/11/49	Aaa/A-	285	299,558
Credit Suisse Mortgage Capital Certificates, Series 2006-C5, Class AM, 5.343%, 12/15/39	Aa1/BBB	100	102,012
CW Capital Cobalt, Ltd., Series 2007-C2, Class A3, 5.484%, 04/15/47 ^(d)	Aaa/NA	500	515,671
Developers Diversified Realty Corp., Series 2009-DDR1, Class C, 6.223%, 10/14/22, 144A	A2/A	500	517,296
JP Morgan Chase Commercial Mortgage Securities Corp., Series 2005-FL1A, Class E, 0.575%, 02/15/19, 144A ^(d)	Aa1/AA	429	409,555
JP Morgan Chase Commercial Mortgage Securities Corp., Series 2005-LDP5, Class AJ, 5.493%, 12/15/44 ^(d)	Aa3/A	60	61,564
JP Morgan Chase Commercial Mortgage Securities Corp., Series 2006-CB17, Class AM, 5.464%, 12/12/43	Aa2/NA	100	100,727
JP Morgan Chase Commercial Mortgage Securities Corp., Series 2007-LDPX, Class A3, 5.42%, 01/15/49	Aaa/NA	160	168,742
JPMorgan Chase Commercial Mortgage Securities Corp., Series 2006-CB16, Class A4, 5.552%, 05/12/45	Aaa/AAA	1,000	1,070,443
JPMorgan Chase Commercial Mortgage Securities Corp., Series 2007-CB20, Class A4, 5.794%, 02/12/51 ^(d)	Aaa/A+	880	947,876
LB-UBS Commercial Mortgage Trust, Series 2006-C4, Class AM, 6.098%, 06/15/38 ^(d)	Aa3/BBB+	2,000	2,125,740
LB-UBS Commercial Mortgage Trust, Series 2007-C1, Class A4, 5.424%, 02/15/40	NA/A+	970	1,030,108
LB-UBS Commercial Mortgage Trust, Series 2007-C2, Class A3, 5.43%, 02/15/40	NA/A+	1,375	1,448,865
Merrill Lynch Countrywide Commercial Mortgage Trust, Series 2007-6, Class A4, 5.485%, 03/12/51 ^(d)	Aaa/NR	110	115,209
Merrill Lynch Mortgage Trust, Series 2005-CIP1, Class AM, 5.107%, 07/12/38 ^(d)	Aaa/NA	30	31,141
Merrill Lynch Mortgage Trust, Series 2007-CI, Class AM, 6.020%, 06/12/50 ^(d)	NA/BBB+	140	140,592
Morgan Stanley Capital I, Series 2007-IQ16, Class A4, 5.809%, 12/12/49	NA/A+	750	810,448
Morgan Stanley Reremic Trust, Series 2009-GG10, Class A4B, 6.002%, 08/12/45, 144A ^(d)	A3/NA	210	215,089
Wachovia Bank Commercial Mortgage Trust, Series 2006-C28, Class A3, 5.679%, 10/15/48	Aaa/AAA	500	519,092
TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (Cost of \$10,424,919)			<u>12,872,526</u>
RESIDENTIAL MORTGAGE-BACKED SECURITIES (2.36%)			
Bayview Commercial Asset Trust, Series 2006-CP2, Class IO, 2.803%, 01/25/37, 144A ^(d)	Aaa/NR	5,560	358,595
Bayview Commercial Asset Trust, Series 2007-2A, Class IO, 2.659%, 07/25/37, 144A ^(d)	Aa1/AAA	3,786	339,596
CBA Commercial Small Balance Commercial Mortgage, Series 2006-2A, Class X1, —%, 01/25/39, 144A ^(d)	C/NR	3,067	248,066
FHLMC Pool # 170128, 11.50%, 06/01/15	Aaa/AAA	3	2,973
FHLMC Pool # 360019, 10.50%, 12/01/17	Aaa/AAA	5	5,350
FHLMC Pool # A15675, 6.00%, 11/01/33	Aaa/AAA	669	735,652
FHLMC Pool # B11892, 4.50%, 01/01/19	Aaa/AAA	582	616,660
FHLMC Pool # G00182, 9.00%, 09/01/22	Aaa/AAA	6	7,099
FNMA Pool # 124012, 12.50%, 10/01/15	Aaa/AAA	4	4,627
FNMA Pool # 303022, 8.00%, 09/01/24	Aaa/AAA	22	25,629
FNMA Pool # 303136, 8.00%, 01/01/25	Aaa/AAA	15	16,890

