

Semiannual Report

March 31, 2010

Fixed Income Funds

Waddell & Reed Advisors Bond Fund

Waddell & Reed Advisors Global Bond Fund

Waddell & Reed Advisors Government Securities Fund

Waddell & Reed Advisors High Income Fund

Waddell & Reed Advisors Municipal Bond Fund

Waddell & Reed Advisors Municipal High Income Fund

Money Market Fund

Waddell & Reed Advisors Cash Management



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Waddell & Reed Advisors Funds

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This report is submitted for the general information of the shareholders of Waddell & Reed Advisors Funds. It is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by a current Waddell & Reed Advisors Funds prospectus, or summary prospectus, and current performance information, including current Lipper ranking information.



Henry J. Herrmann, CFA

Dear Shareholder:

Over the last six months, investors have witnessed the continuation of economic recovery that began in March 2009, when several government programs were implemented to stabilize the economy and financial markets. These aggressive efforts, and similar policies implemented in many foreign markets, eliminated the threat of a global financial and economic meltdown, which seemed almost inevitable in the absence of any response.

Despite the bleak economic outlook at that time, investors began to slowly demonstrate some appetite for risk, recognizing the power of the initiatives put in place. Stocks and bonds began to rally. By the third quarter of 2009, gross domestic product expanded at a 2.28 percent annualized rate. Progress continued as 2009 wound to a close. In the fourth quarter of 2009, gross domestic product expanded 5.3 percent. Stocks, which first turned up in March, continued their upward trajectory into early 2010.

Challenges remain, including persistent high unemployment, continued stress in the beleaguered U.S. housing sector, a ballooning government deficit and substantial uncertainty regarding the effect of the inevitable unwinding of all of the stimulus initiatives. Nonetheless, markets closed the six months ended March 31, 2010 modestly higher; the S&P 500 Index gained 2.02 percent during the period. International markets, as measured by the MSCI EAFE Index, gained 10.63 percent. Fixed income markets, as measured by the Citigroup Broad Investment Grade Index, were relatively flat, increasing 0.04 percent for the six months.

Although numerous imponderables remain, we are optimistic that better days are ahead. Interest rates are low, government policy remains accommodative, companies are reporting more robust activity and job creation seems to be developing. The economy in the first calendar quarter expanded at a 3.2 percent rate. Corporate profits in the quarter are expanding sharply; this backdrop should translate into a higher stock market, as my belief continues to be that stock prices follow earnings.

Economic Snapshot

| | 3/31/10 | 9/30/2009 |
|--|---------|-----------|
| S&P 500 Index | 1169.43 | 1057.08 |
| MSCI EAFE Index | 1584.27 | 1552.84 |
| Citigroup Broad Investment Grade Index (annualized yield to maturity) | 3.26% | 3.22% |
| U.S. unemployment rate | 9.7% | 9.8% |
| 30-year fixed mortgage rate | 4.99% | 4.94% |
| Oil price per barrel | \$83.76 | \$70.82 |

Sources: Bloomberg, U.S. Department of Labor

All government statistics shown are subject to periodic revision. The S&P 500 Index is an unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies. MSCI EAFE Index is an unmanaged index comprised of securities that represent the securities markets in Europe, Australasia and the Far East. Citigroup Broad Investment Grade Index is an unmanaged index comprised of securities that represent the bond market. Annualized yield to maturity is the rate of return anticipated on a bond if it is held until the maturity date. It is not possible to invest directly in any of these indexes. Mortgage rates shown reflect the average rate on a conventional loan with a 60-day lender commitment. Oil prices reflect the market price of West Texas intermediate grade crude.

As always, we thank you for your continued trust in Waddell & Reed Advisors Funds, and encourage you to share in our optimism for the future.

Respectfully,

Henry J. Herrmann, CFA
 President

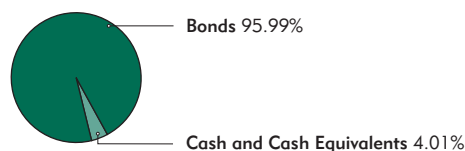
The opinions expressed in this letter are those of the President of the Waddell & Reed Advisors Funds, and are current only through the end of the period of the report, as stated on the cover. The President's views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

PORTFOLIO HIGHLIGHTS

Bond Fund

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



| | |
|--|---------------|
| Bonds | 95.99% |
| Corporate Debt Securities | 50.87% |
| United States Government and Government Agency Obligations | 42.59% |
| Municipal Bonds – Taxable | 1.47% |
| Other Government Securities | 1.06% |
| Cash and Cash Equivalents | 4.01% |

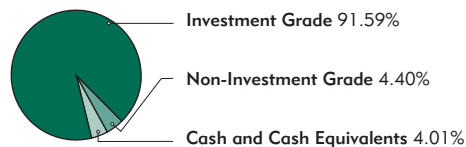
Lipper Rankings

| Category: Lipper Corporate Debt Funds A Rated | | |
|---|---------|------------|
| | Rank | Percentile |
| 1 Year | 134/146 | 92 |
| 3 Year | 93/137 | 68 |
| 5 Year | 80/125 | 64 |
| 10 Year | 43/65 | 66 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Certain U.S. government securities such as Treasury securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

Quality Weightings



| | |
|----------------------------------|---------------|
| Investment Grade | 91.59% |
| AAA | 49.02% |
| AA | 9.44% |
| A | 21.42% |
| BBB | 11.71% |
| Non-Investment Grade | 4.40% |
| BB | 2.99% |
| B | 0.11% |
| CCC | 1.28% |
| Below CCC | 0.02% |
| Cash and Cash Equivalents | 4.01% |

Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The Illustration of Fund Expenses for each Fund is intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. Each example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended March 31, 2010.

Actual Expenses

The first line for each share class in each table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$7,500 account value divided by \$1,000 = 7.5), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. There may be additional fees charged to holders of certain accounts that are not included in the expenses shown in the tables. These fees apply to Individual Retirement Accounts (IRAs), IRA Rollovers, Roth IRAs, Conversion Roth IRAs, Simplified Employee Pension (SEP), Simple IRAs, Tax-Sheltered Accounts (TSAs), Keogh Plans, Owner Only 401(k) (Exclusive K) Plans and Final Pay Plans. As of the close of the six months covered by the tables, a customer is charged an annual fee of \$15 within each plan type. This fee is waived for IRA Rollovers and Conversion Roth IRAs if the customer owns another type of IRA. Coverdell Education Savings Account plans are charged an annual fee of \$10 per customer. You should consider the additional fees that were charged to your Fund account over the six-month period when you estimate the total ongoing expenses paid over the period and the impact of these fees on your ending account value as such additional expenses are not reflected in the information provided in the expense tables. Additional fees have the effect of reducing investment returns.

Hypothetical Example for Comparison Purposes

The second line for each share class in each table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of five percent per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this five percent hypothetical example with the five percent hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the tables are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

ILLUSTRATION OF FUND EXPENSES

Bond Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,020.90 | 1.01% | \$ 5.05 |
| Class B | \$1,000 | \$1,016.00 | 2.05% | \$ 10.28 |
| Class C | \$1,000 | \$1,016.60 | 1.89% | \$ 9.48 |
| Class Y | \$1,000 | \$1,024.10 | 0.69% | \$ 3.54 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,019.89 | 1.01% | \$ 5.05 |
| Class B | \$1,000 | \$1,014.69 | 2.05% | \$ 10.27 |
| Class C | \$1,000 | \$1,015.50 | 1.89% | \$ 9.47 |
| Class Y | \$1,000 | \$1,021.47 | 0.69% | \$ 3.54 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES | Principal | Value |
|---|-----------|----------|
| Aerospace & Defense – 0.47% | | |
| Honeywell International Inc., 5.000%, 2–15–19 | \$ 5,000 | \$ 5,207 |
| Banking – 5.35% | | |
| Credit Suisse AG, 3.500%, 3–23–15 | 7,000 | 6,973 |
| Deutsche Bank AG, 3.450%, 3–30–15 | 12,400 | 12,319 |
| Goldman Sachs Group, Inc. (The), 5.375%, 3–15–20 | 7,000 | 6,935 |
| JPMorgan Chase & Co.: 4.650%, 6–1–14 | 7,000 | 7,397 |
| 6.000%, 1–15–18 | 10,000 | 10,856 |
| KeyBank National Association (Federal Deposit Insurance Corporation), 3.200%, 6–15–12 (A) | 8,000 | 8,308 |
| U.S. Bancorp, 4.200%, 5–15–14 | 6,200 | 6,505 |
| | | 59,293 |
| Beverage / Bottling – 1.22% | | |
| Anheuser-Busch InBev Worldwide Inc.: 5.375%, 11–15–14 (B) | 8,000 | 8,665 |
| 5.375%, 1–15–20 | 2,000 | 2,063 |
| Bottling Group, LLC, 5.125%, 1–15–19 | 2,800 | 2,934 |
| | | 13,662 |
| Biotechnology – 0.81% | | |
| Amgen Inc.: 6.150%, 6–1–18 | 6,000 | 6,752 |
| 5.700%, 2–1–19 | 2,000 | 2,191 |
| | | 8,943 |
| Broadcasting – 0.44% | | |
| CBS Corporation, 8.875%, 5–15–19 | 4,076 | 4,924 |
| Building Products – 0.42% | | |
| Hanson PLC, 7.875%, 9–27–10 | 4,500 | 4,623 |
| Cable & Satellite – 1.66% | | |
| Comcast Cable Communications, Inc., 8.500%, 5–1–27 | 5,250 | 5,871 |
| Comcast Corporation, 5.150%, 3–1–20 | 4,000 | 4,036 |
| EchoStar DBS Corporation, 6.375%, 10–1–11 | 3,000 | 3,120 |
| Walt Disney Company (The), 4.700%, 12–1–12 | 5,000 | 5,394 |
| | | 18,421 |
| CMBS Other – 2.84% | | |
| COMM 2005-C6, 5.144%, 6–10–44 | 18,500 | 19,237 |
| J.P. Morgan Chase Commercial Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2004-C1, 4.719%, 1–15–38 | 6,000 | 6,156 |
| Merrill Lynch Mortgage Trust 2005-CIP1, 4.949%, 7–12–38 (C) | 6,000 | 6,068 |
| | | 31,461 |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|----------|
| Coal & Consumable Fuels – 0.27% | | |
| Peabody Energy Corporation, 6.875%, 3–15–13 | \$ 3,000 | \$ 3,034 |
| Computer Hardware – 1.33% | | |
| Hewlett-Packard Company: 6.500%, 7–1–12 | 6,000 | 6,639 |
| 4.750%, 6–2–14 | 3,000 | 3,239 |
| International Business Machines Corporation, 7.625%, 10–15–18 | 4,000 | 4,925 |
| | | 14,803 |
| Conglomerate / Diversified Mfg – 0.46% | | |
| Westinghouse Electric Corporation, 8.875%, 6–14–14 | 4,500 | 5,104 |
| Diversified Banks – 0.48% | | |
| Wells Fargo Financial, Inc., 5.500%, 8–1–12 | 5,000 | 5,369 |
| Diversified Chemicals – 1.68% | | |
| Dow Chemical Company (The), 7.600%, 5–15–14 | 1,975 | 2,255 |
| E.I. du Pont de Nemours and Company: 5.000%, 1–15–13 | 3,900 | 4,211 |
| 5.875%, 1–15–14 | 2,150 | 2,391 |
| 5.750%, 3–15–19 | 9,000 | 9,786 |
| | | 18,643 |
| Diversified Metals & Mining – 0.35% | | |
| BHP Billiton Finance (USA) Limited, 5.500%, 4–1–14 | 3,500 | 3,851 |
| Electric – 0.99% | | |
| HQI Transelec Chile S.A., 7.875%, 4–15–11 | 1,218 | 1,282 |
| NorthWestern Corporation, 6.340%, 4–1–19 | 7,000 | 7,498 |
| Pepco Holdings, Inc., 4.000%, 5–15–10 | 2,250 | 2,258 |
| | | 11,038 |
| Electrical Components & Equipment – 0.24% | | |
| Emerson Electric Co., 4.875%, 10–15–19 | 2,500 | 2,615 |
| Environmental & Facilities Services – 0.15% | | |
| Allied Waste North America, Inc., 7.125%, 5–15–16 | 1,500 | 1,629 |
| Finance – Other – 3.07% | | |
| General Electric Capital Corporation: 5.250%, 10–19–12 | 5,250 | 5,636 |
| 3.750%, 11–14–14 | 11,000 | 11,144 |
| 5.625%, 5–1–18 | 5,500 | 5,748 |
| TIAA Global Markets, Inc., 5.125%, 10–10–12 (B) | 2,300 | 2,471 |
| Western Union Company (The), 6.500%, 2–26–14 | 8,000 | 9,022 |
| | | 34,021 |
| Gas – Local Distribution – 0.66% | | |
| AGL Capital Corporation, 7.125%, 1–14–11 | 7,000 | 7,319 |

SCHEDULE OF INVESTMENTS

Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Gas Pipe Lines – 1.82% | | |
| Maritimes & Northeast Pipeline, L.L.C., 7.500%, 5–31–14 (B) | \$ 9,809 | \$ 10,729 |
| Northern Natural Gas, 7.000%, 6–1–11 (D) | 3,000 | 3,191 |
| Tennessee Gas Pipeline Company, 7.000%, 3–15–27 | 6,000 | 6,326 |
| | | <u>20,246</u> |
| Health Care Facilities – 0.06% | | |
| HCA Inc., 8.750%, 9–1–10 | 609 | 621 |
| Health Care Supply – 0.72% | | |
| Medtronic, Inc., 3.000%, 3–15–15 | 8,000 | 7,960 |
| Household Appliances – 0.27% | | |
| Controladora Mabe, S.A. de C.V., 6.500%, 12–15–15 (D) | 3,000 | 3,000 |
| Household Products – 1.12% | | |
| Procter & Gamble Company (The), 8.000%, 9–1–24 | 10,000 | 12,379 |
| Industrial – Other – 0.39% | | |
| Bombardier Inc., 7.500%, 3–15–18 (B) | 4,200 | 4,379 |
| Industrial Machinery – 0.68% | | |
| Illinois Tool Works Inc., 5.150%, 4–1–14 | 7,000 | 7,641 |
| Integrated Telecommunication Services – 0.67% | | |
| AT&T Inc.: 4.950%, 1–15–13 | 2,000 | 2,148 |
| 5.800%, 2–15–19 | 1,500 | 1,603 |
| AT&T Wireless Services, Inc., 7.875%, 3–1–11 | 3,500 | 3,725 |
| | | <u>7,476</u> |
| Investment Banking & Brokerage – 1.56% | | |
| Morgan Stanley, 4.100%, 1–26–15 | 17,450 | 17,356 |
| Life Insurance – 0.46% | | |
| Prudential Financial, Inc., 4.750%, 9–17–15 | 5,000 | 5,145 |
| Metals / Mining – 0.76% | | |
| Rio Tinto Finance (USA) Limited, 8.950%, 5–1–14 | 7,000 | 8,434 |
| Multi-Utilities – 1.41% | | |
| Dominion Resources, Inc., 5.250%, 8–1–33 | 7,500 | 7,929 |
| Duke Energy Corporation, 6.250%, 1–15–12 | 3,325 | 3,608 |
| Duke Energy Ohio, Inc., 2.100%, 6–15–13 | 4,000 | 4,005 |
| | | <u>15,542</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Oil & Gas – 1.10% | | |
| Shell International Finance B.V., 4.375%, 3–25–20 | \$7,000 | \$ 6,939 |
| Sunoco Logistics Partners Operations L.P., 8.750%, 2–15–14 | 4,500 | 5,219 |
| | | <u>12,158</u> |
| Oil & Gas Equipment & Services – 0.79% | | |
| Halliburton Company: 6.150%, 9–15–19 | 3,000 | 3,363 |
| 6.750%, 2–1–27 | 4,950 | 5,361 |
| | | <u>8,724</u> |
| Oilfield Machinery & Service – 0.92% | | |
| Weatherford International, Inc., 5.950%, 6–15–12 | 9,500 | 10,260 |
| Other Diversified Financial Services – 0.29% | | |
| Bank of America Corporation, 6.500%, 8–1–16 | 3,000 | 3,241 |
| Other Mortgage-Backed Securities – 0.64% | | |
| Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2005–2, 4.783%, 7–10–43 (C) | 7,000 | 7,150 |
| Other Non-Agency REMIC/CMO – 3.15% | | |
| Countrywide Home Loans Mortgage Pass- Through Trust 2005–28, 5.250%, 1–25–19 | 9,985 | 8,547 |
| Countrywide Home Loans Mortgage Trust 2005–J4, 5.500%, 11–25–35 | 8,250 | 5,984 |
| First Horizon Alternative Mortgage Securities Trust 2005–FA6, 5.500%, 9–25–35 | 6,000 | 3,733 |
| GSR Mortgage Loan Trust 2004–2F, 7.000%, 1–25–34 | 1,721 | 1,753 |
| MASTR Adjustable Rate Mortgage Trust 2005–1, 3.660%, 3–25–35 (C) | 6,307 | 788 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–1, 2.993%, 2–25–34 (C) | 2,811 | 1,139 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–12, 3.480%, 9–25–34 (C) | 3,535 | 34 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–18, 3.262%, 12–25–34 (C) | 5,500 | 67 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–3AC, 2.611%, 3–25–34 (C) | 3,497 | 549 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–5, 3.457%, 5–25–34 (C) | 2,878 | 142 |
| Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2005–21, 5.633%, 11–25–35 (C) | 1,173 | —* |

SCHEDULE OF INVESTMENTS

Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Other Non-Agency REMIC/CMO (Continued) | | |
| Structured Adjustable Rate Mortgage Loan Trust, Series 2005-22, 5.416%, 12-25-35 (C) | \$ 1,154 | \$ 1 |
| Structured Asset Securities Corporation Trust 2005-16, 5.500%, 9-25-35 | 7,000 | 5,753 |
| Wells Fargo Mortgage Pass-Through Certificates, Series 2003-10, 4.500%, 9-25-18 | 6,498 | 6,412 |
| | | <u>34,902</u> |
| Packaged Foods & Meats – 1.02% | | |
| Kraft Foods Inc.: | | |
| 4.125%, 2-9-16 | 7,625 | 7,723 |
| 5.375%, 2-10-20 | 3,500 | 3,557 |
| | | <u>11,280</u> |
| Paper / Forest Products – 0.10% | | |
| Westvaco Corporation, 7.500%, 6-15-27 | 1,190 | 1,157 |
| Pharmaceuticals – 3.59% | | |
| GlaxoSmithKline Capital Inc., 5.650%, 5-15-18 | 7,500 | 8,144 |
| Johnson & Johnson, 5.150%, 7-15-18 | 6,000 | 6,447 |
| Merck & Co., Inc., 4.750%, 3-1-15 | 4,500 | 4,867 |
| Novartis Capital Corporation: 2.900%, 4-24-15 | 5,000 | 4,965 |
| 4.400%, 4-24-20 | 2,000 | 1,999 |
| Pfizer Inc., 5.350%, 3-15-15 | 8,400 | 9,255 |
| Roche Holdings Ltd, 5.000%, 3-1-14 (B) | 4,000 | 4,321 |
| | | <u>39,998</u> |
| Property & Casualty Insurance – 1.89% | | |
| Berkshire Hathaway Finance Corporation: | | |
| 4.000%, 4-15-12 | 7,000 | 7,370 |
| 4.750%, 5-15-12 | 4,500 | 4,812 |
| 5.000%, 8-15-13 | 8,000 | 8,737 |
| | | <u>20,919</u> |
| Service – Other – 0.29% | | |
| Trustees of Princeton University (The), 4.950%, 3-1-19 | 3,000 | 3,170 |
| Soft Drinks – 0.81% | | |
| Coca-Cola Company (The), 5.350%, 11-15-17 | 7,000 | 7,699 |
| PepsiCo, Inc., 7.900%, 11-1-18 | 1,000 | 1,239 |
| | | <u>8,938</u> |
| Telecommunications – 2.59% | | |
| America Movil, S.A.B. de C.V., 5.000%, 3-30-20 (D) | 5,500 | 5,422 |
| British Telecommunications plc, 5.150%, 1-15-13 | 10,000 | 10,573 |
| Deutsche Telekom International Finance B.V., 4.875%, 7-8-14 | 6,000 | 6,308 |
| New York Telephone Company, 6.700%, 11-1-23 | 2,250 | 2,293 |
| Telecom Italia Capital, 6.999%, 6-4-18 | 3,750 | 4,056 |
| | | <u>28,652</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|-------------------|
| Tobacco – 0.60% | | |
| Philip Morris International Inc., 4.500%, 3-26-20 | \$ 6,800 | \$ 6,634 |
| Utilities – Water – 0.28% | | |
| California Water Service Company, 5.875%, 5-1-19 | 3,000 | 3,116 |
| TOTAL CORPORATE DEBT SECURITIES – 50.87% | | \$ 564,438 |
| (Cost: \$565,104) | | |

| MUNICIPAL BONDS – TAXABLE | | |
|---|--------|------------------|
| Massachusetts – 0.37% | | |
| MA Hlth and Edu Fac Auth, Rev Bonds, Harvard Univ Issue, Ser 2008C, 5.260%, 10-1-18 | 3,750 | 4,096 |
| New York – 1.10% | | |
| NYC Indl Dev Agy, 11.000%, 3-1-29 (D) | 10,750 | 12,217 |
| TOTAL MUNICIPAL BONDS – TAXABLE – 1.47% | | \$ 16,313 |
| (Cost: \$14,500) | | |

| OTHER GOVERNMENT SECURITIES | | |
|--|-------|------------------|
| Brazil – 0.14% | | |
| Federative Republic of Brazil (The), 9.250%, 10-22-10 | 1,500 | 1,570 |
| Canada – 0.92% | | |
| Province de Quebec, 7.140%, 2-27-26 | 9,200 | 10,247 |
| TOTAL OTHER GOVERNMENT SECURITIES – 1.06% | | \$ 11,817 |
| (Cost: \$10,953) | | |

| UNITED STATES GOVERNMENT AGENCY OBLIGATIONS | | |
|--|--------|---------------|
| Agency Obligations – 3.03% | | |
| Federal Farm Credit Bank: | | |
| 4.350%, 9-2-14 | 10,000 | 10,757 |
| 4.600%, 1-29-20 | 7,500 | 7,759 |
| Federal National Mortgage Association: | | |
| 4.000%, 1-18-13 | 5,000 | 5,118 |
| 3.100%, 10-16-15 | 10,000 | 9,985 |
| | | <u>33,619</u> |

| | | |
|---|-------|--------|
| Mortgage-Backed Obligations – 26.49% | | |
| Federal Home Loan Mortgage Corporation Adjustable Rate Participation Certificates: | | |
| 4.000%, 2-15-23 | 8,605 | 8,933 |
| 4.500%, 6-15-27 | 9,676 | 10,111 |
| 4.500%, 5-15-32 | 8,848 | 9,392 |
| 5.260%, 6-1-34 | 1,070 | 1,128 |
| 4.000%, 11-15-36 | 8,299 | 8,600 |
| 4.500%, 5-15-39 | 4,287 | 4,512 |

UNITED STATES GOVERNMENT

| AGENCY OBLIGATIONS (Continued) | Principal | Value |
|--|------------------|--------------|
| Mortgage-Backed Obligations (Continued) | | |
| Federal Home Loan Mortgage Corporation | | |
| Agency REMIC/CMO: | | |
| 4.000%, 5-15-16 | \$ 1,049 | \$ 1,077 |
| 5.000%, 5-15-19 | 4,500 | 4,820 |
| 5.000%, 7-15-19 | 1,553 | 1,561 |
| 5.000%, 5-15-23 | 5,500 | 5,810 |
| 4.250%, 3-15-31 | 914 | 931 |
| 5.000%, 5-15-31 | 6,031 | 6,257 |
| 5.500%, 9-15-31 | 5,395 | 5,591 |
| 5.000%, 9-15-32 | 2,866 | 3,047 |
| 5.500%, 5-15-34 | 1,308 | 1,400 |
| Federal Home Loan Mortgage Corporation | | |
| Agency REMIC/CMO (Interest Only): (E) | | |
| 5.000%, 9-15-31 | 4,691 | 459 |
| 5.500%, 10-15-31 | 5,933 | 428 |
| Federal Home Loan Mortgage Corporation | | |
| Fixed Rate Participation Certificates: | | |
| 4.000%, 6-1-14 | 1,287 | 1,323 |
| 4.500%, 4-1-18 | 1,640 | 1,720 |
| 4.500%, 3-1-19 | 1,616 | 1,698 |
| 4.500%, 10-1-20 | 6,200 | 6,524 |
| 5.000%, 6-1-21 | 2,868 | 3,051 |
| 5.500%, 3-1-22 | 5,304 | 5,709 |
| 6.000%, 7-1-22 | 2,465 | 2,662 |
| 6.000%, 8-1-22 | 1,668 | 1,802 |
| 5.000%, 7-1-25 | 4,421 | 4,606 |
| 6.000%, 2-1-27 | 2,575 | 2,764 |
| 5.000%, 3-1-35 | 2,989 | 3,094 |
| 5.500%, 10-1-35 | 3,536 | 3,742 |
| Federal National Mortgage Association | | |
| Agency REMIC/CMO: | | |
| 5.000%, 3-25-18 | 8,500 | 9,086 |
| 5.000%, 6-25-18 | 6,750 | 7,227 |
| 5.000%, 9-25-18 | 5,000 | 5,330 |
| 5.000%, 9-25-18 | 2,000 | 2,092 |
| 5.000%, 3-25-29 | 7,947 | 8,217 |
| 5.500%, 2-25-32 | 1,994 | 2,024 |
| 4.000%, 11-25-32 | 1,340 | 1,382 |
| 4.000%, 3-25-33 | 1,195 | 1,233 |
| 5.000%, 7-15-33 | 10,000 | 10,595 |
| 3.500%, 8-25-33 | 3,057 | 3,078 |
| 4.500%, 12-25-34 | 5,039 | 5,278 |
| 5.500%, 7-15-36 | 5,418 | 5,734 |
| 5.500%, 4-25-37 | 9,281 | 9,971 |
| 4.500%, 5-25-37 | 8,242 | 8,591 |
| 4.000%, 3-25-39 | 6,899 | 7,058 |
| Federal National Mortgage Association | | |
| Agency REMIC/CMO (Interest Only): (E) | | |
| 5.500%, 1-25-33 | 3,799 | 559 |
| 5.500%, 11-25-36 | 19,857 | 3,265 |
| 5.500%, 8-25-37 | 8,592 | 1,292 |
| Federal National Mortgage Association Fixed | | |
| Rate Pass-Through Certificates: | | |
| 4.000%, 11-1-18 | 2,717 | 2,817 |
| 4.500%, 6-1-19 | 4,653 | 4,889 |
| 4.500%, 8-1-19 | 5,086 | 5,344 |
| 4.500%, 9-1-19 | 8,510 | 8,900 |
| 5.000%, 12-1-19 | 2,714 | 2,889 |
| 5.000%, 6-1-20 | 1,101 | 1,171 |
| 5.500%, 11-1-22 | 5,923 | 6,390 |
| 5.500%, 10-1-23 | 1,689 | 1,805 |
| 5.000%, 4-1-24 | 4,462 | 4,648 |
| 4.500%, 7-25-24 | 3,000 | 3,095 |

UNITED STATES GOVERNMENT

| AGENCY OBLIGATIONS (Continued) | Principal | Value |
|---|------------------|-------------------|
| Mortgage-Backed Obligations (Continued) | | |
| Federal National Mortgage Association Fixed | | |
| Rate Pass-Through Certificates (Continued): | | |
| 5.000%, 5-1-28 | \$ 7,552 | \$ 7,853 |
| 5.500%, 9-25-31 | 3,853 | 4,041 |
| 5.000%, 6-25-32 | 4,885 | 5,145 |
| 5.500%, 2-1-33 | 3,625 | 3,846 |
| 6.000%, 4-1-33 | 1,451 | 1,576 |
| 5.000%, 9-1-33 | 7,454 | 7,730 |
| 5.500%, 2-1-35 | 6,976 | 7,399 |
| 5.000%, 5-1-35 | 4,241 | 4,385 |
| Government National Mortgage Association | | |
| Agency REMIC/CMO, | | |
| 4.585%, 8-16-34 | 5,000 | 5,265 |
| | | 293,952 |
| TOTAL UNITED STATES GOVERNMENT | | |
| AGENCY OBLIGATIONS – 29.52% | | \$ 327,571 |
| (Cost: \$319,080) | | |
| UNITED STATES GOVERNMENT | | |
| OBLIGATIONS – 13.07% | | |
| Treasury Obligations | | |
| United States Treasury Bond Principal STRIPS, | | |
| 0.000%, 11-15-21 (F) | 17,000 | 10,186 |
| United States Treasury Bonds: | | |
| 8.000%, 11-15-21 | 8,900 | 12,126 |
| 6.125%, 11-15-27 | 19,000 | 22,753 |
| United States Treasury Notes: | | |
| 4.250%, 8-15-13 | 33,300 | 36,035 |
| 4.000%, 2-15-14 | 9,000 | 9,672 |
| 2.375%, 2-28-15 | 24,850 | 24,677 |
| 3.625%, 8-15-19 | 30,000 | 29,634 |
| (Cost: \$142,281) | | \$ 145,083 |
| SHORT-TERM SECURITIES | | |
| Commercial Paper (G) – 3.18% | | |
| Clorox Co.: | | |
| 0.210%, 4-6-10 | 6,744 | 6,744 |
| 0.260%, 4-19-10 | 7,500 | 7,500 |
| CVS Caremark Corporation, | | |
| 0.190%, 4-6-10 | 5,060 | 5,060 |
| Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), | | |
| 0.240%, 4-20-10 | 4,000 | 3,999 |
| Proctor & Gamble International Funding S.C.A | | |
| (Proctor & Gamble Company (The)), | | |
| 0.160%, 4-28-10 | 5,000 | 4,999 |
| Straight-A Funding, LLC (Federal Financing Bank), | | |
| 0.200%, 5-17-10 | 7,000 | 6,998 |
| | | 35,300 |
| Master Note – 0.34% | | |
| Toyota Motor Credit Corporation, | | |
| 0.134%, 4-1-10 (H) | 3,744 | 3,744 |
| Municipal Obligations – 0.53% | | |
| Whiting, IN, Indl Sewage and Solid Waste Disp | | |
| Rev Rfdg Bonds (Amoco Oil Proj), Ser 1998 | | |
| (Amoco Corporation and Amoco Company), | | |
| 0.340%, 4-1-10 (H) | 5,900 | 5,900 |
| TOTAL SHORT-TERM SECURITIES – 4.05% | | \$ 44,944 |
| (Cost: \$44,944) | | |

SCHEDULE OF INVESTMENTS

Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| | |
|--|--------------------|
| TOTAL INVESTMENT SECURITIES – 100.04% | \$1,110,166 |
|--|--------------------|

(Cost: \$1,096,862)

| | |
|--|--------------|
| LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.04%) | (445) |
|--|--------------|

| | |
|-----------------------------|--------------------|
| NET ASSETS – 100.00% | \$1,109,721 |
|-----------------------------|--------------------|

Notes to Schedule of Investments

*Not shown due to rounding.