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Moody's/ Standard & Poor's Rating ^(b)	Principal Amount (000's)	Value (Note 1)
RESIDENTIAL MORTGAGE-BACKED SECURITIES (Continued)			
FNMA Pool # 55192, 10.50%, 09/01/17	Aaa/AAA	\$ 8	\$ 8,878
FNMA Pool # 58991, 11.00%, 02/01/18	Aaa/AAA	4	4,637
FNMA Pool # 60040, 12.00%, 09/01/14	Aaa/AAA	5	4,540
FNMA Pool # 754791, 6.50%, 12/01/33	Aaa/AAA	784	887,282
FNMA Pool # 763852, 5.50%, 02/01/34	Aaa/AAA	1,112	1,196,146
FNMA Pool # 889554, 6.00%, 04/01/38	Aaa/AAA	410	446,476
GNSF Pool # 194228, 9.50%, 11/15/20	Aaa/AAA	51	60,751
GNSF Pool # 307527, 9.00%, 06/15/21	Aaa/AAA	32	37,318
GNSF Pool # 417239, 7.00%, 02/15/26	Aaa/AAA	34	38,904
GNSF Pool # 780374, 7.50%, 12/15/23	Aaa/AAA	16	18,084
TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES (Cost of \$4,915,529)			<u>5,064,153</u>
MUNICIPAL BONDS (1.27%)			
Municipal Electric Authority of Georgia, Build America Bonds-Taxable-Plant Vogle Units 3&4, Series J, Revenue Bond, 6.637%, 04/01/57	A2/A+	175,000	166,250
San Francisco City & County Public Utilities Commission, Water Revenue, Build America Bonds, 6.000%, 11/01/40	Aa2/AA-	145,000	141,814
State of California, Build America Bonds, GO, 7.625%, 03/01/40	A1/A-	1,500,000	1,640,925
State of Illinois, Build America Bonds, GO, 6.900%, 03/01/35	A1/A+	500,000	487,340
State of Illinois, Build America Bonds, GO, 7.35%, 07/01/35	A1/A+	285,000	291,213
TOTAL MUNICIPAL BONDS (Cost of \$2,655,257)			<u>2,727,542</u>
U.S. TREASURY SECURITIES (3.10%)			
U.S. Treasury Bond, 0.875%, 02/29/12	Aaa/AAA	2,350	2,362,291
U.S. Treasury Note, 1.125%, 12/15/11	Aaa/AAA	500	503,106
U.S. Treasury Note, 1.00%, 03/31/12	Aaa/AAA	1,100	1,107,348
U.S. Treasury Note, 0.375%, 09/30/12	Aaa/AAA	2,600	2,593,500
U.S. Treasury Note, 3.875%, 08/15/40	Aaa/AAA	94	84,115
TOTAL U.S. TREASURY SECURITIES (Cost of \$6,668,465)			<u>6,650,360</u>
GOVERNMENT BOND (0.05%)			
Brazilian Government International Bond, Sr. Unsec. Notes, 4.875%, 01/22/21	Baa3/BBB-	100	102,000
TOTAL GOVERNMENT BOND (Cost of \$102,580)			<u>102,000</u>
		Shares	
COMMON STOCK (0.04%)			
MEDIA (0.03%)			
Quad Graphics, Inc. ^(a)		1,488	63,300
XO Holdings, Inc. ^(a)		13	10
			<u>63,310</u>
TRANSPORTATION (0.01%)			
Delta Air Lines, Inc. ^(a)		2,125	20,820
TOTAL COMMON STOCK (Cost of \$97,578)			<u>84,130</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS — continued

	Shares	Value (Note 1)
PREFERRED STOCK (0.35%)		
Ally Financial, Inc., 144A	134	\$ 124,695
Federal Home Loan Mortgage Corp, Series Z ^{(a),(c),(d)}	53,779	94,785
US BANCORP, Series A ^{(c),(d)}	615	530,748
TOTAL PREFERRED STOCK (Cost of \$1,819,079)		750,228
TOTAL INVESTMENTS (98.11%)		
(Cost \$192,452,797)		210,227,592
OTHER ASSETS AND LIABILITIES (1.89%)		
		4,038,591
NET ASSETS (100.00%)		
		\$ 214,266,183

^(a) Non-income producing security.

^(b) Ratings for debt securities are unaudited. All ratings are as of March 31, 2011 and may have changed subsequently.

^(c) This security is callable.

^(d) Variable rate security. Rate disclosed is as of March 31, 2011.

^(e) Security is perpetual. Date shown is next call date.

^(f) Multi-Step Coupon. Rate disclosed is as of March 31, 2011.

144A Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institutional buyers. At March 31, 2011, these securities amounted to \$43,339,706 or 20.23% of net assets.

Legend

Certs. - Certificates

Co. Gty. - Company Guaranty

Debs. - Debentures

FHLMC - Federal Home Loan Mortgage Corp.

FNMA - Federal National Mortgage Association

GNSF - Government National Mortgage Association (Single Family)

GO - General Obligation

Gtd. - Guaranteed

Jr. - Junior

Ltd. - Limited

NA - Not Available

NR - Not Rated

Sec. - Secured

Sr. - Senior

Sub. - Subordinated

Unsec. - Unsecured

WR - Withdrawn Rating

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES
March 31, 2011

Assets:	
Investment in securities, at value (amortized cost \$192,452,797) (Note 1)	\$ 210,227,592
Cash	690,260
Receivables for Investments Sold	181
Interest receivable	3,520,944
Dividend receivable	22,106
Prepaid expenses	21,918
TOTAL ASSETS	<u>214,483,001</u>
Liabilities:	
Payable to Investment Adviser	81,285
Accrued expenses payable	135,533
TOTAL LIABILITIES	<u>216,818</u>
Net assets: (equivalent to \$20.01 per share based on 10,708,597 shares of capital stock outstanding)	<u>\$ 214,266,183</u>
NET ASSETS consisted of:	
Par value	\$ 107,086
Capital paid-in	218,896,489
Accumulated net investment income	595,489
Accumulated net realized loss on investments	(23,107,676)
Net unrealized appreciation on investments	17,774,795
	<u>\$ 214,266,183</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS
For the year ended March 31, 2011

Investment Income:	
Interest	\$ 10,599,465
Dividends	179,055
Other income	13,392
Total Investment Income	<u>10,791,912</u>
Expenses:	
Investment advisory fees (Note 4)	\$ 782,437
Administration fees	83,417
Transfer agent fees	58,148
Trustees' fees	66,500
Audit fees	26,500
Legal fees and expenses	97,891
Reports to shareholders	41,601
Custodian fees	16,509
Insurance	17,469
NYSE fee	39,525
Miscellaneous	67,965
Total Expenses	<u>1,297,962</u>
Net Investment Income	<u>9,493,950</u>
Net realized and unrealized gain (loss) on investments (Note 1):	
Net realized gain (loss) on:	
Investments	574,950
Warrants*	(717)
Net realized gain	<u>574,233</u>
Net change in unrealized appreciation (depreciation) on:	
Investments	4,402,383
Warrants*	(22,393)
Net change in unrealized appreciation (depreciation)	<u>4,379,990</u>
Net realized and unrealized gain on investments	<u>4,954,223</u>
Net increase in net assets resulting from operations	<u>\$ 14,448,173</u>

* Primary risk exposure is equity contracts.

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

	<u>Year ended March 31, 2011</u>	<u>Year ended March 31, 2010</u>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 9,493,950	\$ 6,599,105
Net realized gain (loss) from security transactions (Note 2)	574,233	(1,588,849)
Change in unrealized appreciation of investments and warrants	4,379,990	25,608,278
Net increase in net assets resulting from operations	<u>14,448,173</u>	<u>30,618,534</u>
Distributions:		
Distributions to shareholders from net investment income	<u>(8,735,491)</u>	<u>(6,593,096)</u>
Capital Share Transactions:		
Proceeds from merger (Note 7)	83,300,387	—
Gross proceeds from common share offering (Note 6)	—	26,034,583
Dealer manager fee charged to paid-in capital in excess of par	—	(976,297)
Common share offering cost charged to capital in excess of par	—	(550,332)
Net proceeds	<u>83,300,387</u>	<u>24,507,954</u>
Increase in net assets	89,013,069	48,533,392
Net Assets:		
Beginning of year	125,253,114	76,719,722
End of year	<u>\$ 214,266,183</u>	<u>\$ 125,253,114</u>
Accumulated net investment income/(loss)	<u>\$ 595,489</u>	<u>\$ (366,523)</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL HIGHLIGHTS

The table below sets forth financial data for a share of capital stock outstanding throughout each year presented.