(A)Security is fully guaranteed by the Federal Deposit Insurance Corporation for both interest and principal under the Debt Guarantee Program of the Temporary Liquidity Guarantee Program. The guarantee expires at the earlier of the security's maturity date or December 31, 2012.

(B)Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$30,565 or 2.75% of net assets.

(C)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(D)Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$23,830 or 2.15% of net assets.

(E)Amount shown in principal column represents notional amount for computation of interest.

(F)Zero coupon bond.

(G)Rate shown is the yield to maturity at March 31, 2010.

(H)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

The following acronyms are used throughout this schedule:

CMBS = Collateralized Mortgage-Backed Security

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

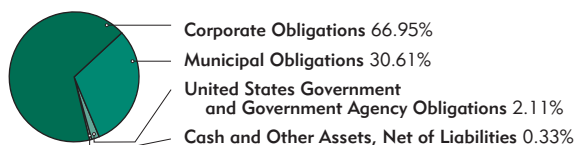
STRIPS = Separate Trading of Registered Interest and Principal Securities

PORTFOLIO HIGHLIGHTS

Cash Management

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



| | |
|--|--------|
| Corporate Obligations | 66.95% |
| Notes | 41.41% |
| Commercial Paper | 14.76% |
| Commercial Paper (backed by irrevocable bank letter of credit) | 6.21% |
| Notes (backed by irrevocable bank letter of credit) | 4.57% |
| Municipal Obligations | 30.61% |
| United States Government and Government Agency Obligations | 2.11% |
| Cash and Other Assets, Net of Liabilities | 0.33% |

ILLUSTRATION OF FUND EXPENSES

Cash Management

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,001.30 | 0.74% | \$3.70 |
| Class B** | \$1,000 | \$1,000.80 | 0.83% | \$4.10 |
| Class C** | \$1,000 | \$1,000.80 | 0.83% | \$4.10 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,021.24 | 0.74% | \$3.74 |
| Class B** | \$1,000 | \$1,020.78 | 0.83% | \$4.14 |
| Class C** | \$1,000 | \$1,020.79 | 0.83% | \$4.14 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

**Class B and Class C are not available for direct investments.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Cash Management *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE OBLIGATIONS | Principal | Value |
|---|-----------|----------------|
| Commercial Paper (A) | | |
| Allied Irish Banks N.A. Inc., 0.000%, 4-1-10 | \$30,278 | \$ 30,278 |
| Bank of Ireland, 0.420%, 5-24-10 | 14,000 | 13,991 |
| Bemis Company, Inc., 0.000%, 4-1-10 | 2,500 | 2,500 |
| Corporacion Andina de Fomento: 1.060%, 4-13-10 | 19,500 | 19,493 |
| 1.080%, 10-5-10 | 11,000 | 10,938 |
| 1.100%, 10-15-10 | 10,000 | 9,940 |
| CVS Caremark Corporation, 0.190%, 4-6-10 | 9,000 | 9,000 |
| Honeywell International Inc., 0.600%, 12-27-10 | 10,800 | 10,751 |
| Irish Life & Permanent Group: 0.550%, 4-22-10 | 10,500 | 10,496 |
| 0.400%, 4-23-10 | 16,500 | 16,496 |
| 0.740%, 6-28-10 | 11,500 | 11,479 |
| Kitty Hawk Funding Corp., 0.000%, 4-1-10 | 5,000 | 5,000 |
| Straight-A Funding, LLC (Federal Financing Bank), 0.160%, 4-20-10 | 14,000 | 13,999 |
| Wisconsin Electric Power Co., 0.000%, 4-1-10 | 7,191 | 7,191 |
| Total Commercial Paper – 14.76% | | 171,552 |

| | | |
|---|--------|---------------|
| Commercial Paper (backed by irrevocable bank letter of credit) (A) | | |
| Baystate Health, Inc. (Bank of America, N.A.), 0.240%, 5-10-10 | 5,700 | 5,698 |
| COFCO Capital Corp. (Rabobank Nederland): 0.210%, 4-6-10 | 15,500 | 15,499 |
| 0.220%, 4-8-10 | 42,875 | 42,873 |
| River Fuel Company #2, Inc. (Bank of New York (The)), 0.200%, 4-30-10 | 3,116 | 3,116 |
| River Fuel Trust #1 (Bank of New York (The)), 0.170%, 4-30-10 | 5,000 | 4,999 |
| Total Commercial Paper (backed by irrevocable bank letter of credit) – 6.21% | | 72,185 |

| | | |
|--|--------|--------|
| Notes | | |
| 3M Company, 5.610%, 12-12-10 | 45,000 | 46,647 |
| American Honda Finance Corp., 1.750%, 5-14-10 (B) | 21,500 | 21,500 |
| Bank of America Corporation, 4.500%, 8-1-10 | 13,200 | 13,338 |
| Bank of America Corporation (Federal Deposit Insurance Corporation), 0.287%, 6-14-10 (C)(D) | 73,900 | 73,900 |
| Bank of America, N.A.: 0.500%, 4-22-10 (D) | 12,800 | 12,800 |
| 0.850%, 5-12-10 (B) | 28,000 | 27,963 |
| Bear Stearns Companies Inc. (The) (JPMorgan Chase & Co.), 0.370%, 5-18-10 (B) | 15,475 | 15,472 |
| BellSouth Corporation (AT&T Inc.), 4.950%, 4-26-10 (B) | 53,300 | 53,386 |
| BP Capital Markets p.l.c., 0.385%, 6-11-10 (D) | 17,100 | 17,100 |

| CORPORATE OBLIGATIONS (Continued) | Principal | Value |
|--|-----------|----------------|
| Notes (Continued) | | |
| Citibank, N.A. (Federal Deposit Insurance Corporation), 0.340%, 6-30-10 (C)(D) | \$37,200 | \$ 37,200 |
| Citigroup Funding Inc.: 1.300%, 5-7-10 (B) | 5,000 | 4,998 |
| 0.400%, 5-13-10 (D) | 24,500 | 24,474 |
| 0.400%, 5-18-10 (B) | 5,000 | 4,998 |
| Citigroup Funding Inc. (Federal Deposit Insurance Corporation), 0.350%, 4-30-10 (C)(D) | 19,100 | 19,100 |
| Citigroup Inc., 6.500%, 1-18-11 | 10,620 | 10,993 |
| Countrywide Financial Corporation (Bank of America, N.A.), 4.500%, 6-15-10 | 5,500 | 5,537 |
| IBM International Group Capital LLC (International Business Machines Corporation), 0.492%, 5-26-10 (D) | 11,000 | 11,000 |
| JPMorgan Chase & Co., 0.365%, 6-25-10 (B) | 7,500 | 7,494 |
| Praxair, Inc., 0.342%, 5-26-10 (B) | 11,400 | 11,400 |
| Procter & Gamble Company (The), 0.260%, 5-7-10 (B) | 7,500 | 7,500 |
| Rabobank Nederland, 0.250%, 5-17-10 (D) | 7,500 | 7,500 |
| Royal Bank of Scotland PLC (The), 0.997%, 4-28-10 (D) | 37,000 | 37,000 |
| Wells Fargo & Company, 0.700%, 4-26-10 (D) | 10,000 | 10,033 |
| Total Notes – 41.41% | | 481,333 |

| | | |
|---|--------|---------------|
| Notes (backed by irrevocable bank letter of credit) | | |
| Conestoga Wood Specialties Corp, Var/Fixed Rate Taxable Demand Rev Bonds, Ser 2000 (Wachovia Bank, N.A.), 0.280%, 4-1-10 (D) | 1,715 | 1,715 |
| Don Greene Poultry, Inc., Incremental Taxable Var Rate Demand Bonds, Ser 2003 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 6,800 | 6,800 |
| EPC – Allentown, LLC, Incremental Taxable Var Rate Demand Bonds, Ser 2005 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 8,640 | 8,640 |
| P&W Holdings, LLC, Taxable Var Rate Demand Bonds, Ser 2005 (Wachovia Bank, N.A.), 0.650%, 4-1-10 (D) | 4,015 | 4,015 |
| The Academy of the New Church, Taxable Var Rate Demand Bonds, Ser 2008 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 19,120 | 19,120 |
| Trap Rock Industries, Inc., Taxable Var Demand Bonds, Series 2005 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 12,795 | 12,795 |
| Total Notes (backed by irrevocable bank letter of credit) – 4.57% | | 53,085 |

| | |
|---|-------------------|
| TOTAL CORPORATE OBLIGATIONS – 66.95% | \$ 778,155 |
| (Cost: \$778,155) | |

SCHEDULE OF INVESTMENTS

Cash Management *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL OBLIGATIONS | Principal | Value |
|--|-----------|---------------|
| California – 0.75% | | |
| CA Pollutn Ctl Fin Auth, Pollutn Ctl Rfdg Rev Bonds (Pacific Gas and Elec Co), Ser C (JPMorgan Chase Bank, N.A.), 0.300%, 4-1-10 (D)..... | \$ 8,680 | \$ 8,680 |
| Colorado – 0.75% | | |
| Castle Pines North Fin Corp, Var Rate Cert of Participation, Ser 2009 (Wells Fargo Bank, N.A.), 0.300%, 4-1-10 (D)..... | 3,075 | 3,075 |
| Castle Rock, CO, Cert of Participation, Ser 2008 (Wells Fargo Bank, N.A.), 0.300%, 4-1-10 (D)..... | 1,000 | 1,000 |
| Harvest Junction Metro Dist (Longmont, CO), Ltd Tax General Obligation Var Rate Bonds, Ser 2006 (U.S. Bank N.A.), 0.300%, 4-1-10 (D)..... | 3,000 | 3,000 |
| Westminster Econ Dev Auth, CO, Tax Increment Rev Rfdg Bonds (Mandalay Gardens Urban Renewal Proj), Ser 2009 (U.S. Bank N.A.), 0.300%, 4-1-10 (D)..... | 1,630 | 1,630 |
| | | <u>8,705</u> |
| Florida – 0.77% | | |
| Pinellas Cnty Edu Fac Auth, Rfdg Prog Rev Bonds (Pooled Indp Higher Edu Institutions Loan Prog), Ser 1985 (Wachovia Bank, N.A.), 0.300%, 6-2-10 | 9,000 | 9,000 |
| Georgia – 3.87% | | |
| Development Auth of Talbot Cnty, Incremental Taxable Indl Dev Rev Bonds (Junction City Mining Co, LLC Proj), Ser 2000 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D)..... | 5,260 | 5,260 |
| Habersham Cnty Dev Auth, Tax-Exempt Adj Mode, Indl Dev Rev Bonds (Stellcell of North America, Inc. Proj), Ser 2009 (Bank of America, N.A.), 0.380%, 4-1-10 (D)..... | 6,500 | 6,500 |
| Municipal Electric Authority of Georgia: 0.240%, 4-5-10 | 16,462 | 16,462 |
| 0.270%, 5-4-10 | 16,773 | 16,773 |
| | | <u>44,995</u> |
| Illinois – 6.86% | | |
| Chicago, IL, Econ Dev Rev Bonds (Crane Carton Co Proj), Ser 1992 (Bank of America, N.A.), 0.440%, 4-1-10 (D)..... | 3,000 | 3,000 |
| Chicago, IL, General Oblig Tender Notes, Taxable Ser 2009 (U.S. Bank N.A.), 1.340%, 7-8-10 | 22,500 | 22,500 |
| Elmurst, IL, Adj Demand Rev Bonds, Joint Commission on Accreditation of Hlthcare Organizations, Ser 1988 (JPMorgan Chase Bank, N.A.), 0.280%, 4-1-10 (D)..... | 10,550 | 10,550 |
| IL Fin Auth, Var Rate Demand Rev Bonds (The Carle Frndtn), Ser 2009 (JPMorgan Chase Bank, N.A.), 0.290%, 4-1-10 (D)..... | 5,000 | 5,000 |
| IL General Oblig Cert of August, 2009, 2.000%, 6-10-10 | 26,000 | 26,045 |
| IL General Oblig Cert of May, 2009, 4.000%, 4-26-10 | 12,600 | 12,623 |
| | | <u>79,718</u> |

| MUNICIPAL OBLIGATIONS (Continued) | Principal | Value |
|---|-----------|---------------|
| Indiana – 0.17% | | |
| IN Fin Auth, Hlth Sys Rev Bonds (Sisters of St. Francis Hlth Svcs, Inc. Obligated Group), Ser 2009H (JPMorgan Chase Bank, N.A.), 0.290%, 4-1-10 (D) | \$ 2,000 | \$ 2,000 |
| Louisiana – 0.95% | | |
| LA Pub Fac Auth, Rev Bonds (Air Products and Chemicals Proj), Ser 2009A (Bank of New York Mellon Trust Company, N.A. (The)), 0.400%, 4-1-10 (D) | 11,000 | 11,000 |
| Maryland – 0.70% | | |
| MD Hlth and Higher Edu Fac Auth Rev Bonds, Anne Arundel Hlth Sys Issue, Ser 2009A (Wachovia Bank, N.A.), 0.250%, 4-1-10 (D) | 8,085 | 8,085 |
| Massachusetts – 1.51% | | |
| MA Hlth and Edu Fac Auth, Var Rate Rev Bonds, Dana-Farber Cancer Institute Issue, Ser 2008L-1 (JPMorgan Chase Bank, N.A.), 0.270%, 4-1-10 (D) | 17,500 | 17,500 |
| Mississippi – 3.35% | | |
| MS Bus Fin Corp, Adj Mode Indl Dev Rev Bonds (Belk, Inc. Proj), Ser 2005 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 8,919 | 8,919 |
| MS Bus Fin Corp, Taxable Indl Dev Rev Bonds (Telapex, Inc. Proj), Ser 2000 (Wachovia Bank, N.A.), 0.230%, 4-1-10 (D) | 15,000 | 15,000 |
| MS Dev Bank, Var Rate Demand Rfdg Bonds (Harrison Cnty, MS General Oblig Coliseum and Convention Ctr Rfdg Bonds), Ser 2010B (Bank of America, N.A.), 0.310%, 4-1-10 (D) | 15,000 | 15,000 |
| | | <u>38,919</u> |
| Missouri – 0.87% | | |
| Kansas City, MO, Var Rate Demand Taxable Spl Oblig Rfdg Bonds (President Hotel Redev Proj), Ser 2009B (JPMorgan Chase & Co.), 0.240%, 4-1-10 (D) | 6,855 | 6,855 |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Ninth Street Garage Proj), Ser 2004B (Bank of America, N.A.), 0.400%, 4-1-10 (D) | 3,265 | 3,265 |
| | | <u>10,120</u> |
| New Jersey – 0.82% | | |
| NJ Hlth Care Fac Fin Auth, Rev Bonds, AHS Hosp Corp Issue, Ser 2008C (JPMorgan Chase & Co.), 0.280%, 4-1-10 (D) | 9,500 | 9,500 |
| New York – 3.40% | | |
| NY State Enrg Research and Dev Auth, Elec Fac Rev Bonds (Long Island Lighting Co Proj) Ser 1997A (Royal Bank of Scotland), 0.300%, 4-1-10 (D) | 6,600 | 6,600 |
| NY State Hsng Fin Agcy, Archstone Westbury Hsng Rev Bonds, Ser A (Bank of America, N.A.), 0.300%, 4-1-10 (D) | 18,860 | 18,860 |

SCHEDULE OF INVESTMENTS

Cash Management *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL OBLIGATIONS (Continued) | Principal | Value |
|---|-----------|---------------|
| New York (Continued) | | |
| NY State Hsng Fin Agcy, Related-Caroline Apartments Hsng Rev Bonds, Ser 2008A (Federal Home Loan Mortgage Corporation), 0.280%, 4-1-10 (D) | \$ 14,000 | \$ 14,000 |
| | | <u>39,460</u> |
| North Carolina – 0.27% | | |
| NC Cap Fac Fin Agcy, Exempt Fac Rev Bonds (Republic Svcs, Inc. Proj), Ser 2004 (Bank of America, N.A.), 0.310%, 4-1-10 (D) | 3,105 | <u>3,105</u> |
| Ohio – 0.94% | | |
| Cnty of Lucas, OH, Taxable Arena Impvt Notes (General Oblig Bond Anticipation Notes), Ser 2009, 1.750%, 7-22-10 | 11,000 | <u>11,008</u> |
| Tennessee – 0.28% | | |
| The Hlth and Edu Fac Board of the Metro Govt of Nashville and Davidson Cnty, TN, Var Rate Rev and Rfdg Bonds (Meharry Med College Proj), Ser 1998 (Bank of America, N.A.), 0.450%, 4-1-10 (D) | 3,280 | <u>3,280</u> |
| Texas – 1.85% | | |
| Port Arthur Navigation Dist Indl Dev Corp, Exempt Fac Rev Bonds (Air Products Proj), Ser 2005 (Air Products and Chemicals, Inc.), 0.440%, 4-1-10 (D) | 7,200 | <u>7,200</u> |
| West Side Calhoun Cnty Navigation Dist, Sewage and Solid Waste Disp Rev Bonds (BP Chemicals Inc. Proj) Ser 1996 (BP p.l.c.), 0.340%, 4-1-10 (D) | 14,350 | <u>14,350</u> |
| | | <u>21,550</u> |
| Washington – 0.42% | | |
| Indl Dev Corp of the Port of Bellingham, WA, Envirmt Fac Indl Rev Bonds (BP West Coast Products LLC Proj), Ser 2003 (BP p.l.c.), 0.340%, 4-1-10 (D) | 2,700 | <u>2,700</u> |

| MUNICIPAL OBLIGATIONS (Continued) | Principal | Value |
|---|-----------|-------------------|
| Washington (Continued) | | |
| WA State Hsng Fin Commission, Var Rate Demand Multifam Mtg Rev Bonds (Lake Washington Apartments Proj), Ser 1996 (U.S. Bank N.A.), 0.320%, 4-1-10 (D) | \$ 2,180 | \$ 2,180 |
| | | <u>4,880</u> |
| Wisconsin – 2.08% | | |
| WI Hlth and Edu Fac Auth, Rev Bonds, Ser 2008-A (U.S. Bank N.A.), 0.600%, 12-2-10 | 19,000 | <u>19,000</u> |
| WI Hlth and Edu Fac Auth, Var Rate Demand Rev Bonds (Wausau Hosp, Inc.), Ser 1998B (JPMorgan Chase Bank, N.A.), 0.300%, 4-1-10 (D) | 5,230 | <u>5,230</u> |
| | | <u>24,230</u> |
| TOTAL MUNICIPAL OBLIGATIONS – 30.61% | | \$ 355,735 |
| (Cost: \$355,735) | | |

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 2.11%

| | | |
|---|-----------|-----------|
| United States Government Agency Obligations | | |
| Totem Ocean Trailer Express, Inc. (United States Government Guaranteed Ship Financing Obligations), 0.507%, 4-15-10 (D) | \$ 24,573 | \$ 24,573 |
| (Cost: \$24,573) | | |

| | |
|---|--------------------|
| TOTAL INVESTMENT SECURITIES – 99.67% | \$1,158,463 |
| (Cost: \$1,158,463) | |

| | |
|--|--------------|
| CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.33% | 3,791 |
|--|--------------|

| | |
|-----------------------------|--------------------|
| NET ASSETS – 100.00% | \$1,162,254 |
|-----------------------------|--------------------|

Notes to Schedule of Investments

(A)Rate shown is the yield to maturity at March 31, 2010.

(B)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(C)Security is fully guaranteed by the Federal Deposit Insurance Corporation for both interest and principal under the Debt Guarantee Program of the Temporary Liquidity Guarantee Program. The guarantee expires at the earlier of the security's maturity date or December 31, 2012.

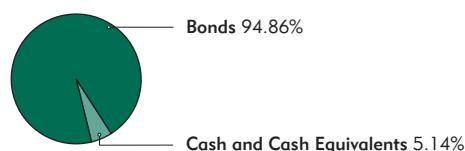
(D)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

PORTFOLIO HIGHLIGHTS

Global Bond Fund

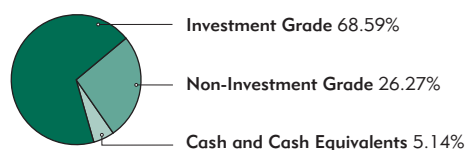
ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



| | |
|--|---------------|
| Bonds | 94.86% |
| Corporate Debt Securities | 68.22% |
| United States Government and Government Agency Obligations | 19.47% |
| Other Government Securities | 7.17% |
| Cash and Cash Equivalents | 5.14% |

Quality Weightings



| | |
|----------------------------------|---------------|
| Investment Grade | 68.59% |
| AAA | 24.86% |
| AA | 0.86% |
| A | 8.03% |
| BBB | 34.84% |
| Non-Investment Grade | 26.27% |
| BB | 14.62% |
| B | 9.36% |
| CCC | 0.41% |
| Non-rated | 1.88% |
| Cash and Cash Equivalents | 5.14% |

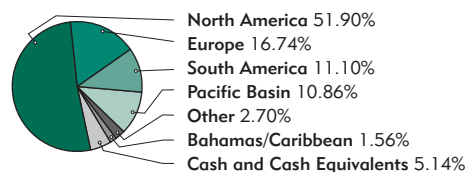
Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

Lipper Rankings

| Category: Lipper Global Income Funds | Rank | Percentile |
|--------------------------------------|--------|------------|
| 1 Year | 77/166 | 47 |
| 3 Year | 26/105 | 25 |
| 5 Year | 9/86 | 11 |
| 10 Year | 39/58 | 67 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Country Weightings



| | |
|----------------------------------|---------------|
| North America | 51.90% |
| United States | 43.25% |
| Canada | 5.48% |
| Other North America | 3.17% |
| Europe | 16.74% |
| United Kingdom | 6.95% |
| Russia | 4.31% |
| Other Europe | 5.48% |
| South America | 11.10% |
| Brazil | 7.61% |
| Other South America | 3.49% |
| Pacific Basin | 10.86% |
| Other | 2.70% |
| Bahamas/Caribbean | 1.56% |
| Cash and Cash Equivalents | 5.14% |

Certain U.S. government securities such as Treasury securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

ILLUSTRATION OF FUND EXPENSES

Global Bond Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,047.80 | 1.21% | \$ 6.14 |
| Class B | \$1,000 | \$1,041.70 | 2.16% | \$11.03 |
| Class C | \$1,000 | \$1,041.70 | 2.03% | \$10.31 |
| Class Y | \$1,000 | \$1,048.00 | 0.83% | \$ 4.20 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,018.92 | 1.21% | \$ 6.06 |
| Class B | \$1,000 | \$1,014.18 | 2.16% | \$10.88 |
| Class C | \$1,000 | \$1,014.81 | 2.03% | \$10.17 |
| Class Y | \$1,000 | \$1,020.81 | 0.83% | \$ 4.14 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES | Principal | Value |
|--|-----------|---------------|
| Aerospace & Defense – 0.97% | | |
| BAE Systems Holdings Inc., 4.750%, 8–15–10 (A) | \$6,000 | \$ 6,081 |
| Raytheon Company, 5.375%, 4–1–13 | 1,000 | 1,091 |
| | | <u>7,172</u> |
| Agricultural Products – 1.99% | | |
| Bunge Limited Finance Corp.: 7.800%, 10–15–12 | 4,000 | 4,460 |
| 5.350%, 4–15–14 | 1,200 | 1,253 |
| CCL Finance Limited: 9.500%, 8–15–14 (B) | 6,000 | 6,899 |
| 9.500%, 8–15–14 | 1,850 | 2,128 |
| | | <u>14,740</u> |
| Agriculture – 1.22% | | |
| BFF International Limited, 7.250%, 1–28–20 (A) | 3,000 | 3,045 |
| Ciliandra Perkasa Finance Company Pte. Ltd., 10.750%, 12–8–11 | 3,000 | 3,090 |
| Cosan S.A. Industria e Comercio, 8.250%, 11–15–19 | 1,200 | 1,194 |
| IOI Resources (L) Berhad, Convertible, 0.000%, 1–15–13 (C) | 1,700 | 1,714 |
| | | <u>9,043</u> |
| Air Freight & Logistics – 0.05% | | |
| FedEx Corporation, 7.375%, 1–15–14 | 300 | 345 |
| Banking – 4.00% | | |
| Banco BMG S.A.: 8.750%, 7–1–10 (B) | 667 | 676 |
| 8.750%, 7–1–10 | 544 | 551 |
| 9.150%, 1–15–16 | 2,000 | 2,155 |
| 9.150%, 1–15–16 (B) | 500 | 539 |
| Banco Cruzeiro do Sul S.A.: 9.375%, 9–26–11 | 1,382 | 1,420 |
| 8.500%, 2–20–15 (A) | 7,500 | 7,781 |
| Banco Industrial e Comercial S.A., 6.250%, 1–20–13 (A) | 3,500 | 3,544 |
| Banco Santander (Brasil) S.A., 4.500%, 4–6–15 (A) | 2,250 | 2,245 |
| Bank of Tokyo-Mitsubishi, Ltd. (The), 8.400%, 4–15–10 | 1,000 | 1,001 |
| Export-Import Bank of Korea (The), 5.500%, 10–17–12 | 5,000 | 5,337 |
| Hongkong and Shanghai Banking Corporation (The), 5.000%, 8–29–49 (D) | 2,500 | 2,338 |
| VTB Capital S.A., 6.609%, 10–31–12 (B) | 2,000 | 2,095 |
| | | <u>29,682</u> |
| Basic Industries – 0.25% | | |
| Jaiprakash Associates Limited, Convertible, 0.000%, 9–12–12 (C) | 1,500 | 1,890 |
| Beverage / Bottling – 2.44% | | |
| AmBev International Finance Co. Ltd., 9.500%, 7–24–17 (E) | BRL6,050 | 3,368 |
| Anheuser-Busch InBev Worldwide Inc., 3.000%, 10–15–12 | \$1,250 | 1,284 |
| Companhia Brasileira de Bebidas, 10.500%, 12–15–11 | 2,000 | 2,295 |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Beverage / Bottling (Continued) | | |
| Miller Brewing Company, 5.500%, 8–15–13 | \$3,300 | \$ 3,532 |
| Molson Coors Capital Finance, 4.850%, 9–22–10 | 2,000 | 2,040 |
| PepsiAmericas, Inc., 5.750%, 7–31–12 | 2,200 | 2,406 |
| SABMiller plc, 5.700%, 1–15–14 (A) | 3,000 | 3,278 |
| | | <u>18,203</u> |
| Coal & Consumable Fuels – 0.55% | | |
| Peabody Energy Corporation, 6.875%, 3–15–13 | 4,000 | 4,045 |
| Communications Equipment – 0.65% | | |
| Reliance Communications Limited, Convertible, 0.000%, 3–1–12 (C) | 4,300 | 4,844 |
| Conglomerate / Diversified Mfg – 0.31% | | |
| Ingersoll-Rand Global Holding Company Limited, 6.000%, 8–15–13 | 2,125 | 2,335 |
| Construction Business – 1.02% | | |
| Odebrecht Finance Ltd.: 9.625%, 4–9–14 (B) | 6,000 | 7,020 |
| 7.500%, 10–18–17 | 524 | 561 |
| | | <u>7,581</u> |
| Construction Materials – 0.49% | | |
| C5 Capital (SPV) Limited: 6.196%, 12–31–49 (B)(D) | 4,500 | 3,147 |
| 6.196%, 12–31–49 (D) | 750 | 524 |
| | | <u>3,671</u> |
| Consumer Products – 0.57% | | |
| Clorox Co., 5.450%, 10–15–12 | 385 | 417 |
| Xinyu Hengdeli Holdings Limited, Convertible, 0.000%, 8–24–12 (C)(E) | CNY25,000 | 3,791 |
| | | <u>4,208</u> |
| Distillers & Vintners – 1.16% | | |
| Central European Distribution Corporation, 9.125%, 12–1–16 (B) | \$2,000 | 2,110 |
| Diageo Capital plc, 5.200%, 1–30–13 | 5,000 | 5,410 |
| Diageo Finance B.V., 5.500%, 4–1–13 | 1,000 | 1,091 |
| | | <u>8,611</u> |
| Diversified Banks – 0.85% | | |
| ICICI Bank Limited: 5.750%, 1–12–12 (B) | 3,000 | 3,122 |
| 6.625%, 10–3–12 (B) | 3,000 | 3,186 |
| | | <u>6,308</u> |
| Diversified Chemicals – 0.15% | | |
| Dow Chemical Company (The), 7.600%, 5–15–14 | 1,000 | 1,142 |
| Diversified Metals & Mining – 0.24% | | |
| BHP Billiton Finance (USA) Limited, 8.500%, 12–1–12 | 1,500 | 1,752 |