	Year ended March 31,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Per Share Operating Performance					
Net asset value, beginning of period	\$19.10	\$15.63	\$19.01	\$20.01	\$19.72
Net investment income	1.14 ⁽¹⁾	1.19	1.06	1.10	1.09
Net realized and unrealized gain (loss) on investments	<u>0.92</u>	<u>4.31</u>	<u>(3.29)</u>	<u>(0.95)</u>	<u>0.35</u>
Total from investment operations.	<u>2.06</u>	<u>5.50</u>	<u>(2.23)</u>	<u>0.15</u>	<u>1.44</u>
Capital share transaction:					
Dilution of the net asset value from rights offering (Note 6)	<u>—</u>	<u>(0.88)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Less distributions:					
Dividends from net investment income.	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>
Total distributions.	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>	<u>(1.15)</u>
Net asset value, end of period	<u>\$20.01</u>	<u>\$19.10</u>	<u>\$15.63</u>	<u>\$19.01</u>	<u>\$20.01</u>
Per share market price, end of period	<u>\$18.03</u>	<u>\$17.12</u>	<u>\$13.77</u>	<u>\$17.14</u>	<u>\$18.30</u>
Total Investment Return⁽²⁾					
Based on market period	12.23%	33.60%	(13.62)%	(0.10)%	9.93%
Ratios/Supplemental Data					
Net assets, end of period (in 000's)	\$214,266	\$125,253	\$76,720	\$93,282	\$98,197
Ratio of expenses to average net assets	0.79%	0.85%	1.21%	0.88%	1.00%
Ratio of net investment income to average net assets	5.76%	6.16%	6.18%	5.66%	5.57%
Portfolio turnover rate	19.91%	15.40%	21.46%	17.25%	25.90%
Number of shares outstanding at the end of the period (in 000's)	10,709	6,559	4,908	4,908	4,908

⁽¹⁾ The selected per share data was calculated using the average shares outstanding method.

⁽²⁾ Total investment return is calculated assuming a purchase of common shares at the market price on the first day and a sale at the market price on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Past performance is not a guarantee of future results.

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies – The Rivus Bond Fund (the “Fund”), a Delaware statutory trust, is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end, management investment company. The following is a summary of significant accounting policies consistently followed by the Fund in preparation of its financial statements. The policies are in conformity with generally accepted accounting principles within the United States of America (“GAAP”).

- A. Security Valuation** – In valuing the Fund’s net assets, all securities for which representative market quotations are available will be valued at the last quoted sales price on the security’s principal exchange on the day of valuation. If there are no sales of the relevant security on such day, the security will be valued at the bid price at the time of computation. Prices for securities traded in the over-the-counter market, including listed debt and preferred securities, whose primary market is believed to be over-the-counter, normally are supplied by independent pricing services. Securities for which market quotations are not readily available will be valued at their respective fair values as determined in good faith by, or under procedures established by the Board of Trustees. At March 31, 2011, there were no securities valued using fair value procedures.

Fair Value Measurements – The Fund has adopted authoritative fair value accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value, a discussion in changes in valuation techniques and related inputs during the period and expanded disclosure of valuation levels for major security types. These inputs are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

NOTES TO FINANCIAL STATEMENTS — continued

Following is a description of the valuation techniques applied to the Fund's major categories of assets measured at fair value on a recurring basis as of March 31, 2011.

	Total Market Value at 03/31/11	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs†
COMMON STOCK*	\$ 84,130	\$ 84,130	\$ —	\$ —
CORPORATE DEBT SECURITIES	180,456,492	—	180,456,492	—
ASSET BACKED SECURITIES	1,520,161	—	1,520,161	—
COMMERCIAL MORTGAGE-BACKED SECURITIES	12,872,526	—	12,872,526	—
RESIDENTIAL MORTGAGE-BACKED SECURITIES	5,064,153	—	4,705,558	358,595
MUNICIPAL BOND	2,727,542	—	2,727,542	—
U.S. TREASURY SECURITIES	6,650,360	—	6,650,360	—
GOVERNMENT BOND	102,000	—	102,000	—
PREFERRED STOCK	750,228	750,228	—	—
TOTAL INVESTMENTS	\$210,227,592	\$ 834,358	\$209,034,639	\$ 358,595

* See Schedule of Investments for industry breakout.

† All assets in Level 3 as of March 31, 2011 were valued using broker quotes.

Following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determined fair value:

	Corporate Debt Securities (Market Value)
Balance as of March 31, 2010	\$ 1,544,970
Accrued discounts/premiums	(55,582)
Realized gain (loss)	—
Change in unrealized appreciation (depreciation)	(15,345)
Net purchases (sales)	429,522
Transfer out of Level 3	(1,544,970)
Balance as of March 31, 2011	\$ 358,595

At the end of each calendar quarter, management evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates Level 1 and 2 assets and liability on a quarterly basis for changes in listings or delistings on national exchanges. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities. The Fund's policy is to recognize the values transfers in and out as of the beginning of the fiscal period. For the year ended March 31, 2011, there were no significant transfers between Level 1 and 2 for the Fund.

Security transferred out of Level 3 was due to the availability of quoted prices in active markets.

NOTES TO FINANCIAL STATEMENTS — continued

B. Determination of Gains or Losses on Sale of Securities – Gains or losses on the sale of securities are calculated for financial reporting purposes and for federal tax purposes using the identified cost basis. The identified cost basis for financial reporting purposes differs from that used for federal tax purposes in that the amortized cost of the securities sold is used for financial reporting purposes and the original cost of the securities sold is used for federal tax purposes, except for those instances where tax regulations require the use of amortized cost.

C. Federal Income Taxes – It is the Fund’s policy to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Management has analyzed the Fund’s tax positions taken on federal income tax returns for all open tax years (tax years March 31, 2008-2010) or expected to be taken on the Fund’s 2011 tax return, and has concluded that no provision for federal income tax is required in the Fund’s financial statements. The Fund’s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

D. Other – Security transactions are accounted for on the trade date. Interest income is accrued daily. Premiums and discounts are amortized using the interest method. Paydown gains and losses on mortgage-backed and asset-backed securities are presented as an adjustment to interest income. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

E. Distributions to Shareholders and Book/Tax Differences – Distributions of net investment income will be made quarterly. Distributions of any net realized capital gains will be made annually. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments for amortization of market premium and accretion of market discount and the merger with the Hartford Income Shares Fund. In order to reflect permanent book/tax differences that occurred during the fiscal year ended March 31, 2011, the following capital accounts were adjusted for the following amounts:

<u>Undistributed (Overdistributed) Net Investment Income</u>	<u>Net Realized Gain/(Loss)</u>	<u>Accumulated Paid-In Capital</u>
\$203,553	\$(17,621,975)	\$17,418,422

Distributions during the fiscal years ended March 31, 2011 and 2010 were characterized as follows for tax purposes:

	<u>Ordinary Income</u>	<u>Return of Capital</u>	<u>Capital Gain</u>	<u>Total Distribution</u>
FY 2011	\$ 8,735,491	\$ —	\$ —	\$ 8,735,491
FY 2010	\$ 6,593,096	\$ —	\$ —	\$ 6,593,096

At March 31, 2011, the components of distributable earnings on a tax basis were as follows:

<u>Total*</u>	<u>Accumulated Ordinary Income</u>	<u>Capital Loss Carryforward and Other</u>	<u>Post-October Loss</u>	<u>Net Unrealized Appreciation</u>
<u>\$(4,737,392)</u>	<u>\$1,316,484</u>	<u>\$(22,972,163)</u>	<u>\$(77,112)</u>	<u>\$16,995,399</u>

* Temporary differences include book amortization and deferral of post-October losses, if any, which will be recognized for the tax year ending March 31, 2011.

NOTES TO FINANCIAL STATEMENTS — continued

As of March 31, 2011, the capital loss carryovers available to offset possible future capital gains were as follows:

<u>Amount</u>	<u>Expiration Date</u>
\$1,767,533	2012
571,125	2013
746,582	2015
5,234,565	2016
11,082,544	2017
3,569,697	2018

Capital loss carryforwards are subject to usage limitations. During the year ended March 31, 2011, capital loss carryforwards in the amount of \$256,756 were utilized and \$6,163,041 were expired off and cannot be used going forward.

At March 31, 2011, the following table shows for federal tax purposes the aggregate cost of investments, the net unrealized appreciation of those investments, the aggregate gross unrealized appreciation of all securities with an excess of market value over tax cost and the aggregate gross unrealized depreciation of all securities with an excess of tax cost over market value:

<u>Aggregate Tax Cost</u>	<u>Net Unrealized Appreciation</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized (Depreciation)</u>
\$193,232,193	\$16,995,399	\$20,520,258	\$(3,524,859)

The difference between book basis and tax-basis unrealized appreciation is attributable primarily to the differing treatments for amortization of market premium and accretion of market discount.

F. Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Portfolio Transactions – The following is a summary of the security transactions, other than short-term investments, for the year ended March 31, 2011:

	<u>Cost of Purchases</u>	<u>Proceeds from Sales or Maturities</u>
U.S. Government Securities	\$ 7,728,014	\$ 16,581,723
Other Investment Securities	\$ 35,994,402	\$ 16,000,316

Note 3 – Capital Stock – At March 31, 2011, there were an unlimited number of shares of beneficial interest (\$0.01 par value) authorized, with 10,708,597 shares issued and outstanding (See Notes 7).

Note 4 – Investment Advisory Contract, Payments to Affiliated Persons and Trustee Compensation – Cutwater Investor Services Corp. (“Cutwater”) serves as Investment Adviser to the Fund. Cutwater is entitled to a fee at the annual rate of 0.50% on the first \$100 million of the Fund’s month end net assets and 0.40% on the Fund’s month-end net assets in excess of \$100 million.

NOTES TO FINANCIAL STATEMENTS — continued

BNY Mellon Investment Servicing (US) Inc. (“BNY Mellon”), (formerly known as PNC Global Investment Servicing (U.S.), Inc.), a member of The Bank of New York Mellon Corporation, provides accounting and administrative services to the Fund. The Investment Adviser voluntarily agreed to pay these fees through October 22, 2010. Effective October 23, 2010, the Fund pays all fees related to accounting and administrative services.