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Diversified Telecom – 0.07% | | |
| Telefonica de Argentina S.A., 9.125%, 11–7–10 | \$ 500 | \$ 516 |
| Electric – 7.26% | | |
| Abu Dhabi National Energy Company PJSC: | | |
| 5.620%, 10–25–12 | 3,000 | 3,103 |
| 5.620%, 10–25–12 (B) | 3,000 | 3,103 |
| Allegheny Energy, Inc., 8.250%, 4–15–12 (B) | 5,000 | 5,516 |
| Aquila, Inc., 11.875%, 7–1–12 (D) | 2,500 | 2,910 |
| Black Hills Corporation, 9.000%, 5–15–14 | 2,000 | 2,309 |
| DPL Inc., 6.875%, 9–1–11 | 1,500 | 1,604 |
| Empresa Nacional de Electricidad S.A., 8.350%, 8–1–13 | 3,000 | 3,420 |
| ENEL Finance International S.A., 3.875%, 10–7–14 (A) | 2,500 | 2,532 |
| HQI Transelec Chile S.A., 7.875%, 4–15–11 | 1,312 | 1,381 |
| Korea Southern Power Co., Ltd., 5.375%, 4–18–13 (B) | 2,000 | 2,123 |
| NorthWestern Corporation, 5.875%, 11–1–14 | 2,500 | 2,563 |
| Oncor Electric Delivery Company, 6.375%, 5–1–12 | 1,000 | 1,081 |
| PPL Energy Supply, LLC: | | |
| 6.400%, 11–1–11 | 5,300 | 5,670 |
| 6.300%, 7–15–13 | 700 | 767 |
| Star Energy Geothermal (Wayang Windu) Limited, 11.500%, 2–12–15 (A) | 7,500 | 7,932 |
| TransAlta Corporation, 5.750%, 12–15–13 | 3,500 | 3,786 |
| UtiliCorp United Inc., 7.950%, 2–1–11 | 3,900 | 4,099 |
| | | <u>53,899</u> |
| Electronics – 0.41% | | |
| STATS ChipPAC Ltd., 7.500%, 7–19–10 | 2,983 | 3,009 |
| Energy – 0.77% | | |
| China Petroleum & Chemical Corporation, Convertible, 0.000%, 4–24–14 (C)(E) | HKD15,200 | 2,153 |
| CITIC Resources Finance (2007) Limited, 6.750%, 5–15–14 (B) | \$2,500 | 2,551 |
| Subsea 7 Inc., Convertible, 0.000%, 6–29–17 (C) | 1,000 | 1,029 |
| | | <u>5,733</u> |
| Environmental & Facilities Services – 0.56% | | |
| Allied Waste Industries, Inc., 6.500%, 11–15–10 | 4,000 | 4,133 |
| Finance Companies – 0.40% | | |
| SLM Corporation, 4.271%, 4–1–14 (D) | 2,500 | 2,005 |
| Toyota Motor Credit Corporation, 4.130%, 1–18–15 (D) | 1,000 | 980 |
| | | <u>2,985</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Food Processors – 1.35% | | |
| Cadbury Schweppes US Finance LLC, 5.125%, 10–1–13 (A) | \$6,000 | \$ 6,354 |
| Cargill, Inc., 6.375%, 6–1–12 (B) | 3,370 | 3,661 |
| | | <u>10,015</u> |
| Forest Products – 0.78% | | |
| Sino-Forest Corporation, 10.250%, 7–28–14 (B) | 5,250 | 5,814 |
| Gas – Local Distribution – 2.55% | | |
| AGL Capital Corporation, 7.125%, 1–14–11 | 5,000 | 5,228 |
| DCP Midstream, LLC, 9.700%, 12–1–13 (B) | 5,000 | 6,086 |
| Midcontinent Express Pipeline LLC, 5.450%, 9–15–14 | 3,500 | 3,624 |
| National Fuel Gas Company, 6.700%, 11–21–11 | 3,700 | 3,980 |
| | | <u>18,918</u> |
| Gas Pipe Lines – 2.46% | | |
| KeySpan Corporation, 7.625%, 11–15–10 | 2,905 | 3,025 |
| Maritimes & Northeast Pipeline, L.L.C., 7.500%, 5–31–14 (B) | 6,376 | 6,975 |
| Plains All American Pipeline, L.P., and PAA Finance Corp.: | | |
| 7.750%, 10–15–12 | 2,900 | 3,248 |
| 5.625%, 12–15–13 | 400 | 431 |
| TransCapitalInvest Limited, 6.103%, 6–27–12 (B) | 2,000 | 2,121 |
| Transneft, 6.103%, 6–27–12 | 500 | 530 |
| Transportadora de Gas del Sur S.A., 7.875%, 5–14–17 (B) | 2,000 | 1,898 |
| | | <u>18,228</u> |
| Health Care Facilities – 1.10% | | |
| HCA Inc.: | | |
| 6.750%, 7–15–13 | 2,200 | 2,200 |
| 9.125%, 11–15–14 | 2,775 | 2,931 |
| HealthSouth Corporation, 10.750%, 6–15–16 | 2,775 | 3,001 |
| | | <u>8,132</u> |
| Health Care Facilities / Supplies – 0.04% | | |
| DASA Finance Corporation, 8.750%, 5–29–18 | 300 | 321 |
| Home Builders – 0.58% | | |
| Desarrolladora Homex, S.A. de C.V., 7.500%, 9–28–15 | 2,650 | 2,690 |
| URBI, Desarrollos Urbanos, S.A. de C.V., 8.500%, 4–19–16 | 1,500 | 1,590 |
| | | <u>4,280</u> |
| Hotels, Resorts & Cruise Lines – 0.68% | | |
| Royal Caribbean Cruises Ltd., 8.750%, 2–2–11 | 4,872 | 5,067 |
| Household Appliances – 0.54% | | |
| Controladora Mabe, S.A. de C.V.: | | |
| 6.500%, 12–15–15 | 2,000 | 2,000 |
| 6.500%, 12–15–15 (A) | 2,000 | 2,000 |
| | | <u>4,000</u> |

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Industrial – Other – 0.34% | | |
| Bombardier Inc., 7.500%, 3-15-18 (B) | \$2,400 | \$ 2,502 |
| Investment Banking & Brokerage – 0.13% | | |
| Morgan Stanley, 4.720%, 5-1-14 (D) | 1,000 | 979 |
| Metals / Mining – 6.72% | | |
| ALROSA Finance S.A., 8.875%, 11-17-14 | 4,000 | 4,360 |
| Anglo American Capital plc, 9.375%, 4-8-14 (B) | 5,000 | 6,006 |
| Indo Integrated Energy B.V., 8.500%, 6-1-12 | 7,400 | 7,744 |
| PT Adaro Indonesia, 7.625%, 10-22-19 | 1,500 | 1,558 |
| Raspadskaya Securities Limited, 7.500%, 5-22-12 | 4,500 | 4,671 |
| Rio Tinto Finance (USA) Limited, 8.950%, 5-1-14 | 6,750 | 8,132 |
| Teck Resources Limited, 9.750%, 5-15-14 | 6,000 | 7,110 |
| Vedanta Resources plc: 8.750%, 1-15-14 | 2,000 | 2,195 |
| 8.750%, 1-15-14 | 1,650 | 1,807 |
| Xstrata Canada Corporation, 8.375%, 2-15-11 | 5,850 | 6,200 |
| | | <u>49,783</u> |
| Multi-Utilities – 0.73% | | |
| Black Hills Corporation, 6.500%, 5-15-13 | 5,000 | 5,402 |
| Office Electronics – 0.55% | | |
| Xerox Corporation: 7.125%, 6-15-10 | 3,000 | 3,030 |
| 5.500%, 5-15-12 | 1,000 | 1,061 |
| | | <u>4,091</u> |
| Oil & Gas – 2.99% | | |
| Cenovus Energy Inc., 4.500%, 9-15-14 (B) | 2,000 | 2,086 |
| Empresa Nacional del Petroleo, 6.750%, 11-15-12 (A) | 2,400 | 2,587 |
| Petroleum Geo-Services ASA, Convertible, 2.700%, 12-3-12 | 6,800 | 6,085 |
| PF Export Receivables Master Trust, Senior Trust Certificates, Series 2003-A, 6.436%, 6-1-15 (A) | 1,695 | 1,788 |
| Premcor Refining Group Inc. (The), 6.750%, 5-1-14 | 1,500 | 1,534 |
| Ras Laffan Liquefied Natural Gas Co. Ltd., 5.500%, 9-30-14 (B) | 3,000 | 3,220 |
| Sunoco Logistics Partners Operations L.P., 8.750%, 2-15-14 | 2,500 | 2,899 |
| TNK-BP Finance S.A., 6.125%, 3-20-12 | 2,000 | 2,083 |
| | | <u>22,282</u> |
| Oil & Gas Drilling – 0.42% | | |
| Seadrill Ltd., Convertible, 3.625%, 11-8-12 | 3,100 | 3,112 |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Oil & Gas Equipment & Services – 0.40% | | |
| Smith International, Inc., 8.625%, 3-15-14 | \$2,500 | \$ 2,979 |
| Oil & Gas Exploration & Production – 0.15% | | |
| Anadarko Petroleum Corporation, 5.750%, 6-15-14 | 1,000 | 1,083 |
| Oil & Gas Storage & Transportation – 1.05% | | |
| Energy Transfer Partners, L.P., 5.650%, 8-1-12 | 3,100 | 3,324 |
| Northern Border Partners, L.P., 8.875%, 6-15-10 | 3,500 | 3,553 |
| ONEOK Partners, L.P., 5.900%, 4-1-12 | 865 | 927 |
| | | <u>7,804</u> |
| Oilfield Machinery & Service – 1.75% | | |
| Frontier Oil Corporation, 6.625%, 10-1-11 | 2,780 | 2,801 |
| Pride International, Inc., 7.375%, 7-15-14 | 4,625 | 4,764 |
| Weatherford International, Inc., 5.950%, 6-15-12 | 5,000 | 5,400 |
| | | <u>12,965</u> |
| Paper / Forest Products – 2.72% | | |
| Celulosa Arauco y Constitucion S.A.: 8.625%, 8-15-10 | 2,350 | 2,409 |
| 7.750%, 9-13-11 | 3,750 | 4,012 |
| Fibria Overseas Finance Ltd., 9.250%, 10-30-19 (A) | 3,000 | 3,420 |
| International Paper Company, 7.400%, 6-15-14 | 5,350 | 6,058 |
| Weyerhaeuser Company, 6.750%, 3-15-12 | 4,000 | 4,266 |
| | | <u>20,165</u> |
| Publishing – 0.72% | | |
| Pearson Dollar Finance Two plc: 5.500%, 5-6-13 (B) | 3,000 | 3,193 |
| 5.500%, 5-6-13 | 2,000 | 2,129 |
| | | <u>5,322</u> |
| Railroads – 1.50% | | |
| Burlington Northern Santa Fe Corporation, 5.900%, 7-1-12 | 4,500 | 4,887 |
| Kansas City Southern de Mexico, S.A. de C.V.: 7.625%, 12-1-13 | 2,250 | 2,301 |
| 7.375%, 6-1-14 | 3,500 | 3,526 |
| TFM, S.A. de C.V., 9.375%, 5-1-12 | 472 | 484 |
| | | <u>11,198</u> |
| Restaurants – 0.31% | | |
| Arcos Dorados B.V., 7.500%, 10-1-19 (B) | 2,250 | 2,329 |
| Retail Stores – Other – 0.42% | | |
| Parkson Retail Group Limited, 7.125%, 5-30-12 | 3,000 | 3,103 |
| Service – Other – 0.77% | | |
| Waste Management, Inc., 7.375%, 8-1-10 | 5,575 | 5,691 |

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Soft Drinks – 0.57% | | |
| Coca-Cola HBC Finance B.V., 5.500%, 9–17–15 | \$3,900 | \$ 4,221 |
| Steel – 1.00% | | |
| ArcelorMittal, 9.000%, 2–15–15 | 2,250 | 2,687 |
| Evrast Group S.A.: 8.875%, 4–24–13 (B) | 4,000 | 4,195 |
| 8.875%, 4–24–13 | 500 | 524 |
| | | <u>7,406</u> |
| Telecommunications – 0.81% | | |
| America Movil, S.A.B. de C.V., 3.625%, 3–30–15 (A) | 2,000 | 2,007 |
| PCCW-HKT Capital No. 2 Limited, 6.000%, 7–15–13 | 3,750 | 4,040 |
| | | <u>6,047</u> |
| Tobacco – 0.24% | | |
| B.A.T. International Finance p.l.c., 8.125%, 11–15–13 (B) | 1,500 | 1,763 |
| Trading Companies & Distributors – 1.04% | | |
| Noble Group Limited, 8.500%, 5–30–13 (B) | 6,900 | 7,754 |
| Transportation – 0.71% | | |
| PB Issuer Limited, Convertible, 3.300%, 2–1–13 | 3,000 | 2,941 |
| Ultratpetrol (Bahamas) Limited, 9.000%, 11–24–14 | 2,350 | 2,291 |
| | | <u>5,232</u> |
| Utilities – 3.70% | | |
| CESP – Companhia Energetica de Sao Paulo: 9.750%, 1–15–15 (A)(E) | BRL6,400 | 4,496 |
| 9.750%, 1–15–15 (E) | 4,500 | 3,161 |
| Compania de Transporte de Energia Electrica en Alta Tension TRANSENER S.A.: 8.875%, 12–15–16 (B) | \$2,000 | 1,788 |
| 8.875%, 12–15–16 | 1,000 | 894 |
| Empresa Distribuidora y Comercializadora Norte S.A., 10.500%, 10–9–17 | 600 | 602 |
| Hidroelectrica El Chocon S.A., 3.757%, 9–15–11 (D) | 1,775 | 1,456 |
| Hidroelectrica Piedra del Aguila S.A., 9.000%, 7–11–17 (A) | 500 | 489 |
| IPALCO Enterprises, Inc., 8.625%, 11–14–11 | 3,750 | 3,994 |
| Majapahit Holding B.V., 7.250%, 10–17–11 (A) | 1,000 | 1,059 |
| NiSource Finance Corp., 7.875%, 11–15–10 | 5,000 | 5,191 |
| Veolia Environment, 5.250%, 6–3–13 | 4,000 | 4,294 |
| | | <u>27,424</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|------------|---------------|
| Wireless Telecommunication Service – 2.02% | | |
| America Movil, S.A. de C.V., 5.500%, 3–1–14 | \$ 3,000 | \$ 3,242 |
| Mobile TeleSystems Finance S.A., 8.375%, 10–14–10 | 3,500 | 3,594 |
| Mobile TeleSystems OJSC, 8.700%, 6–12–18 (E) | RUB115,000 | 3,928 |
| Sprint Capital Corporation, 7.625%, 1–30–11 | \$2,000 | 2,058 |
| VIP Finance Ireland Limited, 8.375%, 4–30–13 (B) | 2,000 | 2,165 |
| | | <u>14,987</u> |

TOTAL CORPORATE DEBT SECURITIES – 68.22% **\$506,246**

(Cost: \$478,625)

OTHER GOVERNMENT SECURITIES

| | | |
|--|-----------|---------------|
| Argentina – 0.28% | | |
| Republic of Argentina (The), 0.000%, 12–15–35 (C) | 28,000 | 2,100 |
| Canada – 1.35% | | |
| Canadian Government Bonds, 4.000%, 9–1–10 (E) | CAD10,000 | 9,988 |
| Germany – 0.64% | | |
| Bundesobligation, 3.250%, 4–9–10 (E) | EUR3,500 | 4,728 |
| Norway – 1.27% | | |
| Norway Government Bonds, 6.000%, 5–16–11 (E) | NOK53,800 | 9,418 |
| Russia – 0.30% | | |
| Open Joint Stock Company “Russian Railroads”, 8.500%, 7–6–11 (E) | RUB65,000 | 2,253 |
| Supranational – 1.43% | | |
| CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION: 4.875%, 1–15–12 (A) | \$ 4,500 | 4,697 |
| 4.875%, 1–15–12 | 1,500 | 1,565 |
| Corporacion Andina de Fomento, 7.375%, 1–18–11 | 2,500 | 2,623 |
| European Bank for Reconstruction and Development, 6.500%, 12–20–10 (E) | RUB50,000 | 1,718 |
| | | <u>10,603</u> |
| United Kingdom – 1.90% | | |
| United Kingdom Treasury, 4.250%, 3–7–11 (E) | GBP9,000 | 14,114 |
| TOTAL OTHER GOVERNMENT SECURITIES – 7.17% \$ 53,204 | | |
| (Cost: \$59,345) | | |

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 7.99%

| | Principal | Value |
|---|-----------|----------|
| Mortgage-Backed Obligations | | |
| Federal Home Loan Mortgage Corporation | | |
| Adjustable Rate Participation Certificates: | | |
| 4.000%, 5–15–24 | \$ 2,885 | \$ 3,007 |
| 4.000%, 11–15–36 | 2,887 | 2,992 |
| Federal Home Loan Mortgage Corporation | | |
| Agency REMIC/CMO (Interest Only): (F) | | |
| 4.500%, 8–15–17 | 697 | 22 |
| 5.000%, 5–15–18 | 1,012 | 120 |
| 5.000%, 4–15–19 | 108 | 9 |
| 5.000%, 4–15–19 | 52 | 4 |
| 5.000%, 11–15–22 | 185 | 10 |
| 5.500%, 3–15–23 | 96 | 13 |
| 5.000%, 5–15–23 | 90 | 6 |
| 5.000%, 8–15–23 | 70 | 6 |
| 5.500%, 2–15–24 | 681 | 42 |
| 5.000%, 6–15–24 | 434 | 1 |
| 5.500%, 4–15–25 | 516 | 28 |
| 5.500%, 4–15–25 | 7 | —* |
| 5.000%, 9–15–25 | 32 | —* |
| 5.500%, 10–15–25 | 1,132 | 185 |
| 5.000%, 2–15–26 | 230 | 1 |
| 5.000%, 4–15–26 | 233 | 2 |
| 5.000%, 10–15–28 | 446 | 17 |
| 5.000%, 8–15–30 | 2,862 | 116 |
| 5.000%, 10–15–30 | 1,250 | 120 |
| 5.500%, 3–15–31 | 85 | 6 |
| 5.500%, 10–15–32 | 2,474 | 307 |
| 5.500%, 1–15–33 | 596 | 101 |
| 5.500%, 5–15–33 | 1,890 | 322 |
| Federal Home Loan Mortgage Corporation | | |
| Fixed Rate Participation Certificates, | | |
| 4.500%, 10–1–35 | 8,098 | 8,156 |
| Federal National Mortgage Association | | |
| Agency REMIC/CMO: | | |
| 4.000%, 1–25–19 | 2,730 | 2,846 |
| 4.000%, 9–25–24 | 2,766 | 2,883 |
| 5.000%, 2–25–35 | 6,346 | 6,704 |
| 3.500%, 9–25–39 | 3,074 | 3,108 |
| Federal National Mortgage Association | | |
| Agency REMIC/CMO (Interest Only): (F) | | |
| 5.000%, 5–25–22 | 55 | 3 |
| 5.000%, 6–25–22 | 6,413 | 558 |
| 4.000%, 7–15–23 | 23,795 | 3,388 |
| 5.000%, 7–25–23 | 13,227 | 1,668 |
| 5.000%, 8–25–23 | 419 | 36 |
| 4.000%, 12–15–23 | 8,682 | 1,184 |
| 4.000%, 2–15–24 | 2,942 | 461 |
| 4.000%, 4–15–24 | 10,684 | 1,488 |
| 4.500%, 4–25–30 | 587 | 48 |
| 5.000%, 9–25–30 | 508 | 33 |
| 5.000%, 3–25–31 | 1,656 | 152 |
| 5.000%, 8–15–31 | 913 | 117 |
| 5.500%, 1–25–33 | 6,116 | 900 |
| 5.500%, 6–25–33 | 124 | 19 |
| 5.000%, 8–25–33 | 9,348 | 1,627 |
| 5.500%, 12–25–33 | 2,300 | 312 |
| 5.500%, 8–25–35 | 1,276 | 224 |
| 5.500%, 11–25–36 | 2,681 | 441 |
| 6.500%, 7–15–37 | 1,662 | 279 |
| Federal National Mortgage Association | | |
| Fixed Rate Pass-Through Certificates: | | |
| 5.500%, 11–1–22 | 2,403 | 2,593 |
| 5.000%, 8–1–23 | 3,174 | 3,349 |
| 5.000%, 7–1–34 | 2,675 | 2,770 |

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)

| | Principal | Value |
|--|-----------|------------------|
| Mortgage-Backed Obligations (Continued) | | |
| Government National Mortgage Association | | |
| Agency REMIC/CMO (Interest Only): (F) | | |
| 5.000%, 7–16–22 | \$ 4,681 | \$ 419 |
| 5.000%, 6–16–29 | 1,694 | 36 |
| 5.000%, 10–20–32 | 500 | 83 |
| 7.000%, 5–20–33 | 1,585 | 347 |
| 5.500%, 7–16–33 | 689 | 110 |
| 5.000%, 7–20–33 | 1,560 | 177 |
| 6.000%, 9–16–33 | 4,640 | 617 |
| 5.500%, 11–20–33 | 239 | 29 |
| 5.500%, 6–20–35 | 221 | 34 |
| 5.500%, 7–20–35 | 536 | 50 |
| 5.500%, 10–16–35 | 535 | 77 |
| Government National Mortgage Association | | |
| Fixed Rate Pass-Through Certificates, | | |
| 4.500%, 6–15–23 | 4,319 | 4,527 |
| (Cost: \$60,814) | | \$ 59,290 |

UNITED STATES GOVERNMENT OBLIGATIONS – 11.48%

| | | |
|-------------------------------|--------|------------------|
| Treasury Obligations | | |
| United States Treasury Notes: | | |
| 1.125%, 12–15–11 | 65,000 | 65,295 |
| 1.375%, 2–15–13 | 20,000 | 19,906 |
| (Cost: \$84,702) | | \$ 85,201 |

SHORT-TERM SECURITIES

Commercial Paper (G) – 3.24%

| | | |
|---------------------------|-------|---------------|
| Citigroup Funding Inc., | | |
| 0.180%, 4–8–10 | 5,000 | 5,000 |
| CVS Caremark Corporation, | | |
| 0.210%, 4–7–10 | 6,000 | 6,000 |
| General Mills, Inc., | | |
| 0.170%, 4–5–10 | 5,000 | 5,000 |
| Sonoco Products Co., | | |
| 0.000%, 4–1–10 | 8,027 | 8,026 |
| | | 24,026 |

Master Note – 0.45%

| | | |
|----------------------------------|-------|-------|
| Toyota Motor Credit Corporation, | | |
| 0.134%, 4–1–10 (H) | 3,357 | 3,357 |

Municipal Obligations – 1.01%

| | | |
|--|-------|-------|
| Indl Dev Corp of the Port of Bellingham, WA, | | |
| Envirnmt Fac Indl Rev Bonds (BP West Coast | | |
| Products LLC Proj), Ser 2003 (BP p.l.c.), | | |
| 0.340%, 4–1–10 (H) | 7,500 | 7,500 |

TOTAL SHORT-TERM SECURITIES – 4.70%

| | | |
|------------------|--|------------------|
| (Cost: \$34,883) | | \$ 34,883 |
|------------------|--|------------------|

TOTAL INVESTMENT SECURITIES – 99.56%

| | | |
|-------------------|--|------------------|
| (Cost: \$718,369) | | \$738,824 |
|-------------------|--|------------------|

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.44%

| | | |
|--|--|--------------|
| | | 3,271 |
|--|--|--------------|

NET ASSETS – 100.00%

| | | |
|--|--|------------------|
| | | \$742,095 |
|--|--|------------------|

SCHEDULE OF INVESTMENTS

Global Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

Notes to Schedule of Investments

The following forward foreign currency contracts were outstanding at March 31, 2010:

| Type | Currency | Counterparty | Principal Amount of Contract (Denominated in Indicated Currency) | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|-----------------------|-----------------------------|---|--------------------|----------------------------|----------------------------|
| Buy | Chinese Yuan Renminbi | Goldman Sachs International | 245,703 | 3-24-11 | \$107 | \$ — |
| Sell | Swedish Krona | Bank of America NT & SA | 43,200 | 6-9-10 | 13 | — |
| Sell | Swedish Krona | Bank of America NT & SA | 224,400 | 6-9-10 | — | 1,747 |
| | | | | | <u>\$120</u> | <u>\$1,747</u> |

*Not shown due to rounding.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$65,335 or 8.80% of net assets.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$105,643 or 14.24% of net assets.

(C) Zero coupon bond.

(D) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(E) Principal amounts are denominated in the indicated foreign currency, where applicable (BRL – Brazilian Real, CAD – Canadian Dollar, CNY – Chinese Yuan Renminbi, EUR – Euro, GBP – British Pound, HKD – Hong Kong Dollar, NOK – Norwegian Krone and RUB – Russian Ruble).

(F) Amount shown in principal column represents notional amount for computation of interest.

(G) Rate shown is the yield to maturity at March 31, 2010.

(H) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

The following acronyms are used throughout this schedule:

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

Country Diversification

(as a % of net assets)

| | |
|----------------------|--------|
| United States | 43.25% |
| Brazil | 7.61% |
| United Kingdom | 6.95% |
| Canada | 5.48% |
| Russia | 4.31% |
| Mexico | 3.17% |
| Indonesia | 2.87% |
| Norway | 2.64% |
| India | 2.29% |
| China | 1.92% |
| Chile | 1.86% |
| Hong Kong | 1.75% |
| Argentina | 1.63% |
| Supranational | 1.43% |
| South Korea | 1.02% |
| United Arab Emirates | 0.84% |

Country Diversification (Continued)

| | |
|------------------------|-------|
| Cayman Islands | 0.71% |
| Germany | 0.64% |
| France | 0.58% |
| Greece | 0.57% |
| British Virgin Islands | 0.54% |
| Qatar | 0.43% |
| Luxembourg | 0.43% |
| Singapore | 0.41% |
| Italy | 0.34% |
| Bahamas | 0.31% |
| Poland | 0.28% |
| Australia | 0.24% |
| Malaysia | 0.23% |
| Japan | 0.13% |
| Other+ | 5.14% |

+Includes cash and cash equivalents and other assets and liabilities

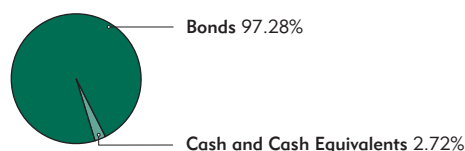
See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Government Securities Fund

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



| | |
|--|---------------|
| Bonds | 97.28% |
| United States Government and Government Agency Obligations | 94.83% |
| Corporate Debt Securities ⁽¹⁾ | 2.45% |
| Cash and Cash Equivalents | 2.72% |

⁽¹⁾Securities are fully guaranteed by the Federal Deposit Insurance Corporation for both interest and principal under the Debt Guarantee Program of the Temporary Liquidity Guarantee Program.

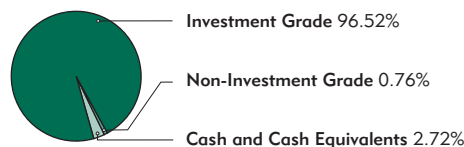
Lipper Rankings

| Category: Lipper General U.S. Government Funds | Rank | Percentile |
|--|--------|------------|
| 1 Year | 86/143 | 60 |
| 3 Year | 74/134 | 55 |
| 5 Year | 51/114 | 45 |
| 10 Year | 42/82 | 51 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Certain U.S. government securities such as Treasury securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

Quality Weightings



| | |
|----------------------------------|---------------|
| Investment Grade | 96.52% |
| AAA | 95.10% |
| AA | 1.42% |
| Non-Investment Grade | 0.76% |
| Non-rated | 0.76% |
| Cash and Cash Equivalents | 2.72% |

Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

ILLUSTRATION OF FUND EXPENSES

Government Securities Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,012.30 | 1.02% | \$5.13 |
| Class B | \$1,000 | \$1,007.60 | 1.96% | \$9.84 |
| Class C | \$1,000 | \$1,008.20 | 1.83% | \$9.14 |
| Class Y | \$1,000 | \$1,013.90 | 0.70% | \$3.52 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,019.85 | 1.02% | \$5.15 |
| Class B | \$1,000 | \$1,015.18 | 1.96% | \$9.87 |
| Class C | \$1,000 | \$1,015.80 | 1.83% | \$9.17 |
| Class Y | \$1,000 | \$1,021.45 | 0.70% | \$3.54 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Government Securities Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES | Principal | Value |
|---|-----------|------------------|
| Investment Banking & Brokerage – 1.47% | | |
| Goldman Sachs Group, Inc. (The) (Federal Deposit Insurance Corporation), 3.250%, 6–15–12 (A) | \$ 6,000 | \$ 6,257 |
| Other Diversified Financial Services – 0.98% | | |
| Bank of America Corporation (Federal Deposit Insurance Corporation), 3.125%, 6–15–12 (A) | 4,000 | 4,156 |
| TOTAL CORPORATE DEBT SECURITIES – 2.45% | | \$ 10,413 |
| (Cost: \$9,984) | | |

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

| | | |
|---|--------|----------------|
| Agency Obligations – 23.80% | | |
| Federal Farm Credit Bank: | | |
| 4.350%, 9–2–14 | 5,000 | 5,379 |
| 5.250%, 1–6–16 | 6,000 | 6,667 |
| 4.600%, 1–29–20 | 5,000 | 5,172 |
| Federal Home Loan Bank: | | |
| 2.375%, 3–14–14 | 9,400 | 9,421 |
| 5.375%, 6–13–14 | 6,000 | 6,665 |
| 1.000%, 3–30–15 (B) | 4,550 | 4,545 |
| 4.500%, 9–13–19 | 12,900 | 13,265 |
| 4.125%, 3–13–20 | 8,000 | 8,049 |
| Federal Home Loan Mortgage Corporation, 4.750%, 11–17–15 | 10,000 | 10,879 |
| Federal National Mortgage Association: | | |
| 4.375%, 7–17–13 | 12,000 | 12,928 |
| 2.875%, 12–11–13 | 6,650 | 6,818 |
| 3.100%, 10–16–15 | 5,360 | 5,352 |
| Private Export Funding Corporation, 4.375%, 3–15–19 | 6,000 | 6,054 |
| | | <u>101,194</u> |
| Mortgage-Backed Obligations – 51.33% | | |
| Federal Agricultural Mortgage Corporation, Guaranteed Agricultural Mortgage-Backed Securities, 7.027%, 1–25–12 | 1,630 | 1,630 |
| Federal Home Loan Mortgage Corporation Adjustable Rate Participation Certificates: | | |
| 4.000%, 2–15–23 | 3,824 | 3,970 |
| 4.500%, 6–15–27 | 4,838 | 5,056 |
| 4.500%, 5–15–32 | 4,000 | 4,246 |
| 5.000%, 9–15–34 | 3,622 | 3,827 |
| 4.000%, 11–15–36 | 3,931 | 4,074 |
| Federal Home Loan Mortgage Corporation Agency REMIC/CMO: | | |
| 5.000%, 4–15–18 | 3,950 | 4,221 |
| 5.000%, 5–15–19 | 4,500 | 4,820 |
| 5.000%, 5–15–23 | 8,000 | 8,452 |
| 5.000%, 5–15–31 | 1,829 | 1,898 |
| 5.500%, 10–15–31 | 7,948 | 8,196 |
| 5.000%, 9–15–32 | 5,254 | 5,586 |
| Federal Home Loan Mortgage Corporation Agency REMIC/CMO (Interest Only): (C) | | |
| 5.000%, 9–15–31 | 1,564 | 153 |
| 5.500%, 10–15–31 | 1,974 | 142 |
| 5.500%, 1–15–38 | 11,962 | 1,539 |
| Federal Home Loan Mortgage Corporation Fixed Rate Participation Certificates: | | |
| 4.500%, 10–1–20 | 3,875 | 4,078 |
| 5.500%, 3–1–22 | 1,530 | 1,647 |
| 6.000%, 7–1–22 | 1,972 | 2,130 |

| UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued) | Principal | Value |
|--|-----------|------------------|
| Mortgage-Backed Obligations (Continued) | | |
| Federal Home Loan Mortgage Corporation Fixed Rate Participation Certificates: (Continued) | | |
| 4.500%, 3–1–23 | \$ 7,027 | \$ 7,303 |
| 5.000%, 7–1–25 | 1,474 | 1,535 |
| 5.000%, 3–1–35 | 1,359 | 1,406 |
| 5.500%, 10–1–35 | 1,088 | 1,151 |
| 5.000%, 11–1–35 | 13,731 | 14,215 |
| Federal National Mortgage Association Agency REMIC/CMO: | | |
| 5.000%, 3–25–18 | 7,000 | 7,482 |
| 5.000%, 6–25–18 | 6,000 | 6,424 |
| 5.000%, 9–25–18 | 1,000 | 1,046 |
| 5.500%, 2–25–32 | 2,243 | 2,278 |
| 4.000%, 3–25–33 | 1,098 | 1,133 |
| 5.000%, 7–15–33 | 6,000 | 6,357 |
| 3.500%, 8–25–33 | 3,227 | 3,248 |
| 4.500%, 5–25–37 | 3,663 | 3,818 |
| 4.000%, 3–25–39 | 3,066 | 3,137 |
| Federal National Mortgage Association Agency REMIC/CMO (Interest Only): (C) | | |
| 5.500%, 1–25–33 | 1,261 | 186 |
| 5.500%, 11–25–36 | 3,986 | 655 |
| 5.500%, 8–25–37 | 2,882 | 433 |
| Federal National Mortgage Association Fixed Rate Pass-Through Certificates: | | |
| 4.500%, 6–1–19 | 1,939 | 2,037 |
| 4.500%, 8–1–19 | 3,702 | 3,890 |
| 4.500%, 9–1–19 | 4,255 | 4,451 |
| 5.000%, 12–1–19 | 1,714 | 1,824 |
| 4.500%, 11–1–20 | 3,964 | 4,154 |
| 5.500%, 11–1–22 | 2,670 | 2,881 |
| 5.500%, 10–1–23 | 1,075 | 1,149 |
| 5.000%, 4–1–24 | 1,746 | 1,819 |
| 4.500%, 7–25–24 | 6,000 | 6,189 |
| 5.000%, 4–1–28 | 5,298 | 5,509 |
| 5.000%, 5–1–28 | 4,405 | 4,580 |
| 5.500%, 9–25–31 | 3,853 | 4,041 |
| 5.000%, 6–25–32 | 7,910 | 8,329 |
| 5.500%, 2–1–33 | 1,814 | 1,924 |
| 5.000%, 3–25–33 | 4,000 | 4,164 |
| 6.000%, 4–1–33 | 3,339 | 3,627 |
| 5.000%, 9–1–33 | 3,157 | 3,274 |
| 5.500%, 12–1–34 | 5,336 | 5,648 |
| 5.000%, 5–1–35 | 1,514 | 1,566 |
| 6.000%, 4–1–39 | 7,679 | 8,163 |
| Government National Mortgage Association Agency REMIC/CMO: | | |
| 4.585%, 8–16–34 | 3,000 | 3,159 |
| 5.000%, 4–16–39 | 4,769 | 5,073 |
| Guaranteed Development Company Participation Certificates, Series 1995–20 F, Guaranteed by the United States Small Business Administration (an Independent Agency of the United States), 6.800%, 6–1–15 | 362 | 386 |
| United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust, 2002–3 Class G, 6.000%, 2–15–30 | 2,652 | 2,842 |
| | | <u>218,151</u> |
| TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 75.13% | | \$319,345 |
| (Cost: \$309,709) | | |

SCHEDULE OF INVESTMENTS

Government Securities Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| UNITED STATES GOVERNMENT OBLIGATIONS – 19.70% | | |
|--|-----------|------------------|
| | Principal | Value |
| Treasury Obligations | | |
| United States Treasury Bonds, | | |
| 9.000%, 11–15–18 | \$10,000 | \$ 14,021 |
| United States Treasury Notes: | | |
| 4.250%, 8–15–13 | 7,650 | 8,278 |
| 2.750%, 10–31–13 | 5,000 | 5,145 |
| 4.000%, 2–15–14 | 10,000 | 10,747 |
| 4.250%, 8–15–14 | 10,000 | 10,844 |
| 2.375%, 2–28–15 | 20,000 | 19,861 |
| 3.625%, 8–15–19 | 15,000 | 14,817 |
| (Cost: \$82,767) | | <u>\$ 83,713</u> |

SHORT-TERM SECURITIES

| Repurchase Agreements – 2.55% | | |
|--|--------|--------------|
| J.P. Morgan Securities, Inc., Repurchase | | |
| Agreement dated 3–31–10 to be | | |
| repurchased at \$10,841, | | |
| 0.010%, 4–1–10 (D) | 10,841 | 10,841 |
| United States Government | | |
| Agency Obligations – 0.94% | | |
| Federal Home Loan Mortgage Corporation: | | |
| 0.120%, 5–11–10 | 1,500 | 1,500 |
| 0.130%, 5–26–10 | 2,500 | 2,499 |
| | | <u>3,999</u> |

TOTAL SHORT-TERM SECURITIES – 3.49% \$ 14,840
(Cost: \$14,840)

TOTAL INVESTMENT SECURITIES – 100.77% \$428,311
(Cost: \$417,300)

LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.77%) (3,292)

NET ASSETS – 100.00% \$425,019

Notes to Schedule of Investments

(A)Security is fully guaranteed by the Federal Deposit Insurance Corporation for both interest and principal under the Debt Guarantee Program of the Temporary Liquidity Guarantee Program. The guarantee expires at the earlier of the security's maturity date or December 31, 2012.

(B)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(C)Amount shown in principal column represents notional amount for computation of interest.

(D)Collateralized by \$11,229 United States Treasury Bond, 4.625% due 2–15–40; market value and accrued interest aggregate \$11,129.

The following acronyms are used throughout this schedule:

CMO = Collateralized Mortgage Obligation

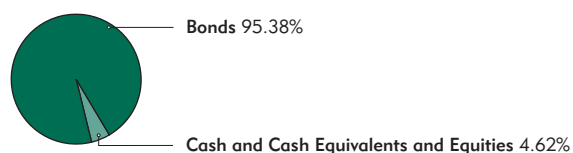
REMIC = Real Estate Mortgage Investment Conduit

PORTFOLIO HIGHLIGHTS

High Income Fund

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



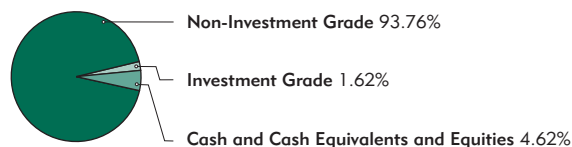
| | |
|---|---------------|
| Bonds | 95.38% |
| Corporate Debt Securities | 91.17% |
| Senior Loans | 4.21% |
| Cash and Cash Equivalents and Equities | 4.62% |

Lipper Rankings

| Category: Lipper High Current Yield Funds | Rank | Percentile |
|---|---------|------------|
| 1 Year | 374/460 | 82 |
| 3 Year | 119/399 | 30 |
| 5 Year | 145/343 | 43 |
| 10 Year | 132/222 | 60 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Quality Weightings



| | |
|---|---------------|
| Investment Grade | 1.62% |
| BBB | 1.62% |
| Non-Investment Grade | 93.76% |
| BB | 22.38% |
| B | 49.26% |
| CCC | 20.14% |
| Below CCC | 0.65% |
| Non-rated | 1.33% |
| Cash and Cash Equivalents and Equities | 4.62% |

Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

ILLUSTRATION OF FUND EXPENSES

High Income Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,080.60 | 1.11% | \$ 5.72 |
| Class B | \$1,000 | \$1,075.10 | 2.15% | \$ 11.10 |
| Class C | \$1,000 | \$1,076.30 | 1.92% | \$ 9.97 |
| Class Y | \$1,000 | \$1,082.30 | 0.79% | \$ 4.16 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,019.40 | 1.11% | \$ 5.55 |
| Class B | \$1,000 | \$1,014.21 | 2.15% | \$ 10.78 |
| Class C | \$1,000 | \$1,015.36 | 1.92% | \$ 9.67 |
| Class Y | \$1,000 | \$1,020.97 | 0.79% | \$ 4.04 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| COMMON STOCKS | Shares | Value |
|---|--------|------------------|
| Casinos & Gaming – 0.08% | | |
| Pinnacle Entertainment, Inc. (A) | 103 | \$ 1,003 |
| Food Distributors – 0.22% | | |
| Dole Food Company, Inc. (A) | 240 | 2,844 |
| Oil & Gas Equipment & Services – 0.19% | | |
| Dresser-Rand Group Inc. (A) | 79 | 2,482 |
| Oil & Gas Storage & Transportation – 0.29% | | |
| Inergy, L.P. | 100 | 3,780 |
| Railroads – 0.14% | | |
| Kansas City Southern (A) | 50 | 1,809 |
| Wireless Telecommunication Service – 0.05% | | |
| NII Holdings, Inc. (A) | 17 | 687 |
| TOTAL COMMON STOCKS – 0.97% | | \$ 12,605 |
| (Cost: \$12,519) | | |

| CORPORATE DEBT SECURITIES | Principal | |
|---|-----------|--------|
| Aerospace – 1.16% | | |
| Global Aviation Holdings, Inc., 14.000%, 8–15–13 (B) | \$ 3,000 | 3,049 |
| Vought Aircraft Industries, Inc., 8.000%, 7–15–11 | 11,955 | 12,015 |
| | | 15,064 |
| Aerospace & Defense – 0.35% | | |
| Freedom Group, Inc., 11.250%, 10–1–15 (C)(D) | 4,640 | 4,547 |
| Apparel, Accessories & Luxury Goods – 0.34% | | |
| Oxford Industries, Inc., 11.375%, 7–15–15 | 4,000 | 4,460 |
| Automobile Manufacturers – 2.67% | | |
| Affinia Group Inc.: 9.000%, 11–30–14 | 5,650 | 5,622 |
| 10.750%, 8–15–16 (B) | 10,780 | 11,751 |
| Asbury Automotive Group, Inc.: 8.000%, 3–15–14 | 510 | 511 |
| 7.625%, 3–15–17 | 1,275 | 1,214 |
| Navistar International Corporation, 8.250%, 11–1–21 | 1,960 | 1,999 |
| UCI Holdco, Inc., 8.257%, 12–15–13 (D)(E) | 6,986 | 6,540 |
| United Auto Group, Inc., 7.750%, 12–15–16 | 7,500 | 7,219 |
| | | 34,856 |
| Automobile Mfg. / Vehicle Parts – 1.95% | | |
| ArvinMeritor, Inc., 10.625%, 3–15–18 | 1,700 | 1,760 |
| AutoNation, Inc., 6.750%, 4–15–18 | 5,790 | 5,702 |
| Oshkosh Corporation: 8.250%, 3–1–17 (B) | 705 | 728 |
| 8.500%, 3–1–20 (B) | 705 | 730 |
| Sonic Automotive, Inc., 9.000%, 3–15–18 (B) | 15,990 | 16,389 |
| | | 25,309 |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|----------|
| Banking – 0.70% | | |
| JPMorgan Chase & Co., 7.900%, 4–29–49 (E) | \$ 8,500 | \$ 9,062 |
| Broadband – 1.50% | | |
| Broadview Networks Holdings, Inc., 11.375%, 9–1–12 | 1,880 | 1,828 |
| Clearwire Communications LLC: 12.000%, 12–1–15 (B) | 6,080 | 6,186 |
| 12.000%, 12–1–15 (B) | 4,400 | 4,488 |
| ITC-DeltaCom, Inc., 10.500%, 4–1–16 (B) | 2,330 | 2,321 |
| Level 3 Financing, Inc.: 9.250%, 11–1–14 | 850 | 829 |
| 10.000%, 2–1–18 (B) | 4,050 | 3,868 |
| | | 19,520 |
| Broadcast / Outdoor – 0.98% | | |
| Salem Communications Corporation, 9.625%, 12–15–16 | 2,550 | 2,665 |
| SIRIUS XM Radio Inc., 8.750%, 4–1–15 (B) | 10,135 | 10,097 |
| | | 12,762 |
| Building Products – 2.87% | | |
| Building Materials Corporation of America, 7.500%, 3–15–20 (B) | 4,300 | 4,289 |
| CPG International I Inc., 10.500%, 7–1–13 | 1,250 | 1,253 |
| Goodman Global Group, Inc.: 0.000%, 12–15–14 (B)(F) | 18,168 | 10,627 |
| 13.500%, 2–15–16 | 7,750 | 8,661 |
| Norcraft Companies, L.P. and Norcraft Finance Corp.: 9.750%, 9–1–12 | 387 | 368 |
| 10.500%, 12–15–15 (B) | 3,650 | 3,851 |
| Ply Gem Industries, Inc., 11.750%, 6–15–13 | 7,850 | 8,282 |
| | | 37,331 |
| Cable & Satellite – 2.06% | | |
| CSC Holdings, Inc.: 8.500%, 6–15–15 (B) | 4,900 | 5,194 |
| 8.625%, 2–15–19 (B) | 1,400 | 1,533 |
| DISH DBS Corporation, 7.875%, 9–1–19 | 12,250 | 12,740 |
| EchoStar DBS Corporation, 7.750%, 5–31–15 | 7,000 | 7,315 |
| | | 26,782 |
| Capital Goods – 0.42% | | |
| RBS Global, Inc. and Rexnord LLC: 9.500%, 8–1–14 | 4,175 | 4,342 |
| 9.500%, 8–1–14 (B) | 1,100 | 1,144 |
| | | 5,486 |
| Casinos & Gaming – 3.86% | | |
| Ameristar Casinos, Inc., 9.250%, 6–1–14 | 10,975 | 11,496 |
| Inn of the Mountain Gods Resort and Casino, 12.000%, 11–15–10 (G) | 7,350 | 3,528 |
| MGM MIRAGE: 13.000%, 11–15–13 | 2,000 | 2,330 |
| 10.375%, 5–15–14 (B) | 1,700 | 1,874 |
| 7.625%, 1–15–17 | 4,500 | 3,746 |
| 11.125%, 11–15–17 (B) | 3,700 | 4,163 |
| 11.375%, 3–1–18 (B) | 4,250 | 4,101 |
| 9.000%, 3–15–20 (B) | 2,375 | 2,446 |

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Casinos & Gaming (Continued) | | |
| Peninsula Gaming, LLC: | | |
| 8.375%, 8-15-15 (B) | \$ 3,150 | \$ 3,142 |
| 10.750%, 8-15-17 (B) | 2,300 | 2,197 |
| Pinnacle Entertainment, Inc.: | | |
| 8.250%, 3-15-12 | 8,398 | 8,335 |
| 8.625%, 8-1-17 (B) | 3,125 | 3,055 |
| | | <u>50,413</u> |
| Chemicals – 2.29% | | |
| Huntsman International LLC, | | |
| 8.625%, 3-15-20 (B) | 10,900 | 10,954 |
| JohnsonDiversey Holdings, Inc.: | | |
| 8.250%, 11-15-19 (B) | 5,750 | 5,951 |
| 10.500%, 5-15-20 (B) | 4,250 | 4,633 |
| LCI Escrow Corporation, | | |
| 8.000%, 11-1-17 (B) | 1,860 | 1,930 |
| Solutia Inc., | | |
| 7.875%, 3-15-20 | 6,310 | 6,389 |
| | | <u>29,857</u> |
| Communications Equipment – 0.38% | | |
| Sorenson Communications, Inc., | | |
| 10.500%, 2-1-15 (B) | 5,100 | 4,922 |
| Construction Materials – 2.46% | | |
| Headwaters Incorporated, | | |
| 11.375%, 11-1-14 (B) | 14,015 | 14,628 |
| Headwaters Incorporated, Convertible: | | |
| 2.500%, 2-1-14 | 2,175 | 1,558 |
| 14.750%, 2-1-14 (C) | 9,824 | 10,549 |
| 16.000%, 6-1-16 | 2,950 | 3,297 |
| 16.000%, 6-1-16 (B) | 1,700 | 1,900 |
| | | <u>31,932</u> |
| Consumer Finance – 2.21% | | |
| ASG Consolidated LLC and ASG Finance, Inc., | | |
| 11.500%, 11-1-11 | 17,300 | 17,387 |
| Ford Motor Credit Company LLC: | | |
| 8.700%, 10-1-14 | 2,500 | 2,711 |
| 12.000%, 5-15-15 | 5,750 | 6,869 |
| 8.125%, 1-15-20 | 1,700 | 1,783 |
| | | <u>28,750</u> |
| Consumer Products – 1.79% | | |
| Libbey Glass Inc., | | |
| 10.000%, 2-15-15 (B) | 850 | 895 |
| Prestige Brands, Inc., | | |
| 8.250%, 4-1-18 (B) | 6,125 | 6,278 |
| Scotts Miracle-Gro Company (The), | | |
| 7.250%, 1-15-18 | 2,400 | 2,448 |
| Visant Holding Corp., | | |
| 8.750%, 12-1-13 | 13,300 | 13,632 |
| | | <u>23,253</u> |
| Containers – 1.60% | | |
| BPC Holding Corporation, | | |
| 8.875%, 9-15-14 | 6,225 | 6,078 |
| Graham Packaging Company, L.P. and GPC | | |
| Capital Corp. I, | | |
| 9.875%, 10-15-14 | 5,100 | 5,291 |
| Huntsman International LLC: | | |
| 7.375%, 1-1-15 | 1,700 | 1,687 |
| 5.500%, 6-30-16 (B) | 1,500 | 1,361 |
| Plastipak Holdings, Inc.: | | |
| 8.500%, 12-15-15 (B) | 780 | 794 |
| 10.625%, 8-15-19 (B) | 5,015 | 5,579 |
| | | <u>20,790</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Diversified Telecom – 1.57% | | |
| PAETEC Holding Corp., | | |
| 9.500%, 7-15-15 | \$ 3,215 | \$ 3,255 |
| Qwest Communications International Inc.: | | |
| 8.000%, 10-1-15 | 4,500 | 4,793 |
| 7.125%, 4-1-18 (B) | 5,950 | 6,143 |
| Qwest Corporation, | | |
| 8.375%, 5-1-16 | 5,500 | 6,188 |
| | | <u>20,379</u> |
| Energy – 0.26% | | |
| CONSOL Energy Inc.: | | |
| 8.000%, 4-1-17 (B) | 1,860 | 1,911 |
| 8.250%, 4-1-20 (B) | 1,400 | 1,439 |
| | | <u>3,350</u> |
| Environmental Services – 0.70% | | |
| Geokinetics Holdings USA, Inc., | | |
| 9.750%, 12-15-14 (B) | 9,735 | 9,127 |
| Finance – 4.37% | | |
| CEMEX Finance LLC, | | |
| 9.500%, 12-14-16 (B) | 6,200 | 6,417 |
| CEVA Group Plc, | | |
| 11.500%, 4-1-18 (B) | 1,410 | 1,463 |
| CIT Group, Inc.: | | |
| 7.000%, 5-1-13 | 11,125 | 10,819 |
| 7.000%, 5-1-17 | 3,150 | 2,906 |
| CNG Holdings, Inc., | | |
| 12.250%, 2-15-15 (B) | 6,000 | 5,813 |
| CPM Holdings, Inc., | | |
| 10.625%, 9-1-14 (B) | 7,450 | 7,934 |
| Credit Acceptance Corporation, | | |
| 9.125%, 2-1-17 (B) | 3,840 | 3,946 |
| Dollar Financial Corp., | | |
| 10.375%, 12-15-16 (B) | 11,190 | 11,875 |
| Icahn Enterprises L.P., | | |
| 8.000%, 1-15-18 (B) | 5,950 | 5,734 |
| | | <u>56,907</u> |
| Food Distributors – 0.43% | | |
| Viskase Companies, Inc., | | |
| 9.875%, 1-15-18 (B) | 5,525 | 5,594 |
| Food Processors / Bev / Bottling – 0.97% | | |
| Dole Food Company, Inc., | | |
| 13.875%, 3-15-14 | 7,793 | 9,381 |
| TreeHouse Foods, Inc., | | |
| 7.750%, 3-1-18 | 3,120 | 3,237 |
| | | <u>12,618</u> |
| Health Care Equipment – 0.93% | | |
| Biomet, Inc.: | | |
| 10.000%, 10-15-17 | 5,600 | 6,174 |
| 10.375%, 10-15-17 | 3,000 | 3,300 |
| 11.625%, 10-15-17 | 2,320 | 2,598 |
| | | <u>12,072</u> |
| Health Care Facilities – 3.09% | | |
| HCA Inc.: | | |
| 9.250%, 11-15-16 | 7,325 | 7,787 |
| 9.625%, 11-15-16 | 1,958 | 2,098 |
| 9.875%, 2-15-17 (B) | 1,700 | 1,853 |
| 8.500%, 4-15-19 (B) | 7,000 | 7,529 |
| 7.875%, 2-15-20 (B) | 2,500 | 2,617 |
| 7.250%, 9-15-20 (B) | 1,700 | 1,723 |