The Trustees of the Fund receive an annual retainer, meeting fees and out of pocket expenses for meetings attended. The aggregate remuneration paid to the Trustees by the Fund during the year ended March 31, 2011 was \$68,500. Certain officers of the Fund are also directors, officers and/or employees of investment adviser. None of the Fund’s officers receives compensation from the Fund.

Note 5 – Dividend and Distribution Reinvestment – In accordance with the terms of the Automatic Dividend Investment Plan (the “Plan”), for shareholders who so elect, dividends and distributions are made in the form of previously unissued Fund shares at the net asset value if on the Friday preceding the payment date (the “Valuation Date”) the closing New York Stock Exchange price per share, plus the brokerage commissions applicable to one such share equals or exceeds the net asset value per share. However, if the net asset value is less than 95% of the market price on the Valuation Date, the shares issued will be valued at 95% of the market price. If the net asset value per share exceeds market price plus commissions, the dividend or distribution proceeds are used to purchase Fund shares on the open market for participants in the Plan. During the year ended March 31, 2011 the Fund issued no shares under this Plan.

Note 6 – Rights Offering – On August 7, 2009 the Fund completed its transferable rights offering. In accordance with the terms of the rights offering described in the Fund’s prospectus an additional 1,650,893 shares were issued at a subscription price of \$15.77 per share, making the gross proceeds raised by the offering \$26,034,583, before offering-related expenses. Dealer/manager fees of \$976,297 and offering costs of approximately \$550,332 were deducted from the gross proceeds making the net proceeds available for investment by the Fund \$24,507,954. The dilution impact of the offering was \$0.88 per share or 4.79% of the \$18.34 net asset value per share on August 7, 2009, the expiration and pricing date of the offering.

Note 7 – Reorganization – As of the close of business on October 22, 2010, the reorganization of The Hartford Income Shares Fund, Inc. (“HSF”) into the Fund was completed. The reorganization was effected at an exchange ratio calculated as the net asset value per share of HSF divided by the net asset value per share of the Fund, each determined as of the close of trading on the New York Stock Exchange on the October 22, 2010. HSF was credited with 4,150,026 shares of beneficial interest of the Fund at \$20.07 net asset value per share. As a result of the reorganization, each shareholder of HSF received shares of the Fund with an aggregate net asset value that is equal to the aggregate net asset value of the shares of HSF held by that shareholder as of the close of business on October 22, 2010.

The shares outstanding of HSF immediately before the merger and shares of the Fund issued to HSF shareholders were:

Merged Fund	Shares Exchanged	Acquiring Fund	Shares Issued	Net Asset Value	Conversion Ratio
Hartford Income Shares Fund, Inc.	13,066,832	Rivus Bond Fund	4,150,026	\$20.07	0.3176

NOTES TO FINANCIAL STATEMENTS — continued

The net assets and net unrealized appreciation/(depreciation) of HSF and the net assets of the Fund immediately before the merger were as follows:

Merged Fund	Net Assets	Unrealized Appreciation/ (Depreciation)	Acquiring Fund	Net Assets
Hartford Income Shares Fund, Inc.	\$83,300,387	\$2,952,824	Rivus Bond Fund	\$131,643,157

Assuming the acquisition had been completed on April 1, 2010, the Fund’s results of operations for the year ended March 31, 2011 would have been as follows:

Net investment income/(loss)	\$12,031,298
Net realized and unrealized gain/(loss) on investments	\$7,016,957
Net increase in assets from operations	\$19,048,255

Because the combined investment portfolios have been managed as a single portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of HSF that have been included in the Fund’s Statement of Operations since October 22, 2010.

Note 8 – New Accounting Pronouncement – In January 2010, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update “Improving Disclosures about Fair Value Measurements” (“ASU”). The ASU requires enhanced disclosures about a) transfers into and out of Levels 1 and 2, and b) purchases, sales, issuances, and settlements on a gross basis relating to Level 3 measurements. This disclosure will become effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact this disclosure may have on the Fund’s financial statements.