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|---------------|
| Health Care Facilities (Continued) | | |
| HealthSouth Corporation: | | |
| 10.750%, 6-15-16 | \$ 4,750 | \$ 5,136 |
| 8.125%, 2-15-20 | 11,585 | 11,528 |
| | | <u>40,271</u> |
| Health Care Facilities / Supplies – 3.96% | | |
| Catalent Pharma Solutions, Inc.: | | |
| 9.500%, 4-15-15 (D) | 5,305 | 4,980 |
| 9.750%, 4-15-17 (H) | EUR1,500 | 1,783 |
| DJO Finance LLC and DJO Finance Corporation: | | |
| 10.875%, 11-15-14 (B) | \$ 480 | 521 |
| ReAble Therapeutics Finance LLC and ReAble Therapeutics Finance Corporation: | | |
| 10.875%, 11-15-14 | 5,991 | 6,508 |
| 11.750%, 11-15-14 | 7,000 | 7,420 |
| Rural/Metro Corporation: | | |
| 12.750%, 3-15-16 | 6,135 | 6,503 |
| United Surgical Partners International, Inc.: | | |
| 8.875%, 5-1-17 | 6,000 | 6,225 |
| US Oncology, Inc.: | | |
| 10.750%, 8-15-14 | 15,886 | 16,522 |
| 9.125%, 8-15-17 | 1,000 | 1,045 |
| | | <u>51,507</u> |
| Hotels, Resorts & Cruise Lines – 1.50% | | |
| Gaylord Entertainment Company: | | |
| 6.750%, 11-15-14 | 11,300 | 10,820 |
| Starwood Hotels & Resorts Worldwide, Inc.: | | |
| 6.750%, 5-15-18 | 8,700 | 8,722 |
| | | <u>19,542</u> |
| Household Products – 0.40% | | |
| Simmons Bedding Company: | | |
| 7.875%, 1-15-14 (G) | 7,412 | —* |
| 11.250%, 7-15-15 (B) | 4,800 | 5,232 |
| | | <u>5,232</u> |
| Independent Finance – 0.17% | | |
| American General Finance Corporation: | | |
| 6.900%, 12-15-17 | 2,500 | 2,189 |
| Industrial – Other – 0.63% | | |
| Bombardier Inc.: | | |
| 7.500%, 3-15-18 (B) | 2,880 | 3,002 |
| 7.750%, 3-15-20 (B) | 3,400 | 3,553 |
| J.B. Poindexter & Co., Inc.: | | |
| 8.750%, 3-15-14 | 1,925 | 1,675 |
| | | <u>8,230</u> |
| Internet Software & Services – 0.87% | | |
| Terremark Worldwide, Inc.: | | |
| 12.000%, 6-15-17 (B) | 9,840 | 11,316 |
| IT Consulting & Other Services – 0.39% | | |
| SunGard Data Systems Inc.: | | |
| 9.125%, 8-15-13 | 4,250 | 4,357 |
| 10.625%, 5-15-15 | 660 | 719 |
| | | <u>5,076</u> |
| Leisure – 1.12% | | |
| Cinemark USA, Inc.: | | |
| 8.625%, 6-15-19 | 5,000 | 5,269 |
| Speedway Motorsports, Inc.: | | |
| 8.750%, 6-1-16 | 8,700 | 9,265 |
| | | <u>14,534</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Machinery – 0.99% | | |
| Manitowoc Company, Inc. (The): | | |
| 9.500%, 2-15-18 | \$ 1,700 | \$ 1,772 |
| Terex Corporation: | | |
| 10.875%, 6-1-16 | 10,000 | 11,075 |
| | | <u>12,847</u> |
| Metals / Mining – 2.30% | | |
| Compass Minerals International, Inc.: | | |
| 8.000%, 6-1-19 (B) | 6,700 | 6,968 |
| Ryerson Inc.: | | |
| 12.000%, 11-1-15 | 4,395 | 4,615 |
| Severstal Columbus LLC: | | |
| 10.250%, 2-15-18 (B) | 4,300 | 4,520 |
| Teck Cominco Limited: | | |
| 6.125%, 10-1-35 | 8,820 | 8,047 |
| Teck Resources Limited: | | |
| 10.250%, 5-15-16 | 2,140 | 2,547 |
| 10.750%, 5-15-19 | 2,660 | 3,259 |
| | | <u>29,956</u> |
| Movies & Entertainment – 1.10% | | |
| AMC Entertainment Inc.: | | |
| 8.000%, 3-1-14 | 9,300 | 9,358 |
| 11.000%, 2-1-16 | 3,000 | 3,221 |
| Marquee Holdings Inc.: | | |
| 9.505%, 8-15-14 | 2,000 | 1,675 |
| | | <u>14,254</u> |
| Office Services & Supplies – 1.24% | | |
| Interface, Inc.: | | |
| 11.375%, 11-1-13 | 8,400 | 9,471 |
| 9.500%, 2-1-14 | 6,466 | 6,660 |
| | | <u>16,131</u> |
| Oil & Gas Exploration & Production – 0.50% | | |
| Chesapeake Energy Corporation: | | |
| 9.500%, 2-15-15 | 3,800 | 4,133 |
| Petrohawk Energy Corporation: | | |
| 10.500%, 8-1-14 | 2,100 | 2,318 |
| | | <u>6,451</u> |
| Oil & Gas Storage & Transportation – 1.95% | | |
| Copano Energy, L.L.C.: | | |
| 8.125%, 3-1-16 | 4,650 | 4,714 |
| El Paso Corporation: | | |
| 8.250%, 2-15-16 | 1,375 | 1,468 |
| Inergy, L.P.: | | |
| 8.750%, 3-1-15 | 8,400 | 8,789 |
| 8.250%, 3-1-16 | 10,042 | 10,343 |
| | | <u>25,314</u> |
| Oil Refining & Marketing – 2.39% | | |
| Alon Refining Krotz Springs, Inc.: | | |
| 13.500%, 10-15-14 | 4,500 | 4,331 |
| Hilcorp Energy I, LP: | | |
| 8.000%, 2-15-20 (B) | 3,400 | 3,298 |
| McMoRan Exploration Co.: | | |
| 11.875%, 11-15-14 | 7,400 | 7,955 |
| Quicksilver Resources Inc.: | | |
| 11.750%, 1-1-16 | 3,300 | 3,779 |
| 7.125%, 4-1-16 | 2,600 | 2,470 |
| RDS Ultra-Deepwater Ltd: | | |
| 11.875%, 3-15-17 (B) | 9,165 | 9,393 |
| | | <u>31,226</u> |

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|---------------|
| Paper & Forest Products – 1.06% | | |
| Appleton Papers Inc.: | | |
| 10.500%, 6–15–15 (B) | \$ 6,000 | \$ 5,970 |
| 11.250%, 12–15–15 (B) | 3,916 | 3,603 |
| PE Paper Escrow GmbH, | | |
| 12.000%, 8–1–14 (B) | 3,780 | 4,271 |
| | | <u>13,844</u> |
| Paper Packaging – 0.41% | | |
| Sealed Air Corporation, | | |
| 7.875%, 6–15–17 (B) | 4,900 | 5,318 |
| | | <u>5,318</u> |
| Pharmaceuticals – 0.69% | | |
| BioScrip, Inc., | | |
| 10.250%, 10–1–15 (B) | 2,820 | 2,869 |
| PharmaNet Development Group Inc., | | |
| 10.875%, 4–15–17 (B) | 2,550 | 2,550 |
| Talecris Biotherapeutics Holdings Corp., | | |
| 7.750%, 11–15–16 (B) | 3,500 | 3,518 |
| | | <u>8,937</u> |
| Publishing – 1.15% | | |
| McClatchy Company (The), | | |
| 11.500%, 2–15–17 (B) | 3,400 | 3,472 |
| Nielsen Finance LLC and Nielsen Finance Co.: | | |
| 11.500%, 5–1–16 | 6,600 | 7,458 |
| 0.000%, 8–1–16 (I) | 4,200 | 3,990 |
| | | <u>14,920</u> |
| Railroads – 2.65% | | |
| Kansas City Southern de Mexico, S.A. de C.V.: | | |
| 12.500%, 4–1–16 | 8,760 | 10,359 |
| 8.000%, 2–1–18 (B) | 2,400 | 2,460 |
| Kansas City Southern Railway Company (The), | | |
| 13.000%, 12–15–13 | 18,175 | 21,628 |
| | | <u>34,447</u> |
| Restaurants – 1.98% | | |
| NPC International, Inc., | | |
| 9.500%, 5–1–14 | 25,855 | 25,726 |
| | | <u>25,726</u> |
| Retail Propane Distributors – 1.91% | | |
| Ferrellgas Partners, L.P. and Ferrellgas Partners | | |
| Finance Corp., | | |
| 8.625%, 6–15–20 | 7,640 | 7,640 |
| Ferrellgas, L.P. and Ferrellgas Finance Corp.: | | |
| 6.750%, 5–1–14 | 4,500 | 4,455 |
| 9.125%, 10–1–17 (B) | 6,000 | 6,285 |
| Suburban Propane Partners, L.P. and | | |
| Suburban Energy Finance Corp., | | |
| 7.375%, 3–15–20 | 6,320 | 6,423 |
| | | <u>24,803</u> |
| Retail Stores – 4.11% | | |
| Limited Brands, Inc., | | |
| 8.500%, 6–15–19 | 7,900 | 8,809 |
| Pantry, Inc. (The), | | |
| 7.750%, 2–15–14 | 8,890 | 8,623 |
| QVC, Inc., | | |
| 7.500%, 10–1–19 (B) | 10,250 | 10,455 |
| Rite Aid Corporation, | | |
| 9.750%, 6–12–16 | 1,700 | 1,828 |
| Sally Holdings LLC and Sally Capital Inc.: | | |
| 9.250%, 11–15–14 | 8,000 | 8,480 |
| 10.500%, 11–15–16 | 4,335 | 4,725 |
| Sonic Automotive, Inc., | | |
| 8.625%, 8–15–13 | 10,345 | 10,641 |
| | | <u>53,561</u> |

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|---|-----------|----------------|
| Secondary Oil & Gas Producers – 0.13% | | |
| Plains Exploration & Production Company, | | |
| 7.625%, 4–1–20 (B) | \$ 1,700 | \$ 1,683 |
| | | <u>1,683</u> |
| Service – Other – 8.30% | | |
| Interpublic Group of Companies, Inc. (The), | | |
| 10.000%, 7–15–17 | 11,200 | 12,670 |
| KAR Holdings, Inc., | | |
| 8.750%, 5–1–14 | 10,611 | 10,823 |
| Laureate Education, Inc.: | | |
| 10.000%, 8–15–15 (B) | 8,350 | 8,538 |
| 11.000%, 8–15–15 (B)(D) | 23,019 | 23,568 |
| 11.750%, 8–15–17 (C) | 8,375 | 8,710 |
| Quintiles Transnational Holdings Inc., | | |
| 9.500%, 12–30–14 (B) | 13,145 | 13,408 |
| Reddy Ice Corporation, | | |
| 13.250%, 11–1–15 (C) | 5,904 | 5,757 |
| SITEL, LLC and SITEL Finance Corp., | | |
| 11.500%, 4–1–18 (B) | 4,715 | 4,750 |
| West Corporation: | | |
| 9.500%, 10–15–14 | 10,325 | 10,609 |
| 11.000%, 10–15–16 | 8,670 | 9,190 |
| | | <u>108,023</u> |
| Specialized REITs – 0.16% | | |
| Host Hotels & Resorts, L.P., | | |
| 6.875%, 11–1–14 | 2,000 | 2,020 |
| | | <u>2,020</u> |
| Technology – 3.69% | | |
| DuPont Fabros Technology, Inc., | | |
| 8.500%, 12–15–17 (B) | 3,350 | 3,451 |
| Equinix, Inc., | | |
| 8.125%, 3–1–18 | 3,525 | 3,648 |
| Hutchinson Technology Incorporated, | | |
| Convertible, | | |
| 3.250%, 1–15–26 | 4,250 | 3,613 |
| Jabil Circuit, Inc.: | | |
| 7.750%, 7–15–16 | 8,240 | 8,672 |
| 8.250%, 3–15–18 | 4,995 | 5,395 |
| Xerox Capital Trust I, | | |
| 8.000%, 2–1–27 | 23,704 | 23,255 |
| | | <u>48,034</u> |
| Utilities – 1.14% | | |
| AES Corporation (The), | | |
| 9.750%, 4–15–16 (B) | 11,000 | 11,908 |
| Cincinnati Bell Inc.: | | |
| 8.250%, 10–15–17 | 2,000 | 2,025 |
| 8.750%, 3–15–18 | 940 | 948 |
| | | <u>14,881</u> |
| Wireless Telecommunication Service – 2.37% | | |
| Crown Castle International Corp.: | | |
| 9.000%, 1–15–15 | 9,385 | 10,160 |
| 7.125%, 11–1–19 | 2,100 | 2,126 |
| Digicel Group Limited, | | |
| 10.500%, 4–15–18 (B) | 5,452 | 5,656 |
| MetroPCS Communications, Inc., | | |
| 9.250%, 11–1–14 | 3,575 | 3,655 |
| SBA Telecommunications, Inc.: | | |
| 8.000%, 8–15–16 (B) | 1,575 | 1,658 |
| 8.250%, 8–15–19 (B) | 1,575 | 1,677 |

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| CORPORATE DEBT SECURITIES (Continued) | Principal | Value |
|--|-----------|--------------------|
| Wireless Telecommunication Service (Continued) | | |
| Sprint Nextel Corporation, 8.375%, 8-15-17 | \$1,500 | \$ 1,508 |
| Wind Acquisition Finance S.A., 11.750%, 7-15-17 (B) | 4,060 | 4,486 |
| | | <u>30,926</u> |
| TOTAL CORPORATE DEBT SECURITIES – 91.17% | | \$1,186,342 |
| (Cost: \$1,121,597) | | |
| SENIOR LOANS | | |
| Airlines – 0.23% | | |
| Delta Air Lines, Inc., 8.750%, 9-16-13 (E) | 2,985 | 3,022 |
| Casinos & Gaming – 0.73% | | |
| Las Vegas Sands, LLC: 2.050%, 5-23-14 (E) | 5,721 | 5,226 |
| 2.050%, 5-23-14 (E) | 1,156 | 1,056 |
| Venetian Macau Limited: 4.800%, 5-25-13 (E) | 2,718 | 2,634 |
| 4.800%, 5-25-13 (E) | 609 | 590 |
| | | <u>9,506</u> |
| Diversified Support Services – 0.80% | | |
| N.E.W. Holdings I, LLC, 9.500%, 3-5-17 (E) | 10,444 | 10,394 |
| Internet Software & Services – 0.45% | | |
| Springboard Finance, L.L.C., 7.000%, 2-2-15 (E) | 5,893 | 5,916 |
| Retail Stores – 1.31% | | |
| Rite Aid Corporation, 9.500%, 6-5-15 (E) | 16,200 | 16,908 |
| Telecommunications – 0.38% | | |
| U.S. Telepacific Corp., 9.250%, 7-25-15 (E) | 4,950 | 4,976 |
| Utilities – 0.31% | | |
| Energy Future Competitive Holdings Company and Texas Competitive Electric Holdings Company, LLC: 3.729%, 10-10-14 (E) | 4,862 | 3,989 |
| 3.790%, 10-10-14 (E) | 38 | 31 |
| | | <u>4,020</u> |
| TOTAL SENIOR LOANS – 4.21% | | \$ 54,742 |
| (Cost: \$54,327) | | |

| SHORT-TERM SECURITIES | Principal | Value |
|--|-----------|--------------------|
| Commercial Paper (J) – 2.82% | | |
| Citigroup Funding Inc., 0.180%, 4-8-10 | \$10,000 | \$ 9,999 |
| Clorox Co.: 0.200%, 4-9-10 | 7,570 | 7,570 |
| 0.270%, 4-30-10 | 5,000 | 4,999 |
| CVS Caremark Corporation, 0.210%, 4-7-10 | 4,000 | 4,000 |
| General Mills, Inc., 0.170%, 4-5-10 | 5,000 | 5,000 |
| Sonoco Products Co., 0.000%, 4-1-10 | 5,052 | 5,052 |
| | | <u>36,620</u> |
| Master Note – 0.00% | | |
| Toyota Motor Credit Corporation, 0.134%, 4-1-10 (K) | 15 | 15 |
| | | <u>36,635</u> |
| TOTAL SHORT-TERM SECURITIES – 2.82% | | \$ 36,635 |
| (Cost: \$36,635) | | |
| TOTAL INVESTMENT SECURITIES – 99.17% | | \$1,290,324 |
| (Cost: \$1,225,078) | | |
| CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.83% | | 10,852 |
| NET ASSETS – 100.00% | | \$1,301,176 |

SCHEDULE OF INVESTMENTS

High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

Notes to Schedule of Investments

The following forward foreign currency contracts were outstanding at March 31, 2010:

| Type | Currency | Counterparty | Principal Amount of Contract (Denominated in Indicated Currency) | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|----------|----------------|---|--------------------|----------------------------|----------------------------|
| Sell | Euro | Citibank, N.A. | 73 | 4-15-10 | \$ 10 | \$ — |
| Sell | Euro | Citibank, N.A. | 73 | 10-15-10 | 10 | — |
| Sell | Euro | Citibank, N.A. | 73 | 4-15-11 | 10 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-14-11 | 10 | — |
| Sell | Euro | Citibank, N.A. | 73 | 4-13-12 | 10 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-15-12 | 9 | — |
| Sell | Euro | Citibank, N.A. | 73 | 4-15-13 | 9 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-15-13 | 9 | — |
| Sell | Euro | Citibank, N.A. | 73 | 4-15-14 | 9 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-15-14 | 8 | — |
| Sell | Euro | Citibank, N.A. | 74 | 4-15-15 | 8 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-15-15 | 8 | — |
| Sell | Euro | Citibank, N.A. | 73 | 4-15-16 | 7 | — |
| Sell | Euro | Citibank, N.A. | 73 | 10-14-16 | 7 | — |
| Sell | Euro | Citibank, N.A. | 1,574 | 4-13-17 | 144 | — |
| | | | | | <u>\$ 268</u> | <u>\$ —</u> |

*Not shown due to rounding.

(A) No dividends were paid during the preceding 12 months.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$427,523 or 32.86% of net assets.

(C) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2010, the total value of these securities amounted to \$29,563 or 2.27% of net assets.

(D) Payment in kind bonds.

(E) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(F) Zero coupon bond.

(G) Non-income producing as the issuer has either missed its most recent interest payment or declared bankruptcy.

(H) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro).

(I) Securities do not bear interest for an initial period of time and subsequently become interest bearing.

(J) Rate shown is the yield to maturity at March 31, 2010.

(K) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

The following acronym is used throughout this schedule:

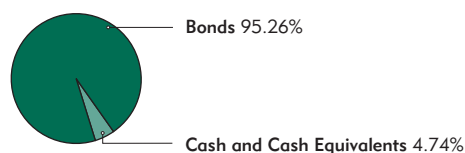
REIT = Real Estate Investment Trust

PORTFOLIO HIGHLIGHTS

Municipal Bond Fund

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



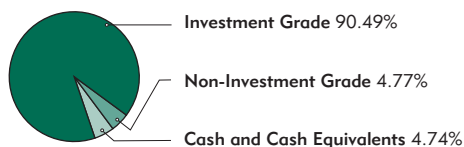
| | |
|----------------------------------|---------------|
| Bonds | 95.26% |
| Municipal Bonds | 95.26% |
| Cash and Cash Equivalents | 4.74% |

Lipper Rankings

| Category: Lipper General Municipal Debt Funds | Rank | Percentile |
|---|---------|------------|
| 1 Year | 171/232 | 74 |
| 3 Year | 8/203 | 4 |
| 5 Year | 12/187 | 7 |
| 10 Year | 59/155 | 38 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Quality Weightings



| | |
|----------------------------------|---------------|
| Investment Grade | 90.49% |
| AAA | 20.51% |
| AA | 18.89% |
| A | 34.65% |
| BBB | 16.44% |
| Non-Investment Grade | 4.77% |
| BB | 0.41% |
| B | 0.58% |
| Non-rated | 3.78% |
| Cash and Cash Equivalents | 4.74% |

Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

ILLUSTRATION OF FUND EXPENSES

Municipal Bond Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,006.30 | 0.89% | \$4.41 |
| Class B | \$1,000 | \$1,001.20 | 1.83% | \$9.11 |
| Class C | \$1,000 | \$1,001.80 | 1.75% | \$8.71 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,020.51 | 0.89% | \$4.45 |
| Class B | \$1,000 | \$1,015.80 | 1.83% | \$9.17 |
| Class C | \$1,000 | \$1,016.21 | 1.75% | \$8.77 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS | Principal | Value |
|---|-----------|---------------|
| Alabama – 0.73% | | |
| The Indl Dev Board of Selma, AL, Gulf Opp Zone Bonds, Ser 2009A, 6.250%, 11-1-33 | \$ 2,000 | \$ 2,058 |
| The Pub Edu Bldg Auth of Tuscaloosa, Student Hsng Rev Bonds (Univ of AL Ridgecrest Residential Proj), Ser 2008, 6.750%, 7-1-33 | 2,500 | 2,841 |
| | | <u>4,899</u> |
| Arizona – 1.96% | | |
| AZ Hlth Fac Auth, Hosp Rev Bonds (John C. Lincoln Hlth Network), Ser 2000, 6.875%, 12-1-20 | 2,500 | 2,653 |
| AZ Hlth Fac Auth, Hosp Rev Bonds (Phoenix Childrens Hosp), Ser 2007C, 1.290%, 2-1-42 (A) | 2,375 | 2,200 |
| Cert of Participation for the Benefit of AZ State Univ (AZ State Univ Proj), Ser 2002, 5.375%, 7-1-13 | 1,000 | 1,078 |
| The Indl Dev Auth of Mohave Cnty, Correctional Fac Contract Rev Bonds (Mohave Prison, LLC Expansion Proj), Ser 2008, 8.000%, 5-1-25 | 2,500 | 2,841 |
| Phoenix Civic Impvt Corp, Sr Lien Arpt Rev Bonds, Ser 2002B, 5.750%, 7-1-14 | 2,000 | 2,109 |
| Rio Nuevo Multipurp Fac Dist (Tucson, AZ), Sub Lien Excise Tax Rev Bonds, Ser 2008, 6.625%, 7-15-25 | 2,000 | 2,285 |
| | | <u>13,166</u> |
| Arkansas – 0.09% | | |
| AR Dev Fin Auth, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2003D, 5.300%, 7-1-24 | 615 | 618 |
| California – 14.82% | | |
| ABAG Fin Auth for Nonprofit Corp, Rev Bonds (Sharp Hlth Care), Ser 2009B, 6.250%, 8-1-39 | 1,000 | 1,059 |
| CA Hlth Fac Fin Auth, Rev Bonds (Adventist Hlth Sys/West), Ser 2009A, 5.750%, 9-1-39 | 2,500 | 2,531 |
| CA Hlth Fac Fin Auth, Rev Bonds (Children's Hosp of Orange Cnty), Ser 2009A, 6.500%, 11-1-38 | 2,000 | 2,129 |
| CA Muni Fin Auth, Cmnty Hosp of Cent CA Obligated Group Cert of Participation, 5.500%, 2-1-39 | 4,000 | 3,548 |
| CA Muni Fin Auth, Edu Fac Rev Bonds (King/ Chavez Academies Proj), Ser 2009A, 8.500%, 10-1-29 | 1,000 | 1,152 |
| CA Pollutn Ctl Fin Auth, Solid Waste Disp Rev Bonds (Republic Svc, Inc. Proj) Ser 2002B, 5.250%, 6-1-23 | 2,085 | 2,139 |
| CA Pollutn Ctl Fin Auth, Solid Waste Disp Rfdg Rev Bonds (Waste Mgmt, Inc. Proj), Ser 2002A, 5.000%, 1-1-22 | 1,500 | 1,508 |
| CA Rural Home Mtg Fin Auth, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 1998B, Class 5, 6.350%, 12-1-29 | 30 | 31 |
| State of CA, General Oblig Bonds, 6.000%, 2-1-15 | 3,000 | 3,421 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|----------|
| California (Continued) | | |
| State of CA, Various Purp General Oblig Bonds: | | |
| 5.250%, 2-1-19 | \$ 5,000 | \$ 5,245 |
| 5.250%, 2-1-19 | 2,000 | 2,098 |
| 5.250%, 11-1-21 | 1,000 | 1,046 |
| 5.000%, 2-1-22 | 7,000 | 7,076 |
| 5.500%, 4-1-28 | 2,535 | 2,929 |
| 5.500%, 4-1-28 | 325 | 376 |
| 5.500%, 4-1-28 | 135 | 156 |
| 5.500%, 4-1-28 | 5 | 5 |
| 5.250%, 10-1-29 | 2,500 | 2,485 |
| 5.750%, 4-1-31 | 5,000 | 5,148 |
| 6.000%, 3-1-33 | 1,000 | 1,065 |
| 6.000%, 11-1-39 | 4,500 | 4,751 |
| State of CA, Dept of Water Res, Cent Vly Proj, Water Sys Rev Bonds, Ser X, 5.500%, 12-1-16 | 10 | 12 |
| State Pub Works Board of the State of CA, Lease Rev Bonds (Various Cap Proj), Ser 2009G-1, 5.750%, 10-1-30 | 1,000 | 1,001 |
| State Pub Works Board of the State of CA, Lease Rev Bonds (Various Cap Proj), Ser 2009I, 6.375%, 11-1-34 | 500 | 522 |
| CA Statewide Cmnty Dev Auth, Sch Fac Rev Bonds (Aspire Pub Sch), Ser 2010: | | |
| 6.000%, 7-1-40 | 1,750 | 1,699 |
| 6.350%, 7-1-46 | 1,000 | 1,003 |
| CA Statewide Cmnty Dev Auth, Hosp Rev Cert of Participation, Cedars-Sinai Med Ctr, Ser 1992, 6.500%, 8-1-12 | 2,225 | 2,312 |
| Carson Redev Agy Redev Proj Area No. 1, Tax Alloc Bonds, Ser 2009A, 7.000%, 10-1-36 | 750 | 804 |
| Delta Cnty Home Mtg Fin Auth, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 1998A, 5.200%, 12-1-14 | 35 | 35 |
| Foothill/Eastn Trans Corridor Agy, Toll Road Rfdg Rev Bonds (Cap Apprec Bonds), Ser 1999, 0.000%, 1-15-17 (B) | 7,500 | 5,161 |
| Golden State Tob Securitization Corp, Tob Settlement Asset-Bkd Bonds, Ser 2003A-1, 6.750%, 6-1-39 | 2,500 | 2,905 |
| Golden State Tob Securitization Corp, Enhanced Tob Settlement Asset-Bkd Bonds, Ser 2003B, 5.375%, 6-1-28 | 2,000 | 2,015 |
| The Metro Water Dist of Southn CA, Water Rev Bonds, 2003 Authorization, Ser B-2, 5.000%, 10-1-27 | 5,000 | 5,307 |
| Palomar Pomerado Hlth, San Diego Cnty, CA, Cert of Participation, 6.750%, 11-1-39 | 2,750 | 2,836 |
| Palomar Pomerado Hlth, General Oblig Bonds, Election of 2004, Ser 2009A: | | |
| 0.000%, 8-1-31 (B) | 3,315 | 917 |
| 0.000%, 8-1-32 (B) | 5,000 | 1,285 |
| Palomar Pomerado Hlth, General Oblig Bonds, Election of 2004, Ser 2009, 0.000%, 8-1-33 (B) | 5,000 | 1,201 |
| Riverside Cmnty College Dist, Riverside Cnty, CA, Election of 2004, General Oblig Bonds, Ser 2004A: | | |
| 5.500%, 8-1-29 | 3,755 | 4,371 |
| 5.500%, 8-1-29 | 45 | 46 |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| California (Continued) | | |
| Sacramento Area Flood Ctl Agy, Consolidated Cap Assmt Dist Bonds, Ser 2008, 5.500%, 10-1-28 | \$ 500 | \$ 546 |
| Cnty of Sacramento, 2010 Rfdg Cert of Participation, 5.750%, 2-1-30 | 2,000 | 1,970 |
| Pub Fac Fin Auth of San Diego, Sr Sewer Rev Bonds, Ser 2009A, 5.250%, 5-15-34 | 3,000 | 3,141 |
| Arpt Commission, San Francisco Intl Arpt Second Ser Rev Bonds, Ser 2009E, 6.000%, 5-1-39 | 3,000 | 3,203 |
| Southn CA Pub Power Auth, Multiple Proj Rev Bonds, Ser 1989, 6.750%, 7-1-12 | 3,455 | 3,864 |
| Southn CA Pub Power Auth, Transmission Proj Rev Bonds (Southn Transmission Proj), Ser 2008B, 6.000%, 7-1-27 | 1,000 | 1,118 |
| Tuolumne Wind Proj Auth, Rev Bonds (Tuolumne Co Proj), Ser 2009A, 5.875%, 1-1-29 | 1,000 | 1,082 |
| The Regents of the Univ of CA, Hosp Rev Bonds (UCLA Med Ctr), Ser 2004B, 5.500%, 5-15-20 | 1,500 | 1,548 |
| | | <u>99,802</u> |
| Colorado – 1.32% | | |
| Joint Sch Dist No. 28J, Adams and Arapahoe Cntys, CO, General Oblig Bonds, Ser 2008, 6.000%, 12-1-28 | 2,500 | 2,845 |
| CO Edu and Cultural Fac Auth, Charter Sch Rev Bonds (The Classical Academy Proj), Ser 2008A, 6.750%, 12-1-23 | 1,845 | 2,133 |
| CO Hsng and Fin Auth, Sngl Fam Prog Sr and Sub Bonds, Ser 2001A-2, 6.500%, 8-1-31 | 285 | 301 |
| CO Hsng and Fin Auth, Sngl Fam Mtg Class I Bonds, Ser 2009A, 5.500%, 11-1-29 | 1,250 | 1,310 |
| CO Higher Edu Cap Constr, Lease Purchase Fin Prog, Cert of Participation, Ser 2008: 5.500%, 11-1-27 | 730 | 791 |
| 5.500%, 11-1-27 | 270 | 323 |
| | | <u>8,865</u> |
| Connecticut – 0.90% | | |
| Cap City Econ Dev Auth, Prkg and Enrg Fee Rev Bonds, Ser 2008D, 5.750%, 6-15-34 | 2,500 | 2,714 |
| Eastn CT Res Recovery Auth, Solid Waste Rev Bonds (Wheelabrator Lisbon Proj), Ser 1993A, 5.500%, 1-1-14 | 3,325 | 3,329 |
| | | <u>6,043</u> |
| District Of Columbia – 1.08% | | |
| DC Hosp Rev Bonds (Sibley Mem Hosp Issue), Ser 2009, 6.375%, 10-1-39 | 2,500 | 2,635 |
| Metro WA Arpt Auth, Dulles Toll Road, Second Sr Lien, Rev Bonds, Ser 2009C, 0.000%, 10-1-41 (B) | 6,500 | 4,645 |
| | | <u>7,280</u> |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Florida – 7.46% | | |
| Brevard Cnty, FL, Indl Dev Rev Bonds (TUFF FL Tech Proj), Ser 2009, 6.750%, 11-1-39 | \$ 2,500 | \$ 2,507 |
| Broward Cnty, FL, Passenger Fac Charge/Arpt Sys Rev Convertible Lien Bonds, Arpt Sys Rev Bonds, Ser 2001J-1, 5.750%, 10-1-18 | 2,870 | 2,941 |
| Citizens Ppty Insurance Corp, Sr Secured Rev Bonds, Ser 2010A-1, 5.250%, 6-1-17 (C) | 3,600 | 3,761 |
| Coral Gables, FL, Hlth Fac Auth, Hosp Rev Bonds (Baptist Hlth South FL Obligated Grp), Ser 2004, 5.250%, 8-15-24 | 5,000 | 5,759 |
| Greater Orlando Aviation Auth, Arpt Fac Rev Bonds, Ser 2002B, 5.500%, 10-1-17 | 2,000 | 2,078 |
| Halifax Hosp Med Ctr (Daytona Beach, FL), Hosp Rev Rfdg and Impvt Bonds, Ser 2006A, 5.250%, 6-1-26 | 3,000 | 2,914 |
| Hillsborough Cnty Aviation Auth, FL, Tampa Intl Arpt, Rev Bonds, Ser 2003B, 5.000%, 10-1-20 | 2,000 | 2,022 |
| Hillsborough Cnty Indl Dev Auth, Indl Dev Rev Bonds, Hlth Fac Proj (Univ Cmnty Hosp), Ser 2008A, 5.625%, 8-15-29 | 3,600 | 3,245 |
| Hsng Fin Auth of Lee Cnty, FL, Sngl Fam Mtg Rev Bonds, Ser 1999A, Subser 2, 5.000%, 9-1-30 | 175 | 176 |
| Miami-Dade Cnty, FL, General Oblig Bonds (Bldg Better Communities Prog), Ser 2008B, 6.250%, 7-1-26 | 2,500 | 2,815 |
| Miami-Dade County, FL, Aviation Rev Bonds, Miami Intl Arpt (Hub of the Americas), Ser 2002, 5.750%, 10-1-16 | 2,000 | 2,072 |
| Miami-Dade Cnty, FL, Aviation Rev Bonds, Miami Intl Arpt (Hub of the Americas), Ser 2009A, 5.500%, 10-1-36 | 2,500 | 2,531 |
| Miami-Dade Cnty, FL, Aviation Rev Bonds, Ser 2010A, 5.500%, 10-1-41 | 2,500 | 2,526 |
| Miami-Dade Cnty, FL, Water and Sewer Sys Rev Rfdg Bonds, Ser 2008B, 5.250%, 10-1-22 | 5,000 | 5,521 |
| Miami-Dade Cnty, FL, Water and Sewer Sys Rev Rfdg Bonds, Ser 2008C, 6.000%, 10-1-23 | 2,500 | 2,935 |
| Miami, FL, Spl Oblig Non-Ad Valorem Rev Rfdg Bonds, Ser 2002A, 5.500%, 9-1-13 | 2,460 | 2,647 |
| Port St. Lucie, FL, Spl Assmt Rfdg Bonds (City Ctr Spl Assmt Dist), Ser 2008A, 6.500%, 7-1-35 | 2,500 | 2,752 |
| South Lake Cnty Hosp Dist, Rev Bonds (South Lake Hosp, Inc.), Ser 2009A, 6.250%, 4-1-39 | 1,000 | 1,019 |
| | | <u>50,221</u> |
| Georgia – 3.00% | | |
| Atlanta Dev Auth Edu Fac, Rev Bonds (Panther Place, LLC Proj), Ser 2009A, 5.000%, 7-1-37 | 3,500 | 3,631 |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Georgia (Continued) | | |
| Atlanta, GA, Water and Wastewater Rev Bonds, Ser 2009B, 5.375%, 11-1-39 | \$ 2,500 | \$ 2,555 |
| Hosp Auth of Cobb Cnty, GA, Rev Anticipation Rfdg and Impvt Cert, Ser 2003, 5.250%, 4-1-20 | 3,000 | 3,140 |
| Muni Elec Auth of GA, Proj One Spl Oblig Bonds, Fifth Crossover Ser: 6.400%, 1-1-13 | 6,925 | 7,440 |
| 6.400%, 1-1-13 | 860 | 929 |
| 6.400%, 1-1-13 | 75 | 78 |
| Muni Elec Auth of GA, Proj One Sub Bonds, Ser 2008D, 6.000%, 1-1-23 | 2,100 | 2,387 |
| | | <u>20,160</u> |
| Guam – 0.49% | | |
| GU Intl Arpt Auth, General Rev Bonds, Ser 2003C, 5.375%, 10-1-20 | 3,305 | 3,324 |
| Idaho – 0.32% | | |
| ID Hlth Fac Auth, Rev Bonds (St. Luke's Hlth Sys Proj), Ser 2008A, 6.750%, 11-1-37 | 2,000 | 2,182 |
| Illinois – 2.42% | | |
| Belleville, IL, Tax Increment Rfdg Rev Bonds (Frank Scott Parkway Redev Proj), Ser 2007A, 5.700%, 5-1-36 | 1,500 | 1,201 |
| Collateralized Sngl Fam Mtg Rev Bonds (Chicago), Ser 2002C, 5.600%, 10-1-34 | 920 | 931 |
| IL Fin Auth, Rev and Rfdg Bonds (Roosevelt Univ Proj), Ser 2009, 6.500%, 4-1-39 | 2,500 | 2,542 |
| IL Fin Auth, Rev Bonds, The Univ of Chicago, Ser 2008B, 5.750%, 7-1-33 | 2,500 | 2,720 |
| IL Fin Auth, Rev Bonds (Rush Univ Med Ctr Obligated Group), Ser 2009A, 7.250%, 11-1-30 | 2,500 | 2,819 |
| Maywood, General Oblig Corporate Purp Bonds, Ser 2001C, 5.500%, 1-1-21 | 1,300 | 1,348 |
| Regional Trans Auth, Cook, DuPage, Kane, Lake, McHenry and Will Counties, IL, General Oblig Bonds, Ser 2002A, 6.000%, 7-1-24 | 3,080 | 3,623 |
| Cmnty College Dist No. 525 (Joliet Jr College), General Oblig Bonds (Alternate Rev Source), Ser 2008, 5.750%, 6-1-28 | 1,000 | 1,109 |
| | | <u>16,293</u> |
| Indiana – 2.49% | | |
| IN Hlth and Edu Fac Fin Auth, Hosp Rev Bonds (Cmnty Fndtn of NW IN Obligated Group), Ser 2007, 5.500%, 3-1-37 | 1,750 | 1,686 |
| IN State Office Bldg Commission, Capitol Complex Rev Bonds (Senate Avenue Prkg Fac), Ser 1990A, 7.400%, 7-1-15 | 4,775 | 5,642 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Indiana (Continued) | | |
| IN State Office Bldg Commission, Capitol Complex Rev Bonds (State Office Bldg I Fac), Ser 1990B, 7.400%, 7-1-15 | \$ 8,000 | \$ 9,453 |
| | | <u>16,781</u> |
| Iowa – 0.58% | | |
| Altoona, IA, Annual Appropriation Urban Renewal Tax Increment Rev Bonds, Ser 2008, 5.750%, 6-1-31 | 1,000 | 1,033 |
| IA Fin Auth, IA State Revolving Fund Rev Bonds, Ser 2008, 6.000%, 8-1-27 | 2,500 | 2,874 |
| | | <u>3,907</u> |
| Kansas – 1.61% | | |
| Arkansas City, KS Pub Bldg Commission, Rev Bonds (South Cent KS Regional Med Ctr), Ser 2009, 7.000%, 9-1-38 | 2,000 | 2,110 |
| Sedgwick Cnty, KS and Shawnee Cnty, KS, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2001A-1, 6.300%, 12-1-32 | 290 | 301 |
| Sedgwick Cnty, KS and Shawnee Cnty, KS, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2002A-5, 5.550%, 12-1-33 | 1,870 | 1,972 |
| Sedgwick Cnty, KS and Shawnee Cnty, KS, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2002B-4, 5.900%, 12-1-34 | 1,055 | 1,080 |
| Sedgwick Cnty, KS and Shawnee Cnty, KS, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2003A-2, 5.650%, 6-1-35 | 1,135 | 1,159 |
| Sedgwick Cnty, KS and Shawnee Cnty, KS, Sngl Fam Mtg Rev Bonds (Mtg-Bkd Sec Prog), Ser 2004A-4, 5.625%, 6-1-36 | 500 | 510 |
| Unif Govt of Wyandotte Cnty/Kansas City, KS, Sales Tax Spl Oblig Rev Rfdg Bonds (Redev Proj Area B), 2nd Lien Ser of 2005, 5.000%, 12-1-20 | 3,000 | 2,978 |
| Unif Govt of Wyandotte Cnty/Kansas City, KS, Trans Dev Dist Sales Tax Rev Bonds (NFM-Cabela's Proj), Ser 2006, 5.000%, 12-1-27 | 745 | 703 |
| | | <u>10,813</u> |
| Kentucky – 0.63% | | |
| KY Econ Dev Fin Auth, Hosp Rev Bonds, Ser 2010A: 6.375%, 6-1-40 | 2,000 | 1,991 |
| 6.500%, 3-1-45 | 2,250 | 2,222 |
| | | <u>4,213</u> |
| Louisiana – 1.51% | | |
| Jefferson Parish Hosp Dist No. 1, Parish of Jefferson, LA, Hosp Rev Bonds, Ser 1998B, 5.250%, 1-1-28 | 1,000 | 1,034 |
| LA Local Govt Environmental Fac and Cmnty Dev Auth, Rev Bonds (Shreveport Arpt Cargo Fac Proj), Ser 2008C, 7.000%, 1-1-33 | 1,000 | 1,068 |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Louisiana (Continued) | | |
| LA Local Govt Environmental Fac and Cmnty Dev Auth, Hosp Rev Bonds (Woman's Hosp Fndtn Gulf Opp Zone Proj), Ser 2010B, 6.000%, 10-1-44 | \$ 5,500 | \$ 5,366 |
| New Orleans Aviation Board, Rev Rfdg Bonds (Restructuring GARBS), Ser 2009A-1, 6.000%, 1-1-23 | 1,500 | 1,659 |
| New Orleans Aviation Board, Gulf Opp Zone CFC Rev Bonds (Consolidated Rental Car Proj), Ser 2009A, 6.500%, 1-1-40 | 1,000 | 1,038 |
| | | <u>10,165</u> |
| Maine – 0.32% | | |
| ME Edu Loan Auth, Student Loan Rev Bonds (Supplemental Edu Loan Prog), Ser 2009A-3, 5.875%, 12-1-39 | 2,000 | 2,175 |
| Maryland – 0.80% | | |
| MD Econ Dev Corp, Econ Dev Rev Bonds (Terminal Proj), Ser B, 5.750%, 6-1-35 | 1,750 | 1,781 |
| MD Hlth and Higher Edu Fac Auth, Rev Bonds, Patterson Park Pub Charter Sch Issue, Ser 2010A, 6.000%, 7-1-40 | 1,500 | 1,489 |
| MD Trans Auth, Arpt Prkg Rev Bonds (Baltimore/ Washington Intl Arpt Proj), Ser 2002B, 5.375%, 3-1-15 | 2,000 | 2,096 |
| | | <u>5,366</u> |
| Massachusetts – 0.96% | | |
| MA Edu Fin Auth, Edu Loan Rev Bonds, Issue I, Ser 2009, 6.000%, 1-1-28 | 1,000 | 1,052 |
| The Cmnlth of MA, General Oblig Bonds, Ser 2003D, 5.250%, 10-1-21 | 2,500 | 2,809 |
| MA Hlth and Edu Fac Auth, Rev Rfdg Bonds, Suffolk Univ Issue, Ser 2009A, 5.750%, 7-1-39 | 1,615 | 1,631 |
| MA Hlth and Edu Fac Auth, Rev Bonds, Springfield College Issue, Ser 2010, 5.625%, 10-15-40 | 1,000 | 985 |
| | | <u>6,477</u> |
| Michigan – 3.16% | | |
| Detroit, MI, General Oblig Bonds, Ser 2004-A(1), 5.250%, 4-1-23 | 3,220 | 2,663 |
| Detroit, MI Sewage Disp Sys, Sr Lien Rev Rfdg Bonds (Modal Fixed Rate), Ser 2003(B), 7.500%, 7-1-33 | 2,000 | 2,387 |
| Board of Regents of Eastn MI Univ, General Rev Rfdg Bonds, Ser 2002A, 5.800%, 6-1-13 | 1,530 | 1,732 |
| Garden City Hosp Fin Auth, Hosp Rev and Rfdg Bonds (Garden City Hosp Obligated Group), Ser 1998A, 5.625%, 9-1-10 | 40 | 40 |
| Board of Trustees of Grand Vly, State Univ, General Rev Bonds, Ser 2009, 5.750%, 12-1-34 | 1,000 | 1,058 |
| State Bldg Auth, Rev and Rev Rfdg Bonds (Fac Prog), Ser 2008I, 6.000%, 10-15-38 | 2,000 | 2,171 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Michigan (Continued) | | |
| MI State Hosp Fin Auth, Hosp Rev and Rfdg Bonds (Henry Ford Hlth Sys), Ser 2009, 5.750%, 11-15-39 | \$ 4,750 | \$ 4,592 |
| Royal Oak Hosp Fin Auth, Hosp Rev and Rfdg Bonds (William Beaumont Hosp Obligated Group), Ser 2009V, 8.000%, 9-1-29 | 3,950 | 4,631 |
| Royal Oak Hosp Fin Auth, Hosp Rev and Rfdg Bonds (William Beaumont Hosp Obligated Group), Ser 2009W, 6.000%, 8-1-39 | 2,000 | 2,003 |
| | | <u>21,277</u> |
| Minnesota – 1.56% | | |
| Minneapolis, Hlth Care Sys Rev Bonds (Fairview Hlth Svcs), Ser 2008A, 6.750%, 11-15-32 | 1,000 | 1,105 |
| Minneapolis-St. Paul Metro Arpts Commission, Arpt Rev Bonds, Ser 2001B: 5.750%, 1-1-13 | 2,345 | 2,418 |
| 5.750%, 1-1-15 | 5,000 | 5,103 |
| Hsng and Redev Auth of Saint Paul, MN, Hlth Care Fac Rev Bonds (Hlth Partners Obligated Group Proj), Ser 2006, 5.250%, 5-15-36 | 2,000 | 1,897 |
| | | <u>10,523</u> |
| Mississippi – 0.63% | | |
| MS Higher Edu Assistance Corp, Student Loan Rev Bonds, Sub Ser 1996-C: 6.700%, 9-1-12 | 1,470 | 1,478 |
| 6.750%, 9-1-14 | 2,750 | 2,759 |
| | | <u>4,237</u> |
| Missouri – 4.36% | | |
| Belton, MO, Cert of Participation, Ser 2008, 5.125%, 3-1-25 | 1,000 | 1,025 |
| Belton, MO, Tax Increment Rev Bonds (Belton Town Centre Proj), Ser 2004, 6.250%, 3-1-24 | 2,265 | 2,135 |
| Indl Dev Auth of Cape Girardeau Cnty, MO, Hlth Fac Rev Bonds (Saint Francis Med Ctr), Ser 2009A: 5.500%, 6-1-34 | 1,000 | 1,009 |
| 5.750%, 6-1-39 | 1,000 | 1,031 |
| Indl Dev Auth of Grundy Cnty, MO, Hlth Fac Rev Bonds (Wright Mem Hosp), Ser 2009, 6.750%, 9-1-34 | 1,000 | 1,009 |
| Indl Dev Auth of Kansas City, MO, Rev Bonds (Plaza Library Proj), Ser 2004, 5.900%, 3-1-24 | 2,300 | 2,310 |
| Pub Water Supply Dist No. 1 of Lincoln Cnty, MO, Cert of Participation, Ser 2009, 6.750%, 6-15-35 | 2,500 | 2,564 |
| Hlth and Edu Fac Auth, Hlth Fac Rev Bonds (The Children's Mercy Hosp), Ser 2009, 5.625%, 5-15-39 | 2,500 | 2,544 |
| Hlth and Edu Fac Auth, Hlth Fac Rev Bonds (Barnes-Jewish, Inc./Christian Hlth Svcs), Ser 1993A, 6.000%, 5-15-11 | 3,000 | 3,137 |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Independence, MO – Events Ctr Proj), Ser 2009A, 6.625%, 4-1-33 | 2,000 | 2,108 |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Missouri (Continued) | | |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Independence, MO – Events Ctr Proj), Ser 2009F, 6.250%, 4-1-38 | \$ 2,000 | \$ 2,052 |
| MO Hsng Dev Commission, Sngl Fam Mtg Rev Bonds (Homeownership Loan Prog), Ser 2005D, 6.000%, 3-1-36 | 3,210 | 3,298 |
| Environmt Impvt and Enrg Res Auth, Water Pollutn Ctl Rev Rfdg Bonds, Ser 2001B, 5.500%, 7-1-10 | 750 | 750 |
| NW MO State Univ, Hsng Sys Rev Bonds, Ser 2003, 5.500%, 6-1-19 | 2,650 | 2,835 |
| St. Louis, MO, Arpt Rev Rfdg Bonds (Lambert – St. Louis Intl Arpt), Ser 2003A, 5.250%, 7-1-18 | 1,000 | 1,048 |
| St. Louis Muni Fin Corp, Compound Interest Leasehold Rev Bonds (Convention Ctr Cap Impvt Proj), Ser 2010A, 0.000%, 7-15-36 (B) | 2,250 | 452 |
| | | <u>29,307</u> |
| Nevada – 0.99% | | |
| Las Vegas Redev Agy, NV, Tax Increment Rev Bonds, Ser 2009A, 8.000%, 6-15-30 | 3,000 | 3,410 |
| Redev Agy of Mesquite, NV, Tax Increment Rev Bonds, Ser 2009, 7.375%, 6-1-24 | 1,000 | 1,036 |
| NV Hsng Division, Sngl Fam Mtg Bonds, Ser 1998A-1 Mezzanine Bonds, 5.350%, 4-1-16 | 185 | 185 |
| Overton Power Dist No. 5, Spl Oblig Rev Bonds, Ser 2008, 8.000%, 12-1-25 | 1,715 | 2,021 |
| | | <u>6,652</u> |
| New Hampshire – 1.16% | | |
| NH Hlth and Edu Fac Auth, FHA Insd Mtg Rev Bonds, LRGHlthcare Issue, Ser 2009, 7.000%, 4-1-38 | 2,250 | 2,596 |
| NH Hlth and Edu Fac Auth, Hosp Rev Bonds, Catholic Med Ctr Issue, Ser 2002A: 6.125%, 7-1-32 | 1,755 | 1,967 |
| 6.125%, 7-1-32 | 245 | 246 |
| Business Fin Auth, Rev Bonds, Elliot Hosp Oblig Group Issue, Ser 2009A, 6.125%, 10-1-39 | 1,500 | 1,510 |
| NH Hsng Fin Auth, Sngl Fam Mtg Acquisition Rev Bonds, Ser 2006A, 5.650%, 1-1-36 | 1,430 | 1,468 |
| | | <u>7,787</u> |
| New Jersey – 1.89% | | |
| Casino Reinvestment Dev Auth, Hotel Room Fee Rev Bonds, Ser 2004, 5.250%, 1-1-23 | 1,350 | 1,365 |
| Cnty of Hudson, NJ, Rfdg Cert of Participation, Ser 2002, 6.000%, 12-1-10 | 2,110 | 2,175 |
| NJ Hlth Care Fac Fin Auth, Rev Bonds, Virtua Hlth Issue, Ser 2009A, 5.500%, 7-1-38 | 1,500 | 1,573 |
| NJ Econ Dev Auth, Sch Fac Constr Bonds, Ser 2004I, 5.250%, 9-1-24 | 2,250 | 2,605 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| New Jersey (Continued) | | |
| NJ Edu Fac Auth, Rev Rfdg Bonds, Univ of Medicine and Dentistry of NJ Issue, Ser 2009B, 7.500%, 12-1-32 | \$ 1,000 | \$ 1,135 |
| NJ Trans Trust Fund Auth, Trans Sys Bonds (Cap Apprec Bonds), Ser 2010A, 0.000%, 12-15-40 (B) | 10,000 | 1,649 |
| Newark, NJ General Oblig Sch Purp Rfdg Bonds, Ser 2002, 5.375%, 12-15-13 | 2,000 | 2,208 |
| | | <u>12,710</u> |
| New Mexico – 1.40% | | |
| Albuquerque, NM, Arpt Rfdg Rev Bonds, Ser 2001, 5.375%, 7-1-15 | 3,365 | 3,438 |
| NM Mtg Fin Auth, Sngl Fam Mtg Prog Class I Bonds, Ser 2006D, 6.000%, 1-1-37 | 1,720 | 1,788 |
| NM Mtg Fin Auth, Sngl Fam Mtg Prog Class I Bonds, Ser 2008D-2, 5.250%, 7-1-30 | 3,000 | 3,086 |
| San Juan Cnty, NM, Gross Receipts Tax Rev Bonds, Sub Ser 2001B, 5.750%, 9-15-21 | 1,000 | 1,086 |
| | | <u>9,398</u> |
| New York – 5.69% | | |
| Long Island Power Auth, Elec Sys General Rev Bonds, Ser 2009A, 6.250%, 4-1-33 | 1,000 | 1,135 |
| NYC, General Oblig Bonds, Ser 2002C, 5.500%, 3-15-15 | 2,000 | 2,178 |
| NYC, General Oblig Bonds, Ser 2003A, 5.750%, 8-1-14 | 2,000 | 2,180 |
| NYC, General Oblig Bonds, Ser 2003J: 5.500%, 6-1-19 | 2,870 | 3,085 |
| 5.500%, 6-1-19 | 1,120 | 1,268 |
| NYC, General Oblig Bonds, Ser 2004D, 5.250%, 10-15-21 | 6,110 | 6,503 |
| NYC Indl Dev Agy, Pilot Rev Bonds (Yankee Stadium Proj), Ser 2009A: 0.000%, 3-1-25 (B) | 2,675 | 1,195 |
| 0.000%, 3-1-26 (B) | 2,685 | 1,133 |
| 0.000%, 3-1-27 (B) | 2,500 | 981 |
| Dormitory Auth, City Univ Sys, Consolidate Fourth General Resolution Rev Bonds, Ser 2001A, 5.500%, 7-1-17 | 2,000 | 2,124 |
| Dormitory Auth, State Univ Edu Fac, Rev Bonds, Ser 1990B: 7.500%, 5-15-11 | 590 | 627 |
| 7.500%, 5-15-11 | 355 | 358 |
| Port Auth of NY and NJ, Consolidated Bonds, One Hundred Twenty-Sixth Ser, 5.500%, 11-15-13 | 2,000 | 2,153 |
| Port Auth of NY and NJ, Consolidated Bonds, One Hundred Twenty-Seventh Ser, 5.500%, 12-15-14 | 3,000 | 3,236 |
| Port Auth of NY and NJ, Consolidated Bonds, One Hundred Fifty-Second Ser, 5.750%, 11-1-30 | 4,490 | 4,885 |
| Suffolk Cnty Indl Dev Agy, Civic Fac Rev Bonds (The Southampton Hosp Assoc Civic Fac), Ser 1999A, 7.250%, 1-1-20 | 900 | 911 |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| New York (Continued) | | |
| Suffolk Cnty Indl Dev Agy, Civic Fac Rev Bonds (The Southampton Hosp Assoc Civic Fac), Ser 1999B, 7.625%, 1-1-30 | \$ 2,155 | \$ 2,167 |
| Tob Settlement Fin Corp, Asset-Bkd Rev Bonds (State Contingency Contract Secured), Ser 2003B-1C, 5.500%, 6-1-21 | 2,000 | 2,144 |
| | | <u>38,263</u> |
| North Carolina – 1.33% | | |
| NC Eastn Muni Power Agy, Power Sys Rev Bonds, Ser 2003C, 5.500%, 1-1-14 | 3,000 | 3,360 |
| NC Eastn Muni Power Agy, Power Sys Rev Bonds, Ser 2008C, 6.750%, 1-1-24 | 1,000 | 1,173 |
| NC Med Care Commission, Hlth Care Fac Rev Rfdg Bonds (Univ Hlth Sys of Eastn Carolina), Ser 2008E-2, 6.000%, 12-1-36 | 2,495 | 2,732 |
| NC Tpk Auth, Triangle Expressway Sys Rev Bonds, Ser 2009A: 0.000%, 1-1-37 (B) | 3,000 | 619 |
| 5.750%, 1-1-39 | 1,000 | 1,050 |
| | | <u>8,934</u> |
| Ohio – 1.55% | | |
| Cnty of Cuyahoga, OH, Rev Bonds (Cleveland Clinic Hlth Sys Obligated Group), Ser 2003A, 6.000%, 1-1-21 | 1,000 | 1,088 |
| Greene Cnty Port Auth, Adult Svc Fac Rev Bonds (Greene, Inc. Proj), Ser 2009, 7.500%, 12-1-33 | 1,000 | 1,131 |
| Cnty of Lorain, OH, Hosp Fac Rev Rfdg and Impvt Bonds (Catholic Hlthcare Partn), Ser 2001A, 5.625%, 10-1-17 | 1,000 | 1,044 |
| OH Air Quality Dev Auth, Air Quality Rev Bonds (OH Power Co Proj), Ser 2008A, 7.125%, 6-1-41 | 2,500 | 2,520 |
| OH Air Quality Dev Auth, Air Quality Rev Bonds (OH Vly Elec Corp Proj), Ser 2009E, 5.625%, 10-1-19 | 1,000 | 1,040 |
| OH Hosp Rev Bonds (Cleveland Clinic Hlth Sys Obligated Group), Ser 2008A, 5.250%, 1-1-33 | 2,000 | 2,042 |
| OH Hsng Fin Agy, Residential Mtg Rev Bonds (Mtg- Bkd Sec Prog), Ser 2008J, 6.200%, 9-1-33 | 1,450 | 1,556 |
| | | <u>10,421</u> |
| Oklahoma – 0.62% | | |
| Cleveland Cnty Justice Auth, Sales Tax Rev Bonds (Cleveland Cnty Detention Fac Proj), Ser 2009B, 5.750%, 3-1-29 | 1,500 | 1,568 |
| OK City Arpt Trust, Jr Lien, Twenty-Seventh Ser B, 5.750%, 7-1-16 | 1,490 | 1,499 |
| OK Muni Power Auth, Power Supply Sys Rev Bonds, Ser 2008A, 5.875%, 1-1-28 | 1,000 | 1,092 |
| | | <u>4,159</u> |
| Oregon – 0.05% | | |
| OR Hsng and Cmnty Svc Dept, Mtg Rev Bonds (Sngl-Fam Mtg Prog), Ser 1996D, 6.375%, 7-1-27 | 340 | 341 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Pennsylvania – 5.29% | | |
| Butler Cnty Hosp Auth, Hosp Rev Bonds (Butler Hlth Sys Proj), Ser 2009B, 7.250%, 7-1-39 | \$ 1,000 | \$ 1,125 |
| Dauphin Cnty General Auth, Hlth Sys Rev Bonds (Pinnacle Hlth Sys Proj), Ser 2009A: 6.000%, 6-1-29 | 2,000 | 2,091 |
| 6.000%, 6-1-36 | 3,000 | 3,094 |
| Lycoming Cnty Auth, Hlth Sys Rev Bonds (Susquehanna Hlth Sys Proj), Ser 2009A, 5.750%, 7-1-39 | 3,500 | 3,485 |
| PA Higher Edu Fac Auth (Cmnwlth of PA), Hlth Svcs Rev Bonds (Allegheny Delaware Vly Obligated Group Proj), Ser A, 5.700%, 11-15-11 | 2,500 | 2,495 |
| PA Indl Dev Auth, Econ Dev Rev Bonds, Ser 2002: 5.500%, 7-1-14 | 1,930 | 2,087 |
| 5.500%, 7-1-14 | 70 | 78 |
| PA Tpk Commission, Tpk Sub Rev Bonds, Ser 2009C, 0.000%, 6-1-33 (B) | 4,000 | 2,936 |
| PA Tpk Commission, Tpk Sub Rev Bonds, Ser 2009D, 5.500%, 12-1-41 | 2,750 | 2,867 |
| Philadelphia, PA, General Oblig Rfdg Bonds, Ser 2008A, 5.250%, 12-15-24 | 10,750 | 11,410 |
| PA Auth for Indl Dev, Rev Bonds (MaST Charter Sch Proj), Ser 2010, 6.000%, 8-1-35 | 750 | 750 |
| Redev Auth of Philadelphia, Rev Bonds (Beech, LLC Student Hsng Complex at Temple Univ), Ser 2003A, 5.500%, 7-1-35 | 1,500 | 1,153 |
| Susquehanna Area Regional Arpt Auth, Arpt Sys Rev Bonds, Ser 2003A, 5.500%, 1-1-19 | 2,120 | 2,050 |
| | | <u>35,621</u> |
| Puerto Rico – 2.70% | | |
| Cmnwlth of PR, Pub Impvt Rfdg Bonds (General Oblig Bonds), Ser 2004A, 5.250%, 7-1-21 | 5,740 | 5,814 |
| PR Aqueduct and Sewer Auth, Rev Bonds, Ser A, 5.000%, 7-1-28 | 1,000 | 1,028 |
| PR Elec Power Auth, Power Rev Bonds, Ser 2010XX, 5.750%, 7-1-36 (C) | 4,500 | 4,793 |
| PR Sales Tax Fin Corp, Sales Tax Rev Bonds, First Sub Ser 2009A, 0.000%, 8-1-32 (B) | 5,000 | 3,860 |
| PR Sales Tax Fin Corp, Sales Tax Rev Bonds, First Sub Ser 2010A, 0.000%, 8-1-33 (B) | 4,500 | 2,681 |
| | | <u>18,176</u> |
| Rhode Island – 0.49% | | |
| RI Hlth and Edu Bldg Corp, Hosp Fin Rev Bonds, Lifespan Obligated Group Issue, Ser 2009A, 6.250%, 5-15-30 | 1,590 | 1,746 |
| RI Student Loan Auth, Student Loan Prog Rev Bonds, Sr Ser 2009A, 6.250%, 12-1-27 | 1,500 | 1,571 |
| | | <u>3,317</u> |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|--------------|
| South Carolina – 0.31% | | |
| SC Jobs – Econ Dev Auth, Student Hsng Rev Bonds (Coastal Hsng Fndtn, LLC Proj), Ser 2009A, 6.500%, 4-1-42 | \$ 2,000 | \$ 2,067 |
| South Dakota – 0.33% | | |
| SD Hlth and Edu Fac Auth (Huron Regional Med Ctr Issue), Rev Bonds, Ser 1994, 7.300%, 4-1-16 | 2,000 | 2,191 |
| Tennessee – 0.88% | | |
| The Hlth and Edu Fac Board of Johnson City, TN, Hosp First Mtg Rev Bonds (Mountain States Hlth Alliance), Ser 2006A, 5.500%, 7-1-36 | 3,000 | 2,939 |
| Memphis-Shelby Cnty Arpt Auth, Arpt Rfdg Rev Bonds, Ser 2010B, 5.750%, 7-1-25 | 750 | 775 |
| The Memphis and Shelby Cnty Sports Auth, Inc., Rev Bonds (Memphis Arena Proj), Ser 2002A, 5.500%, 11-1-13 | 2,000 | 2,226 |
| | | <u>5,940</u> |
| Texas – 10.64% | | |
| Arlington, TX, Spl Tax Rev Bonds, Ser 2008, 5.500%, 8-15-27 | 2,000 | 2,202 |
| Bexar Cnty Hlth Fac Dev Corp, Rev Bonds (Army Ret Residence Fndtn Proj), Ser 2010, 6.200%, 7-1-45 | 3,000 | 3,034 |
| Cass Cnty Indl Dev Corp, Envirmt Impvt, Rev Rfdg Bonds, Ser 2009A, 9.250%, 3-1-24 | 2,500 | 3,235 |
| Dallas and Fort Worth, TX, Dallas/Fort Worth Intl Arpt, Joint Rev Impvt and Rfdg Bonds, Ser 2001A, 5.875%, 11-1-17 | 1,280 | 1,321 |
| Dallas and Fort Worth, TX, Dallas/Fort Worth Intl Arpt, Joint Rev Bonds, Ser 2003A, 5.500%, 11-1-19 | 5,000 | 5,120 |
| Dallas Independent Sch Dist (Dallas Cnty, TX) Unlimited Tax Sch Bldg Bonds, Ser 2008, 6.375%, 2-15-34 | 2,500 | 2,926 |
| Frisco Independent Sch Dist (Collin and Denton Cnty, TX), Unlimited Tax Sch Bldg Bonds, Ser 2008A, 6.000%, 8-15-38 | 2,500 | 2,867 |
| Goose Creek Consolidated Independent Sch Dist, Unlimited Tax Rfdg and Sch Bonds, Ser 2002, 5.750%, 2-15-17 | 980 | 1,069 |
| Harris Cnty-Houston Sports Auth, Sr Lien Rev Bonds, Ser 2001G, 5.750%, 11-15-15 | 1,500 | 1,528 |
| Harris Cnty Hlth Fac Dev Corp, Hosp Rev Rfdg Bonds (Mem Hermann Hlthcare Sys), Ser 2008B, 7.000%, 12-1-27 | 2,500 | 2,805 |
| Harris Cnty Hlth Fac Dev Corp, Thermal Util Rev Bonds (Teco Proj), Ser 2008, 5.000%, 11-15-26 | 2,500 | 2,547 |
| Hopkins Cnty Hosp Dist, Hosp Rev Bonds, Ser 2008: 5.750%, 2-15-28 | 1,000 | 923 |
| 6.000%, 2-15-33 | 500 | 465 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Texas (Continued) | | |
| Lancaster Independent Sch Dist (Dallas Cnty, TX), Unlimited Tax Sch Bldg Bonds, Ser 2004, 5.750%, 2-15-30 | \$ 6,000 | \$ 6,918 |
| Lower CO River Auth, Rfdg Rev Bonds, Ser 2008A, 6.250%, 5-15-28 | 2,500 | 2,776 |
| Lufkin Hlth Fac Dev Corp, Rev Rfdg and Impvt Bonds (Mem Hlth Sys of East TX), Ser 2009, 6.250%, 2-15-37 | 3,000 | 2,969 |
| North TX Twy Auth, Sys Rev Rfdg Bonds, Ser 2008D, 0.000%, 1-1-30 (B) | 25,000 | 8,058 |
| Pharr, TX Higher Edu Fin Auth, Edu Rev Bonds (Idea Pub Schs), Ser 2009A, 6.500%, 8-15-39 | 1,000 | 1,023 |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Ret Fac Rev Bonds (NW Sr Hsng Corp – Edgemere Proj), Ser 2006A, 6.000%, 11-15-36 | 4,000 | 3,555 |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Ret Fac Rev Bonds (Buckingham Sr Living Cmnty, Inc. Proj), Ser 2007, 5.750%, 11-15-37 | 3,000 | 2,745 |
| TX Private Activity Bond Surface Trans Corp, Sr Lien Rev Bonds (North Tarrant Express Managed Lanes Proj), Ser 2009, 6.875%, 12-31-39 | 2,000 | 2,084 |
| TX Tpk Auth, Cent TX Tpk Sys, First Tier Rev Bonds, Ser 2002A, 0.000%, 8-15-26 (B) | 24,500 | 9,753 |
| Trinity River Auth of TX (Tarrant Cnty Water Proj), Impvt Rev Bonds, Ser 2008, 5.750%, 2-1-26 | 1,500 | 1,640 |
| | | <u>71,563</u> |
| Vermont – 0.23% | | |
| VT Hsng Fin Agy, Sngl Fam Hsng Bonds, Ser 27, 5.500%, 11-1-37 | 1,530 | 1,577 |
| Virgin Islands – 0.16% | | |
| VI Pub Fin Auth, Sub Rev Bonds (VI Matching Fund Loan Note – Diageo Proj), Ser 2009A, 6.750%, 10-1-37 | 1,000 | 1,087 |
| Virginia – 1.69% | | |
| Isle of Wight Cnty, VA, General Oblig Pub Impvt Bonds, Ser 2008B, 6.000%, 7-1-27 | 1,605 | 1,837 |
| Indl Dev Auth of Roanoke, VA, Hosp Rev Bonds (Carilion Hlth Sys Obligated Group), Ser 2002A: 5.750%, 7-1-14 | 2,225 | 2,360 |
| 5.500%, 7-1-17 | 2,000 | 2,092 |
| VA Hsng Dev Auth, Cmnwlth Mtg Bonds, Ser 2008E, 6.375%, 1-1-36 | 2,075 | 2,232 |
| Indl Dev Auth of Washington Cnty, VA, Hosp Rev Bonds (Mountain States Hlth Alliance), Ser 2009C, 7.500%, 7-1-29 | 2,500 | 2,835 |
| | | <u>11,356</u> |

SCHEDULE OF INVESTMENTS

Municipal Bond Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|------------------|
| Washington – 3.16% | | |
| Port of Seattle, Rev Bonds, Series 2001B, 5.625%, 4-1-16 | \$1,000 | \$ 1,038 |
| Spokane Pub Fac Dist, Regional Proj, Spokane Pub Fac Dist, Hotel/Motel Tax and Sales/Use Tax Bonds, Ser 2003, 5.750%, 12-1-19 | 1,665 | 1,802 |
| WA Hlth Care Fac Auth, Rev Bonds (Seattle Cancer Care Alliance), Ser 2008, 7.125%, 3-1-29 | 2,500 | 2,722 |
| WA Hlth Care Fac Auth, Rev Bonds (Swedish Hlth Svcs), Ser 2009A, 6.500%, 11-15-33 | 1,500 | 1,588 |
| WA Hlth Care Fac Auth, Rev Bonds (Cent WA Hlth Svcs Assoc), Ser 2009, 7.000%, 7-1-39 | 1,000 | 1,074 |
| WA Hlth Care Fac Auth, Rev Bonds (VA Mason Med Ctrs), Ser 2007C, 5.500%, 8-15-36 | 2,910 | 2,781 |
| WA Pub Power Supply Sys, Nuclear Proj No. 1, Rfdg Rev Bonds, Ser 1989B, 7.125%, 7-1-16 | 8,200 | 10,244 |
| | | <u>21,249</u> |
| West Virginia – 0.55% | | |
| WA Infrastructure General Oblig Bonds, Ser 1999A, 0.000%, 11-1-13 (B) | 4,000 | 3,683 |
| Wisconsin – 0.70% | | |
| WI General Fund Annual Appropriation Bonds, Ser 2009A, 5.750%, 5-1-33 | 1,000 | 1,078 |
| WI Hlth and Edu Fac Auth, Rev Bonds (Pro Hlth Care, Inc. Obligated Group), Ser 2009, 6.625%, 2-15-39 | 2,000 | 2,153 |
| WI Hlth and Edu Fac Auth, Rev Bonds (Aurora Hlth Care, Inc.), Ser 2010A, 5.625%, 4-15-39 | 1,500 | 1,480 |
| | | <u>4,711</u> |
| Wyoming – 0.25% | | |
| Hsng Auth of Cheyenne, Hsng Rev Bonds (Foxcrest II Proj), Ser 2004, 5.750%, 6-1-34 | 675 | 602 |
| WY Muni Power Agy, Power Supply Sys Rev Bonds, Ser 2008A, 5.500%, 1-1-28 | 1,000 | 1,068 |
| | | <u>1,670</u> |
| TOTAL MUNICIPAL BONDS – 95.26% | | \$640,967 |
| (Cost: \$605,802) | | |

SHORT-TERM SECURITIES

| | | |
|--|-------|---------------|
| Commercial Paper (D) – 2.15% | | |
| ITT Corporation, 0.250%, 4-14-10 | 5,000 | 5,000 |
| Sonoco Products Co., 0.000%, 4-1-10 | 9,486 | 9,486 |
| | | <u>14,486</u> |
| Master Note – 0.05% | | |
| Toyota Motor Credit Corporation, 0.134%, 4-1-10 (E) | 310 | 310 |

| SHORT-TERM SECURITIES (Continued) | Principal | Value |
|--|-----------|------------------|
| Municipal Obligations – 2.75% | | |
| Castle Rock, CO, Cert of Participation, Ser 2008 (Wells Fargo Bank, N.A.), 0.300%, 4-1-10 (E) | \$7,600 | \$ 7,600 |
| Elmurst, IL, Adj Demand Rev Bonds, Joint Commission on Accreditation of Hlthcare Organizations, Ser 1988 (JPMorgan Chase Bank, N.A.), 0.280%, 4-1-10 (E) | 1,400 | 1,400 |
| Parish of St. Bernard, LA, Exempt Fac Rev Bonds (Mobil Oil Corp Proj), Ser 1996 (Exxon Mobil Corporation), 0.340%, 4-1-10 (E) | 8,300 | 8,300 |
| Westminster Econ Dev Auth, CO, Tax Increment Rev Rfdg Bonds (Mandalay Gardens Urban Renewal Proj), Ser 2009 (U.S. Bank N.A.), 0.300%, 4-1-10 (E) | 1,200 | 1,200 |
| | | <u>18,500</u> |
| TOTAL SHORT-TERM SECURITIES – 4.95% | | \$ 33,296 |
| (Cost: \$33,296) | | |
| TOTAL INVESTMENT SECURITIES – 100.21% | | \$674,263 |
| (Cost: \$639,098) | | |
| LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.21%) | | (1,404) |
| NET ASSETS – 100.00% | | \$672,859 |

Notes to Schedule of Investments

(A) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(B) Zero coupon bond.

(C) Purchased on a when-issued basis with settlement subsequent to March 31, 2010.

(D) Rate shown is the yield to maturity at March 31, 2010.

(E) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

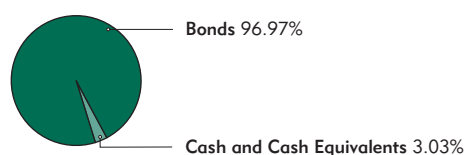
See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Municipal High Income Fund

ALL DATA IS AS OF MARCH 31, 2010 (UNAUDITED)

Asset Allocation



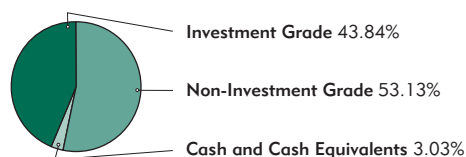
| | |
|----------------------------------|---------------|
| Bonds | 96.97% |
| Municipal Bonds | 96.97% |
| Cash and Cash Equivalents | 3.03% |

Lipper Rankings

| Category: Lipper High Yield Municipal Debt Funds | Rank | Percentile |
|--|--------|------------|
| 1 Year | 80/112 | 71 |
| 3 Year | 7/97 | 8 |
| 5 Year | 8/78 | 11 |
| 10 Year | 6/58 | 11 |

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Quality Weightings



| | |
|----------------------------------|---------------|
| Investment Grade | 43.84% |
| AAA | 1.75% |
| AA | 0.49% |
| A | 12.96% |
| BBB | 28.64% |
| Non-Investment Grade | 53.13% |
| BB | 1.32% |
| B | 4.15% |
| CCC | 1.89% |
| Non-rated | 45.77% |
| Cash and Cash Equivalents | 3.03% |

Our preference is to always use ratings obtained from Standard & Poor's. For securities not rated by Standard & Poor's, ratings are obtained from Moody's.

ILLUSTRATION OF FUND EXPENSES

Municipal High Income Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2010 | Beginning Account Value 9-30-09 | Ending Account Value 3-31-10 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------------|------------------------------------|---|------------------------------------|
| Based on Actual Fund Return⁽¹⁾ | | | | |
| Class A | \$1,000 | \$1,024.10 | 0.90% | \$4.55 |
| Class B | \$1,000 | \$1,019.50 | 1.80% | \$9.09 |
| Class C | \$1,000 | \$1,019.70 | 1.76% | \$8.89 |
| Based on 5% Return⁽²⁾ | | | | |
| Class A | \$1,000 | \$1,020.43 | 0.90% | \$4.55 |
| Class B | \$1,000 | \$1,015.96 | 1.80% | \$9.07 |
| Class C | \$1,000 | \$1,016.15 | 1.76% | \$8.87 |

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2010, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

See "Disclosure of Expenses" on page 5 for further information on how expenses were calculated.