Note 9 – Subsequent Event – Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

SHAREHOLDER INFORMATION (Unaudited)**ADDITIONAL INFORMATION REGARDING THE FUND'S TRUSTEES AND OFFICERS**

<u>Name, Address and Age</u>	<u>Position Held With Fund</u>	<u>Principal Occupation During the Past 5 Years</u>	<u>Term of Office and Length of Time Served</u>
W. Thacher Brown* 113 King Street Armonk, NY 10504 Born: December 1947	Trustee	Former President of MBIA Asset Management LLC, from July 1998 to September 2004; and Former President of 1838 Investment Advisors, LLC from July 1988 to May 2004.	Shall serve until the next annual meeting or until his successor is qualified. Trustee since 1988
Morris Lloyd, Jr. 113 King Street Armonk, NY 10504 Born: September 1937	Trustee	Retired; former Development Officer, Trinity College from April 1996 to June 2002.	Shall serve until the next annual meeting or until his successor is qualified. Trustee since 1989
Ellen D. Harvey 113 King Street Armonk, NY 10504 Born: February 1954	Trustee	Consultant with Lindsay Criswell LLC beginning July 2008. Principal with the Vanguard Group from January 2008 to June 2008; and Senior Vice President with Mercantile Safe-Deposit & Trust from February 2003 to October 2007.	Shall serve until the next annual meeting or until her successor is qualified. Trustee since 2010
Suzanne P. Welsh 113 King Street Armonk, NY 10504 Born: March 1953	Trustee	Vice President for Finance and Treasurer, Swarthmore College since 2002.	Shall serve until the next annual meeting or until her successor is qualified. Trustee since 2008
Clifford D. Corso* Cutwater 113 King Street Armonk, NY 10504 Born: October 1961	President	Chief Executive Officer and Chief Investment Officer, Cutwater Investor Services Corp.; Managing Director and Chief Investment Officer, MBIA Insurance Corporation; officer of other affiliated entities of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2005
Joseph L. Sevely* Cutwater 113 King Street Armonk, NY 10504 Born: January 1960	Treasurer	Director of Cutwater Investor Services Corp.; Director and officer of other affiliated entities of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2010
Thomas E. Stabile* Cutwater 113 King Street Armonk, NY 10504 Born: March 1974	Assistant Treasurer	Officer of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2010
Leonard I. Chubinsky* Cutwater 113 King Street Armonk, NY 10504 Born: December 1948	Secretary	Deputy General Counsel of MBIA Insurance Corporation; officer of other affiliated entities of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2005

SHAREHOLDER INFORMATION (Unaudited) - continued
ADDITIONAL INFORMATION REGARDING THE FUND’S TRUSTEES AND OFFICERS

Name, Address and Age	Position Held With Fund	Principal Occupation During the Past 5 Years	Term of Office and Length of Time Served
Richard J. Walz* Cutwater 113 King Street Armonk, NY 10504 Born: April 1959	Chief Compliance Officer	Officer of several affiliated entities of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2005
Robert T. Claiborne* Cutwater 113 King Street Armonk, NY 10504 Born: August 1955	Vice President	Officer of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2006
Gautam Khanna* Cutwater 113 King Street Armonk, NY 10504 Born: October 1969	Vice President	Officer of Cutwater Investor Services Corp.	Shall serve until death, resignation, or removal. Officer since 2006

* Denotes a trustee/officer who is an “interested person” of the Fund as defined under the provisions of the Investment Company Act of 1940. Mr. Brown is an “interested person” because he has an interest in MBIA Inc., the parent of the Fund’s Investment Adviser. Messrs. Corso, Sevely, Stabile, Chubinsky, Walz, Claiborne and Khanna are “interested persons” by virtue of being employees of the Fund’s Investment Adviser.

HOW TO GET INFORMATION REGARDING PROXIES

The Fund has adopted the Adviser’s proxy voting policies and procedures to govern the voting of proxies relating to the voting securities of the Fund. You may obtain a copy of these proxy voting procedures, without charge, by calling (800) 765-6242 or on the Securities and Exchange Commission website at www.sec.gov.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available, without charge, by calling (800) 765-6242 or on the SEC’s website at www.sec.gov.

QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the Security and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission’s website at www.sec.gov. The filed form may also be viewed and copied at the Commission’s Public Reference Room in Washington, D.C., information on the operation of the Commission’s Public Reference Room may be obtained by calling 1-800-SEC-0330. Additionally, the Fund makes the information on Form N-Q available to shareholders on its website at <http://www.cutwater.com/rivus-bond-fund-characteristics.aspx>.

ADDITIONAL TAX INFORMATION

For corporate shareholders, the percentage of investment income (dividend income and short-term gains, if any) for the Fund that qualify for the dividends-received deductions for the year ended March 31, 2011 was 0.11%.

SHAREHOLDER INFORMATION (Unaudited)- continued

For the year ended March 31, 2011, certain dividends paid by the Fund may be subject to a maximum tax rate of 15%, as provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Of the distributions made by the Fund, 0.11% represents the amount of each distribution which may qualify for the 15% dividend income tax rate. Shareholders should not use this tax information to prepare their tax returns. The information will be included with your Form 1099 DIV which will be sent to you separately in January 2012.

DIVIDEND REINVESTMENT PLAN

The Fund has established a plan for the automatic investment of dividends and distributions pursuant to which dividends and capital gain distributions to shareholders will be paid in or reinvested in additional shares of the Fund. All shareholders of record are eligible to join the Plan. BNY Mellon acts as the agent (the “Agent”) for participants under the Plan.

Shareholders whose shares are registered in their own names may elect to participate in the Plan by completing an authorization form and returning it to the Agent. Shareholders whose shares are held in the name of a broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan.

Dividends and distributions are reinvested under the Plan as follows. If the market price per share on the Friday before the payment date for the dividend or distribution (the “Valuation Date”), plus the brokerage commissions applicable to one such share, equals or exceeds the net asset value per share on that date, the Fund will issue new shares to participants valued at the net asset value or, if the net asset value is less than 95% of the market price on the Valuation Date, then valued at 95% of the market price. If net asset value per share on the Valuation Date exceeds the market price per share on that date, plus the brokerage commissions applicable to one such share, the Agent will buy shares on the open market, on the New York Stock Exchange, for the participants’ accounts. If before the Agent has completed its purchases, the market price exceeds the net asset value of shares, the average per share purchase price paid by the Agent may exceed the net asset value of shares, resulting in the acquisition of fewer shares than if the dividend or distribution has been paid in shares issued by the Fund at net asset value.

There is no charge to participants for reinvesting dividends or distributions payable in either shares or cash. The Agent’s fees for handling of reinvestment of such dividends and distributions will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or distributions payable either in shares or cash. However, each participant will be charged by the Agent a pro rata share of brokerage commissions incurred with respect to Agent’s open market purchases in connection with the reinvestment of dividends or distributions payable only in cash.

For purposes of determining the number of shares to be distributed under the Plan, the net asset value is computed on the Valuation Date and compared to the market value of such shares on such date. The Plan may be terminated by a participant by delivery of written notice of termination to the Agent at the address shown below. Upon termination, the Agent will cause a certificate or certificates for the full shares held for a participant under the Plan and a check for any fractional shares to be delivered to the former participant.

Distributions of investment company taxable income that are invested in additional shares generally are taxable to shareholders as ordinary income. A capital gain distribution that is reinvested in shares is taxable to shareholders as long-term capital gain, regardless of the length of time a shareholder has held the shares or whether such gain was realized by the Fund before the shareholder acquired such shares and was reflected in the price paid for the shares.

SHAREHOLDER INFORMATION (Unaudited)- continued

Plan information and authorization forms are available from BNY Mellon Investment Servicing (US) Inc., P.O. Box 43027, Providence, RI 02940-3027.

PRIVACY POLICY

The privacy of your personal financial information is extremely important to us. When you open an account with us, we collect a significant amount of information from you in order to properly invest and administer your account. We take very seriously the obligation to keep that information private and confidential, and we want you to know how we protect that important information.

We collect nonpublic personal information about you from applications or other forms you complete and from your transactions with us or our affiliates. We do not disclose information about you, or our former clients, to our affiliates or to service providers or other third parties, except as permitted by law. We share only the minimum information required to properly administer your accounts, which enables us to send transaction confirmations, monthly or quarterly statements, financials and tax forms. Even within Cutwater and its affiliated entities, only a limited number of people who actually service accounts will ever have access to your personal financial information. Further, we do not share information about our current or former clients with any outside marketing groups or sales entities.

To ensure the highest degree of security and confidentiality, Cutwater and its affiliates maintain various physical, electronic and procedural safeguards to protect your personal information. We also apply special measures for authentication of information you request or submit to us on our Web site - www.cutwater.com.

NOTICE

The Fund's Audit Committee adopted an audit committee charter on September 10, 2003. A copy of the audit committee charter was included as Appendix A to the Fund's proxy statement filed with the U.S. Securities and Exchange Commission in May, 2004, which is available on the SEC website: www.sec.gov. A copy of the Fund's audit committee charter is also available to shareholders, free of charge, upon request by calling the Fund at 800-331-1710.

ANNUAL CERTIFICATION

The Fund's CEO has submitted to the NYSE the required annual certification, and the Fund also has included the certifications of the Fund's CEO and CFO required by Section 302 of the Sarbanes-Oxley Act of 2002 in the Fund's Forms N-CSR filed with the Securities and Exchange Commission for the period of this report.

HOW TO GET ASSISTANCE WITH SHARE TRANSFER OR DIVIDENDS

Contact Your Transfer Agent:
BNY Mellon Investment Servicing (US) Inc.
P.O. Box 43027, Providence, RI 02940-3027, or call 1-800-331-1710

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THOMAS E. STABILE
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RICHARD WALZ
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