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS | Principal | Value |
|---|-----------|---------------|
| Alabama – 0.18% | | |
| Butler Cnty Indl Dev Auth, Environmental Impvt Rev Bonds, 2008 Ser A, 7.000%, 9–1–32 | \$1,000 | \$ 1,029 |
| Arizona – 2.72% | | |
| AZ Hlth Fac Auth, Hosp Rev Bonds (Phoenix Childrens Hosp), Ser 2007C, 1.290%, 2–1–42 (A) | 2,500 | 2,316 |
| The Indl Dev Auth of Mohave Cnty, Correctional Fac Contract Rev Bonds (Mohave Prison, LLC Expansion Proj), Ser 2008, 8.000%, 5–1–25 | 9,500 | 10,799 |
| The Indl Dev Auth of the Cnty of Pima, Edu Rev Bonds (Noah Webster Basic Sch Proj), Ser 2004A, 6.125%, 12–15–34 | 1,500 | 1,356 |
| The Indl Dev Auth of Tucson, Edu Rev Bonds (Agribusiness and Equine Ctr Proj), Ser 2004A, 6.125%, 9–1–34 | 1,380 | 1,243 |
| | | <u>15,714</u> |
| California – 5.28% | | |
| CA Muni Fin Auth, Edu Fac Rev Bonds (King/ Chavez Academies Proj), Ser 2009A, 8.750%, 10–1–39 | 4,000 | 4,634 |
| CA Muni Fin Auth, Edu Fac Rev Bonds (American Heritage Edu Fndtn Proj), Ser 2006A, 5.250%, 6–1–36 | 1,000 | 845 |
| CA Pollutn Ctl Fin Auth, Rev Bonds (Waste Mgmt, Inc. Proj), Ser 2003A, 5.000%, 11–1–38 | 3,000 | 3,213 |
| CA Statewide Cmnty Dev Auth, Rev Bonds (Methodist Hosp of Southn CA Proj), Ser 2009, 6.625%, 8–1–29 | 2,500 | 2,837 |
| CA Statewide Cmnty Dev Auth, Rev Bonds (Southn CA Presbyterian Homes), Ser 2009, 7.000%, 11–15–29 | 1,350 | 1,426 |
| CA Statewide Cmnty Dev Auth, Sch Fac Rev Bonds (Aspire Pub Sch), Ser 2010: 6.000%, 7–1–40 | 2,000 | 1,943 |
| 6.350%, 7–1–46 | 1,750 | 1,754 |
| Cmnty Fac Dist No. 2009–1 of Chino, 2010 Spl Tax Bonds, 6.750%, 9–1–40 (B) | 1,300 | 1,298 |
| Golden State Tob Sec Corp, Tob Settlement Asset-Bkd Bonds, Ser 2007A–1, 5.125%, 6–1–47 | 4,500 | 2,872 |
| Redev Agy of Hollister, Cmnty Dev Proj Tax Alloc Bonds (Cnty of San Benito, CA), Ser 2009: 6.750%, 10–1–24 | 380 | 421 |
| 6.500%, 10–1–26 | 380 | 409 |
| 6.625%, 10–1–27 | 330 | 356 |
| 6.750%, 10–1–28 | 430 | 466 |
| 6.750%, 10–1–29 | 400 | 431 |
| 7.000%, 10–1–32 | 1,000 | 1,088 |
| Palomar Pomerado Hlth, San Diego Cnty, CA, Cert of Participation: 6.625%, 11–1–29 | 1,800 | 1,872 |
| 6.750%, 11–1–39 | 900 | 928 |
| Cmnty Fac Dist No. 15 (Mission Ranch) of Riverside Unif Sch Dist, Spl Tax Bonds (Impvt Area No. 3), Ser 2009A, 6.750%, 9–1–39 | 1,000 | 1,002 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| California (Continued) | | |
| Redev Agy of San Buenaventura, Merged San Buenaventura Redev Proj, 2008 Tax Alloc Bonds: 7.750%, 8–1–28 | \$1,000 | \$ 1,124 |
| 8.000%, 8–1–38 | 1,400 | 1,578 |
| | | <u>30,497</u> |
| Colorado – 7.42% | | |
| Church Ranch Metro Dist, Westminster, CO, General Oblig Ltd Tax Bonds, Ser 2003, 6.000%, 12–1–33 | 1,160 | 993 |
| CO Edu and Cultural Fac Auth, Independent Sch Rev Rfdg Bonds (Vail Mountain Sch Proj), Ser 2010, 6.125%, 5–1–40 | 5,775 | 5,660 |
| CO Edu and Cultural Fac Auth, Charter Sch Rev Bonds (The Classical Academy Proj), Ser 2008B, 8.000%, 12–1–38 | 1,200 | 1,313 |
| CO Edu and Cultural Fac Auth, Charter Sch Rev Bonds (The Classical Academy Proj), Ser 2008A, 7.400%, 12–1–38 | 2,700 | 3,138 |
| CO Edu and Cultural Fac Auth, Charter Sch Rev Bonds (Twin Peaks Charter Academy Proj), Ser 2008, 7.000%, 11–15–38 | 4,000 | 4,596 |
| CO Hlth Fac Auth, Rev Bonds (Christian Living Cmnty Proj), Ser 2006A, 5.750%, 1–1–37 | 3,200 | 2,712 |
| CO Hlth Fac Auth, Rev Bonds (Christian Living Cmnty – Clermont Park Proj), Ser 2009A: 8.250%, 1–1–24 | 875 | 928 |
| 9.000%, 1–1–34 | 750 | 803 |
| Granby Ranch Metro Dist, Ltd Tax General Oblig Bonds, Ser 2006, 6.750%, 12–1–36 | 3,000 | 2,404 |
| Lincoln Park Metro Dist, Douglas Cnty, CO, General Oblig Rfdg and Impvt Bonds, Ser 2008, 6.200%, 12–1–37 | 4,500 | 4,424 |
| North Range Metro Dist No. 2, Adams Cnty, CO, Ltd Tax General Oblig Bonds, Ser 2007, 5.500%, 12–15–37 | 4,900 | 3,468 |
| Pine Bluffs Metro Dist, Douglas Cnty CO, General Oblig Ltd Tax Bonds, Ser 2004, 7.250%, 12–1–24 (C) | 3,325 | 2,353 |
| Red Sky Ranch Metro Dist, Eagle Cnty, CO, General Oblig Bonds, Ser 2003, 6.050%, 12–1–33 | 1,245 | 1,061 |
| Sorrel Ranch Metro Dist, Arapahoe Cnty, CO, General Oblig Ltd Tax Bonds, Ser 2006, 5.750%, 12–1–36 | 1,100 | 869 |
| Tallgrass Metro Dist, Arapahoe Cnty, CO, General Oblig Ltd Tax Rfdg and Impvt Bonds, Ser 2007, 5.250%, 12–1–37 | 1,500 | 1,166 |
| Tallyn's Reach Metro Dist No. 3, Ltd Tax General Oblig Bonds, Ser 2004, 6.750%, 12–1–33 | 1,000 | 1,029 |
| Valagua Metro Dist, Eagle Cnty, CO, General Oblig Ltd Tax Bonds, Ser 2008, 7.750%, 12–1–37 | 3,000 | 2,647 |
| Wildgrass Metro Dist, Broomfield Cnty, CO, General Oblig Ltd Tax Rfdg Bonds, Ser 2007, 6.200%, 12–1–34 | 3,500 | 3,330 |
| | | <u>42,894</u> |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Connecticut – 2.26% | | |
| CT Dev Auth, Pollutn Ctl Rev Rfdg Bonds (The CT Light and Power Co Proj), Ser 1993B, 5.950%, 9–1–28 | \$2,500 | \$ 2,508 |
| Eastn CT Res Recovery Auth, Solid Waste Rev Bonds (Wheelabrator Lisbon Proj), Ser 1993A, 5.500%, 1–1–14 | 3,360 | 3,365 |
| Harbor Point Infrastructure Impvt Dist (Harbor Point Proj), Spl Oblig Rev Bonds, Ser 2010A, 7.875%, 4–1–39 | 7,000 | 7,202 |
| | | <u>13,075</u> |
| Florida – 1.55% | | |
| Brevard Cnty, FL, Indl Dev Rev Bonds (TUFF FL Tech Proj), Ser 2009: | | |
| 6.500%, 11–1–29 | 2,250 | 2,258 |
| 6.750%, 11–1–39 | 2,250 | 2,256 |
| FL Dev Fin Corp, Rev Bonds (Sculptor Charter Sch Proj), Ser 2008A, 7.250%, 10–1–38 | 2,000 | 1,894 |
| Hillsborough Cnty Indl Dev Auth, Indl Dev Rev Bonds, Hlth Fac Proj (Univ Cmnty Hosp), Ser 2008B, 8.000%, 8–15–32 | 2,300 | 2,526 |
| | | <u>8,934</u> |
| Georgia – 0.57% | | |
| Dev Auth of Clayton Cnty, GA, Spl Fac Rev Bonds (Delta Air Lines, Inc. Proj), Ser 2009A, 8.750%, 6–1–29 | 1,000 | 1,054 |
| Savannah Econ Dev Auth, First Mtg Rev Bonds (The Marshes of Skidaway Island Proj), Ser 2003A: 7.400%, 1–1–24 | 660 | 648 |
| 7.400%, 1–1–34 | 1,725 | 1,585 |
| | | <u>3,287</u> |
| Guam – 0.50% | | |
| Govt of GU, General Oblig Bonds, Ser 2009A, 7.000%, 11–15–39 | 2,700 | 2,897 |
| | | <u></u> |
| Hawaii – 0.27% | | |
| Dept of Budget and Fin of the State of HI, Spl Purp Sr Living Rev Bonds (15 Craigsides Proj), Ser 2009A: | | |
| 8.750%, 11–15–29 | 400 | 440 |
| 9.000%, 11–15–44 | 1,000 | 1,097 |
| | | <u>1,537</u> |
| Illinois – 6.24% | | |
| Belleville, IL, Tax Increment Rfdg Rev Bonds (Frank Scott Parkway Redevelopment Proj), Ser 2007A: | | |
| 5.000%, 5–1–26 | 4,355 | 3,434 |
| 5.700%, 5–1–36 | 2,500 | 2,002 |
| Fairview Heights, IL, Tax Increment Rfdg Rev Bonds (Shoppes at St. Clair Square Redevelopment Proj), Ser 2009A, 8.000%, 12–1–28 | 3,000 | 3,311 |
| Illinois Finance Authority, Revenue Bonds (Rush University Medical Center Obligated Group), Series 2009A, 7.250%, 11–1–38 | 2,500 | 2,792 |
| IL Fin Auth, Rev Bonds (Silver Cross Hosp and Med Ctrs), Ser 2009, 7.000%, 8–15–44 | 5,800 | 6,032 |
| IL Fin Auth, Rev Bonds, (Rush Univ Med Ctrs Obligated Grp), Ser 2009C, 6.625%, 11–1–39 | 2,750 | 2,940 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Illinois (Continued) | | |
| IL Hlth Fac Auth (Villa St. Benedict Proj), Ser 2003A–1, 6.900%, 11–15–33 (C) | \$2,600 | \$ 780 |
| SW IL Dev Auth, Sr Care Fac Rev Bonds (Eden Ret Ctr, Inc. Proj), Ser 2006, 5.850%, 12–1–36 | 2,675 | 1,960 |
| SW IL Dev Auth Local Govt Prog Rev Bonds (City of Collinsville Ltd Incremental Sales Tax Proj), Ser 2007, 5.350%, 3–1–31 | 1,250 | 953 |
| SW IL Dev Auth, Local Govt Prog Rev Bonds (Granite City Proj), Ser 2008, 7.000%, 12–1–22 | 6,000 | 6,068 |
| SW IL Dev Auth, Local Govt Prog Rev Bonds (Granite City Proj), Ser 2009, 8.000%, 1–15–22 | 2,150 | 2,243 |
| Springfield, Sangamon Cnty, IL, Spl Svc Area (Legacy Pointe) Tax Bonds, Ser 2009, 7.875%, 3–1–32 | 3,500 | 3,534 |
| | | <u>36,049</u> |
| Indiana – 1.54% | | |
| Hammond IN, Redev Dist Rev Bonds (Marina Area Proj), Ser 2008, 6.000%, 1–15–17 | 2,000 | 2,041 |
| Hendricks Cnty, IN Redev Dist, Tax Increment Rev Rfdg Bonds, Ser 2010B, 6.450%, 1–1–23 | 1,500 | 1,501 |
| IN Fin Auth, Edu Fac Rev Bonds (Irvington Cmnty Sch Proj), Ser 2009A, 9.000%, 7–1–39 | 1,400 | 1,641 |
| Westfield Redev Dist, Tax Increment Rev Bonds of 2009, 6.500%, 2–1–30 | 2,000 | 2,020 |
| Whiting IN, Redev Dist Tax Increment Rev Bonds (Standard Avenue Proj), Ser 2006, 5.350%, 1–15–27 | 1,980 | 1,711 |
| | | <u>8,914</u> |
| Iowa – 2.20% | | |
| Cedar Rapids, IA, First Mtg Rev Bonds (Cottage Grove Place Proj), Ser 1998-A, 5.875%, 7–1–28 | 5,000 | 3,479 |
| Cedar Rapids, IA, First Mtg Adj Rev Bonds (Cottage Grove Place Proj), Ser 2004, 6.500%, 7–1–33 | 4,295 | 3,940 |
| Coralville, IA (Coralville Marriott Hotel and Convention Ctr), Cert of Participation in Base Lease Payments, Ser 2006D, 5.250%, 6–1–26 | 1,200 | 1,225 |
| IA Fin Auth, Ret Cmnty Rev Bonds (Edgewater LLC Proj), Ser 2007A, 6.750%, 11–15–37 | 4,500 | 4,074 |
| | | <u>12,718</u> |
| Kansas – 3.40% | | |
| Arkansas City, KS Pub Bldg Commission, Rev Bonds (South Cent KS Regional Med Ctr), Ser 2009, 7.000%, 9–1–38 | 3,300 | 3,481 |
| Atchison, KS, Hosp Rev Bonds (Atchison Hosp Assoc), Ser 2008A, 6.750%, 9–1–30 | 2,920 | 2,786 |
| Lenexa, KS, Spl Oblig Tax Increment Rev Bonds (City Ctr East Proj I), Ser 2007, 6.000%, 4–1–27 | 4,920 | 4,172 |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Kansas (Continued) | | |
| Olathe, KS, Sr Living Fac Rev Bonds (Catholic Care Campus, Inc.), Ser 2006A, 6.000%, 11-15-38 | \$3,750 | \$ 3,293 |
| Olathe, KS, Spl Oblig Tax Increment Rev Bonds (West Vlg Ctr Proj), Ser 2007: | | |
| 5.450%, 9-1-22 | 1,655 | 1,083 |
| 5.500%, 9-1-26 | 1,000 | 655 |
| Olathe, KS, Trans Dev Dist Sales Tax Rev Bonds (The Olathe Gateway TDD No. 1a Proj), Ser 2006: | | |
| 5.000%, 12-1-16 | 1,325 | 945 |
| 5.000%, 12-1-28 | 1,850 | 975 |
| Cert of Participation in Rental Payments for Spring Hill Golf Corp, Ser 1998A: | | |
| 5.750%, 1-15-06 (C) | 75 | 19 |
| 6.250%, 1-15-13 (C) | 270 | 68 |
| 6.375%, 1-15-20 (C) | 325 | 81 |
| 6.500%, 1-15-28 (C) | 4,470 | 1,117 |
| Wilson Cnty, KS, Hosp Rev Bonds, Ser 2006, 6.200%, 9-1-26 | 1,000 | 947 |
| | | <u>19,622</u> |
| Kentucky – 0.43% | | |
| KY Econ Dev Fin Auth, Hosp Rev Bonds, Ser 2010A, 6.500%, 3-1-45 | 2,500 | 2,469 |
| Louisiana – 1.01% | | |
| LA Local Govt Environmental Fac and Cmnty Dev Auth, Rev Bonds (Shreveport Arpt Cargo Fac Proj), Ser 2008C, 7.000%, 1-1-33 | 1,000 | 1,068 |
| New Orleans Aviation Board, Gulf Opp Zone CFC Rev Bonds (Consolidated Rental Car Proj), Ser 2009A, 6.500%, 1-1-40 | 4,600 | 4,773 |
| | | <u>5,841</u> |
| Maryland – 0.22% | | |
| MD Econ Dev Corp, Econ Dev Rev Bonds (Terminal Proj), Ser B, 5.750%, 6-1-35 | 1,250 | 1,272 |
| Massachusetts – 1.26% | | |
| MA Dev Fin Agcy, Sr Living Fac Rev Bonds (The Groves in Lincoln Issue), Ser 2009A, 7.875%, 6-1-44 | 1,100 | 1,134 |
| MA Dev Fin Agcy, Sr Living Fac Rev Bonds (The Groves in Lincoln Issue), Ser 2009C-2, 6.250%, 6-1-14 | 2,800 | 2,807 |
| MA Indl Fin Agcy, Res Recovery Rev Rfdg Bonds (Ogden Haverhill Proj), Ser 1998A Bonds: | | |
| 5.500%, 12-1-13 | 1,000 | 993 |
| 5.600%, 12-1-19 | 2,500 | 2,334 |
| | | <u>7,268</u> |
| Michigan – 4.15% | | |
| The Econ Dev Corp of Dearborn, MI, Ltd Oblig Rev and Rfdg Rev Bonds (Henry Ford Vlg, Inc. Proj), Ser 2008, 6.000%, 11-15-18 | 1,090 | 1,030 |
| The Econ Dev Corp of Dearborn, MI, Ltd Oblig Rev and Rfdg Rev Bonds (Henry Ford Village, Inc. Proj), Ser 2008, 7.000%, 11-15-38 | 2,250 | 2,021 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Michigan (Continued) | | |
| Detroit, MI Sewage Disp Sys, Sr Lien Rev Rfdg Bonds (Modal Fixed Rate), Ser 2001(C-1), 7.000%, 7-1-27 | \$3,300 | \$ 3,839 |
| Detroit, MI Sewage Disp Sys, Sr Lien Rev Rfdg Bonds (Modal Fixed Rate), Ser 2003(B), 7.500%, 7-1-33 | 3,800 | 4,536 |
| Flint Hosp Bldg Auth, Bldg Auth Rev Rental Bonds (Hurley Med Ctr), Ser 2010: | | |
| 7.375%, 7-1-35 | 1,650 | 1,647 |
| 7.500%, 7-1-39 | 1,500 | 1,506 |
| Garden City Hosp Fin Auth, Hosp Rev and Rfdg Bonds (Garden City Hosp Obligated Group), Ser 2007A, 4.875%, 8-15-27 | 500 | 365 |
| Garden City Hosp Fin Auth, Hosp Rev and Rfdg Bonds (Garden City Hosp Obligated Grp), Ser 1998A, 5.750%, 9-1-17 | 1,500 | 1,430 |
| MI Pub Edu Fac Auth, Ltd Oblig Rev Bonds (MI Technical Academy Proj), Ser 2006: | | |
| 6.375%, 2-1-26 | 1,000 | 859 |
| 6.500%, 2-1-36 | 1,000 | 825 |
| Royal Oak Hosp Fin Auth, Hosp Rev and Rfdg Bonds (William Beaumont Hosp Obligated Group), Ser 2009V, 8.250%, 9-1-39 | 5,000 | 5,925 |
| | | <u>23,983</u> |
| Minnesota – 0.57% | | |
| Hsng and Redev Auth of Saint Paul, MN, Hlth Care Fac Rev Bonds (Hlth Partners Obligated Group Proj), Ser 2006, 5.250%, 5-15-36 | 3,500 | 3,319 |
| Missouri – 15.11% | | |
| Arnold, MO, Real Ppty Tax Increments Rev Bonds (Arnold Triangle Redev Proj), Ser 2009A, 7.750%, 5-1-28 | 4,000 | 4,308 |
| Arnold, MO, Sales Tax Increment Rev Bonds (Arnold Triangle Redev Proj), Ser 2009B, 8.000%, 5-1-28 | 2,000 | 2,063 |
| Ballwin, MO, Tax Increment Rfdg and Impvt Rev Bonds (Ballwin Town Ctr Redev Proj), Ser 2002A, 6.250%, 10-1-17 | 2,200 | 2,108 |
| Belton, MO, Tax Increment Rev Bonds (Belton Town Centre Proj), Ser 2004: | | |
| 6.000%, 3-1-19 | 2,610 | 2,501 |
| 6.250%, 3-1-24 | 1,000 | 942 |
| The Indl Dev Auth of Branson, MO, Tax Increment Rev Bonds (Branson Shoppes Redev Proj), Ser 2006A, 5.950%, 11-1-29 | 3,000 | 2,537 |
| The Indl Dev Auth of Bridgeton, MO, Sales Tax Revenue Bonds (Hilltop Cmnty Impvt Dist Proj), Ser 2008A, 5.875%, 11-1-35 | 2,500 | 1,844 |
| Broadway-Fairview Trans Dev Dist (Columbia, MO), Trans Sales Tax Rev Bonds, Ser 2006A: | | |
| 5.875%, 12-1-31 | 675 | 439 |
| 6.125%, 12-1-36 | 675 | 439 |
| Chillicothe, MO, Tax Increment Rev Bonds (South U.S. 65 Proj), Ser 2006: | | |
| 5.625%, 4-1-24 | 860 | 758 |
| 5.625%, 4-1-27 | 1,500 | 1,289 |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|----------|
| Missouri (Continued) | | |
| Crossings Cmnty Impvt Dist, Rev Bonds (Wildwood, MO), Ser 2006, 5.000%, 3-1-26 | \$2,000 | \$ 1,789 |
| Des Peres, MO, Tax Increment Rfdg Rev Bonds (West Cnty Ctr Proj), Ser 2002A, 5.750%, 4-15-20 | 4,000 | 3,712 |
| The Elm Point Commons Cmnty Impvt Dist (St. Charles, MO), Spl Assmt Bonds, Ser 2007, 5.750%, 3-1-27 | 1,740 | 1,536 |
| The Indl Dev Auth of Grandview, MO, Tax Increment Rev Bonds (Grandview Crossing Proj 1), Ser 2006, 5.750%, 12-1-28 | 1,000 | 400 |
| Grindstone Plaza Trans Dev Dist (Columbia, MO), Trans Sales Tax Rev Bonds, Ser 2006A: 5.250%, 10-1-21 | 500 | 393 |
| 5.400%, 10-1-26 | 760 | 555 |
| 5.500%, 10-1-31 | 1,500 | 1,049 |
| 5.550%, 10-1-36 | 400 | 272 |
| Jennings, MO, Tax Increment and Cmnty Impvt Rfdg Rev Bonds (Northland Redev Area Proj), Ser 2006, 5.000%, 11-1-23 | 2,600 | 2,286 |
| The Indl Dev Auth of Kansas City, MO, Hlth Care Fac First Mtg Rev Bonds (The Bishop Spencer Place Proj), Ser 1994: 6.250%, 1-1-24 | 5,000 | 4,663 |
| 6.500%, 1-1-35 | 3,900 | 3,463 |
| Indl Dev Auth of Kansas City, MO, Rev Bonds (Plaza Library Proj), Ser 2004, 5.900%, 3-1-24 | 2,500 | 2,511 |
| The Indl Dev Auth of the City of Kirkwood, MO, Ret Cmnty Rev Bonds (Aberdeen Heights Proj), Ser 2010C-2, 7.000%, 11-15-15 | 2,500 | 2,510 |
| Lakeside 370 Levee Dist (St. Charles Cnty, MO), Levee Dist Impvt Bonds, Ser 2008, 7.000%, 4-1-28 | 5,700 | 5,711 |
| The Indl Dev Auth of Lee's Summit, MO, Infrastructure Fac Rev Bonds (Kensington Farms Impvt Proj), Ser 2007, 5.750%, 3-1-29 | 1,185 | 954 |
| The Indl Dev Auth of Lee's Summit, MO, Sr Living Fac Rev Bonds (John Knox Village Obligated Grp), Ser 2007A, 5.125%, 8-15-32 | 3,700 | 3,300 |
| Liberty, MO, Tax Increment Rev Bonds (Liberty Triangle Proj), Ser 2004, 5.750%, 9-1-24 | 650 | 571 |
| M150 and 135th Street Trans Dev Dist, Trans Sales Tax Rev Bonds (State Line Station Proj-Kansas City), Ser 2004, 6.000%, 10-1-34 | 2,700 | 2,536 |
| Manchester, MO, Tax Increment and Trans Rfdg Rev Bonds (Highway 141/Manchester Road Proj), Ser 2010, 6.875%, 11-1-39 | 6,000 | 5,905 |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Independence, MO - Event Ctr Proj), Ser 2008D, 5.750%, 4-1-33 | 750 | 789 |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (St. Joseph, MO - Triumph Foods, LLC Proj), Ser 2004A, 6.000%, 3-1-15 | 1,000 | 1,052 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Missouri (Continued) | | |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Branson Landing Proj), Ser 2004A: 5.500%, 12-1-24 | \$2,000 | \$ 2,026 |
| 5.625%, 12-1-28 | 1,000 | 1,007 |
| MO Dev Fin Board, Infrastructure Fac Rev Bonds (Branson Landing Proj), Ser 2005A, 6.000%, 6-1-20 | 1,000 | 1,070 |
| MO Dev Fin Board, Research Fac Rev Bonds (Midwest Research Institute Proj), Ser 2007, 4.500%, 11-1-27 | 3,500 | 3,003 |
| The Indl Dev Auth of Platte Cnty, MO, Trans Rev Bonds (Zona Rosa Phase II Retail Proj), Ser 2007, 6.850%, 4-1-29 | 3,000 | 2,851 |
| Riverside, MO, L-385 Levee Redev Plan, Tax Increment Rev Bonds (L-385 Levee Proj), Ser 2004, 5.250%, 5-1-20 | 2,000 | 2,011 |
| The Indl Dev Auth of St. Joseph, MO, Hlthcare Rev Bonds (Living Cmnty of St. Joseph Proj), Ser 2002, 7.000%, 8-15-32 | 3,000 | 2,617 |
| The Indl Dev Auth of St. Louis, MO, Tax Increment and Cmnty Impvt Dist Rfdg Rev Bonds (Loughborough Commons Redev Proj), Ser 2007, 5.750%, 11-1-27 | 1,500 | 1,366 |
| St. Louis Muni Fin Corp, Compound Interest Leasehold Rev Bonds (Convention Ctr Cap Impvt Proj), Ser 2010A: 0.000%, 7-15-36 (D) | 1,500 | 301 |
| 0.000%, 7-15-37 (D) | 2,500 | 465 |
| Stone Canyon Cmnty Impvt Dist, Independence, MO, Rev Bonds (Pub Infrastructure Impvt Proj), Ser 2007, 5.750%, 4-1-27 | 1,250 | 980 |
| Univ Place Trans Dev Dist (St. Louis Cnty, MO), Sub Trans Sales Tax and Spl Assmt Rev Bonds, Ser 2009, 7.500%, 4-1-32 | 4,000 | 4,477 |
| | | <u>87,359</u> |
| Nevada - 2.75% | | |
| Clark Cnty, NV, Spl Impvt Dist No. 142 (Mountain's Edge), Local Impvt Bonds, Ser 2003: 5.800%, 8-1-15 | 1,890 | 1,875 |
| 6.100%, 8-1-18 | 1,420 | 1,381 |
| 6.375%, 8-1-23 | 2,405 | 2,279 |
| Las Vegas Redev Agy, NV, Tax Increment Rev Bonds, Ser 2009A, 8.000%, 6-15-30 | 6,000 | 6,820 |
| Overton Power Dist No. 5 (NV), Spl Oblig Rev Bonds, Ser 2008, 8.000%, 12-1-38 | 3,000 | 3,513 |
| | | <u>15,868</u> |
| New Hampshire - 0.99% | | |
| Business Fin Auth of the State of NH, Pollutn Ctl Rfdg Rev Bonds (The Utd Illuminating Co Proj), Ser 1997A, 7.125%, 7-1-27 | 5,000 | 5,396 |
| Lisbon Regional Sch Dist, NH, General Oblig Cap Apprec Sch Bonds, 0.000%, 2-1-13 (D) | 320 | 313 |
| | | <u>5,709</u> |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| New Jersey – 2.47% | | |
| NJ Econ Dev Auth, Econ Dev Bonds, Kapkowski Road Landfill Reclamation Impvt Dist Proj (Elizabeth, NJ), Ser 1998A, 5.500%, 4-1-12 | \$3,750 | \$ 3,846 |
| NJ Econ Dev Auth, Spl Fac Rev Bonds (Continental Airlines, Inc. Proj), Ser 1999, 6.250%, 9-15-19 | 5,500 | 5,189 |
| NJ Edu Fac Auth, Rev Rfdg Bonds, Univ of Medicine and Dentistry of NJ Issue, Ser 2009B, 7.500%, 12-1-32 | 2,500 | 2,838 |
| Tob Settlement Fin Corp, Tob Settlement Asset-Bkd Bonds, Ser 2007-1A, 5.000%, 6-1-41 | 3,760 | 2,430 |
| | | <u>14,303</u> |
| New York – 3.74% | | |
| Nassau Cnty Indl Dev Agy, Continuing Care Retirement Cmnty Rev Bonds (Amsterdam at Harborside Proj), Ser 2007A, 6.700%, 1-1-43 | 4,000 | 3,735 |
| NYC Indl Dev Agy, Spl Fac Rev Bonds (American Airlines, Inc. JFK Intl Arpt Proj), Ser 2005: 7.500%, 8-1-16 | 2,500 | 2,532 |
| 7.750%, 8-1-31 | 3,500 | 3,544 |
| Suffolk Cnty Indl Dev Agy, Assisted Living Fac Rev Bonds (Medford Hamlet Assisted Living Proj), Ser 2005, 6.375%, 1-1-39 | 2,000 | 1,558 |
| Suffolk Cnty Indl Dev Agy, Civic Fac Rev Bonds (The Southampton Hosp Assoc Civic Fac), Ser 1999A, 7.250%, 1-1-20 | 2,200 | 2,227 |
| Suffolk Cnty Indl Dev Agy, Civic Fac Rev Bonds (The Southampton Hosp Assoc Civic Fac), Ser 1999B, 7.625%, 1-1-30 | 4,700 | 4,725 |
| Suffolk Cnty Indl Dev Agy, Continuing Care Ret Cmnty, Rev Bonds (Peconic Landing at Southold, Inc. Proj), Ser 2000A, 8.000%, 10-1-20 | 1,800 | 1,848 |
| Yonkers Indl Dev Agy, Civic Fac Rev Bonds (St. John's Riverside Hosp Proj), Ser 2001B, 7.125%, 7-1-31 | 1,455 | 1,423 |
| | | <u>21,592</u> |
| North Carolina – 0.26% | | |
| NC Med Care Commission, Hlth Care Fac First Mtg Rev Bonds (Pennybyrn at Maryfield Proj), Ser 2005A, 5.650%, 10-1-25 | 2,000 | 1,531 |
| Ohio – 2.88% | | |
| Buckeye Tob Settlement Fin Auth, Tob Settlement Asset-Bkd Bonds, Ser 2007A-2, 5.750%, 6-1-34 | 2,000 | 1,548 |
| Buckeye Tob Settlement Fin Auth, Tob Settlement Asset-Bkd Bonds, Ser 2007, 6.500%, 6-1-47 | 4,850 | 3,795 |
| Greene Cnty Port Auth, Adult Svc Fac Rev Bonds (Greene, Inc. Proj), Ser 2009, 7.500%, 12-1-33 | 3,500 | 3,960 |
| OH Air Quality Dev Auth, Air Quality Rev Bonds (OH Power Co Proj), Ser 2008A, 7.125%, 6-1-41 | 2,000 | 2,016 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|---------------|
| Ohio (Continued) | | |
| OH Air Quality Dev Auth, Air Quality Rev Bonds (OH Vly Elec Corp Proj), Ser 2009E, 5.625%, 10-1-19 | \$1,600 | \$ 1,664 |
| Toledo Lucas Cnty Port Auth, Dev Rev Bonds (Toledo Express Arpt Proj), Ser 2004C, 6.375%, 11-15-32 | 3,875 | 3,652 |
| | | <u>16,635</u> |
| Oklahoma – 1.19% | | |
| OK Cnty Fin Auth, Ret Fac Rev Bonds (Concordia Life Care Cmnty), Ser 2005A, 6.125%, 11-15-25 | 2,000 | 1,837 |
| OK Cnty Fin Auth, Ret Fac Rev Bonds (Concordia Life Care Cmnty), Ser 2005, 6.000%, 11-15-38 | 3,050 | 2,551 |
| OK Dev Fin Auth, Solid Waste Disp Rev Bonds (Waste Mgmt of OK, Inc. Proj), Ser 2004A, 7.000%, 12-1-21 | 2,400 | 2,486 |
| | | <u>6,874</u> |
| Oregon – 1.03% | | |
| Hosp Fac Auth of Deschutes Cnty, OR, Hosp Rev Rfdg Bonds (Cascade Hltcare Cmnty, Inc.) Ser 2008, 8.250%, 1-1-38 | 5,000 | 5,947 |
| Pennsylvania – 1.15% | | |
| Butler Cnty Hosp Auth, Hosp Rev Bonds (Butler Hlth Sys Proj), Ser 2009B, 7.250%, 7-1-39 | 3,000 | 3,374 |
| The Borough of Langhorne Manor, Higher Edu and Hlth Auth (Bucks Cnty, PA), Hosp Rev Bonds (Lower Bucks Hosp), Ser 1992: 7.300%, 7-1-12 | 1,850 | 1,506 |
| 7.350%, 7-1-22 | 3,400 | 1,749 |
| | | <u>6,629</u> |
| Puerto Rico – 1.20% | | |
| PR Elec Power Auth, Power Rev Bonds, Ser 2010XX, 5.250%, 7-1-40 (B) | 2,000 | 1,976 |
| PR Sales Tax Fin Corp, Sales Tax Rev Bonds, First Sub Ser 2009A, 6.375%, 8-1-39 | 4,500 | 4,977 |
| | | <u>6,953</u> |
| Rhode Island – 0.23% | | |
| RI Hlth and Edu Bldg Corp, Hosp Fin Rev Bonds, St. Joseph Hlth Svcs of RI Issue, Ser 1999, 5.750%, 10-1-14 | 1,400 | 1,343 |
| South Carolina – 1.04% | | |
| SC Jobs – Econ Dev Auth, Rev Bonds (The Woodlandsat Furman Proj), Ser 2007A: 6.000%, 11-15-37 | 1,000 | 705 |
| 6.000%, 11-15-42 | 2,500 | 1,729 |
| SC Jobs – Econ Dev Auth, Student Hsng Rev Bonds (Coastal Hsng Fndtn, LLC Proj), Ser 2009A, 6.500%, 4-1-42 | 3,445 | 3,560 |
| | | <u>5,994</u> |
| Tennessee – 0.93% | | |
| Upper Cumberland Gas Util Dist (Cumberland Cnty, TN) Gas Sys Rev Rfdg Bonds, Ser 2005: 6.800%, 5-1-19 | 1,900 | 1,835 |
| 6.900%, 5-1-29 | 3,750 | 3,516 |
| | | <u>5,351</u> |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|----------|
| Texas – 12.38% | | |
| Alliance Arpt Auth, Inc., Spl Fac Rev Bonds (American Airlines, Inc. Proj), Ser 1991, 7.000%, 12–1–11 | \$4,900 | \$ 4,775 |
| Alliance Arpt Auth, Inc., Spl Fac Rev Rfdg Bonds (American Airlines, Inc. Proj), Ser 2007, 5.250%, 12–1–29 | 2,750 | 1,843 |
| Bexar Cnty Hlth Fac Dev Corp, Rev Bonds (Army Ret Residence Fndtn Proj), Ser 2010, 6.200%, 7–1–45 | 1,750 | 1,770 |
| Cass Cnty Indl Dev Corp, Envirmt Impvt Rev Bonds, Ser 2009A, 9.500%, 3–1–33 | 3,500 | 4,404 |
| Cent TX Regional Mobility Auth, Sr Lien Rev Bonds, Ser 2010: 0.000%, 1–1–36 (D) | 2,000 | 291 |
| 0.000%, 1–1–40 (D) | 1,500 | 160 |
| Hackberry, TX, Spl Asmt and Contract Rev Road Bonds (Hackberry Hidden Cove Pub Impvt Dist No. 2 Proj), Ser 2009A, 9.000%, 9–1–38 | 4,000 | 4,127 |
| Harris Cnty Cultural Edu Fac Fin Corp, Rev Rfdg Bonds (Space Ctr Houston Proj), Sr Ser 2009, 7.000%, 8–15–28 | 4,500 | 4,546 |
| Harris Cnty Hlth Fac Dev Corp, Hosp Rev Rfdg Bonds (Mem Hermann Hlthcare Sys), Ser 2008B, 7.250%, 12–1–35 | 2,000 | 2,256 |
| HFDC of Cent TX, Inc., Ret Fac Rev Bonds (The Vlg at Gleannloch Farms, Inc. Proj), Ser 2006A: 5.250%, 2–15–12 | 600 | 596 |
| 5.250%, 2–15–13 | 600 | 591 |
| 5.250%, 2–15–14 | 700 | 680 |
| 5.250%, 2–15–15 | 700 | 668 |
| 5.500%, 2–15–27 | 1,500 | 1,206 |
| Hopkins Cnty Hosp Dist, Hosp Rev Bonds, Ser 2008, 6.000%, 2–15–38 | 1,600 | 1,469 |
| La Vernia Higher Edu Fin Corp (Winfree Academy Charter Sch), Edu Rev Bonds, Ser 2009, 9.000%, 8–15–38 | 5,500 | 6,536 |
| KIPP, Inc., Edu Rev Bonds (La Vernia Higher Edu Fin Corp), Ser 2009A, 6.375%, 8–15–44 | 2,000 | 2,067 |
| Lubbock Hlth Fac Dev Corp, First Mtg Rev and Rfdg Bonds (Carillon Sr Life Care Cmnty Proj), Ser 2005A, 6.625%, 7–1–36 | 5,000 | 4,392 |
| Lufkin Hlth Fac Dev Corp, Rev Rfdg and Impvt Bonds (Mem Hlth Sys of East TX), Ser 2009, 6.250%, 2–15–37 | 4,500 | 4,453 |
| Pharr, TX Higher Edu Fin Auth, Edu Rev Bonds (Idea Pub Schs), Ser 2009A: 6.250%, 8–15–29 | 900 | 918 |
| 6.500%, 8–15–39 | 1,800 | 1,842 |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Ret Fac Rev Bonds (NW Sr Hsng Corp – Edgemere Proj), Ser 2006A: 6.000%, 11–15–26 | 500 | 458 |
| 6.000%, 11–15–36 | 6,515 | 5,790 |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Ret Fac Rev Bonds (Buckingham Sr Living Cmnty, Inc. Proj), Ser 2007, 5.750%, 11–15–37 | 5,000 | 4,575 |

| MUNICIPAL BONDS (Continued) | Principal | Value |
|---|-----------|---------------|
| Texas (Continued) | | |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Ret Fac Rev Bonds (Mirador Proj), Ser 2010A: 8.125%, 11–15–39 | \$ 750 | \$ 740 |
| 8.250%, 11–15–44 | 3,750 | 3,712 |
| Tarrant Cnty Cultural Edu Fac Fin Corp, Charter Sch Rev Bonds (Trinity Basin Preparatory Proj), Ser 2009A: 7.300%, 6–1–29 | 500 | 542 |
| 7.750%, 6–1–39 | 1,200 | 1,327 |
| TX Private Activity Bond Surface Trans Corp, Sr Lien Rev Bonds (North Tarrant Express Managed Lanes Proj), Ser 2009, 6.875%, 12–31–39 | 4,700 | 4,897 |
| | | <u>71,631</u> |
| Utah – 0.71% | | |
| Muni Bldg Auth of Uintah Cnty, UT, Lease Rev Bonds, Ser 2008A: 5.300%, 6–1–28 | 2,000 | 2,053 |
| 5.500%, 6–1–37 | 2,000 | 2,022 |
| | | <u>4,075</u> |
| Virginia – 3.58% | | |
| Econ Dev Auth of James City Cnty, VA, Residential Care Fac Rev Bonds (VA Utd Methodist Homes of Williamsburg, Inc.), Ser 2007A: 5.400%, 7–1–27 | 2,500 | 1,500 |
| 5.500%, 7–1–37 | 3,800 | 2,239 |
| Indl Dev Auth of Lexington, VA, Hosp Fac Rev Bonds (Stonewall Jackson Hosp), Ser 2000: 7.000%, 7–1–25 | 500 | 503 |
| 7.000%, 7–1–30 | 700 | 702 |
| Marquis Cmnty Dev Auth, Rev Bonds, Ser 2007, 5.625%, 9–1–18 | 4,000 | 3,349 |
| Norfolk Redev and Hsng Auth, First Mtg Rev Bonds (Fort Norfolk Ret Cmnty, Inc. – Harbor's Edge Proj), Ser 2004A: 6.000%, 1–1–25 | 1,000 | 925 |
| 6.125%, 1–1–35 | 3,640 | 3,183 |
| Norfolk Redev and Hsng Auth, Multifamily Rental Hsng Fac Rev Bonds (1016 Ltd Partnership – Sussex Apartments Proj), Ser 1996, 8.000%, 9–1–26 | 2,500 | 2,500 |
| Indl Dev Auth of Smyth Cnty, VA, Hosp Rev Bonds (Mountain States Hlth Alliance), Ser 2009A, 8.000%, 7–1–38 | 5,000 | 5,801 |
| | | <u>20,702</u> |
| Washington – 1.69% | | |
| Port of Sunnyside, Yakima Cnty, WA, Rev Bonds (Indl Wastewater Treatment Sys), Ser 2008, 6.625%, 12–1–21 | 2,250 | 2,304 |
| Pub Hosp Dist No. 1, Skagit Cnty, WA (Skagit Vly Hosp) Hosp Rev Bonds, Ser 2007, 5.750%, 12–1–28 | 1,510 | 1,501 |
| WA Hlth Care Fac Auth, Rev Bonds (Seattle Cancer Care Alliance), Ser 2008, 7.375%, 3–1–38 | 4,100 | 4,547 |
| WA Hlth Care Fac Auth, Rev Bonds (VA Mason Med Ctrs), Ser 2007C, 5.500%, 8–15–36 | 1,500 | 1,434 |
| | | <u>9,786</u> |

SCHEDULE OF INVESTMENTS

Municipal High Income Fund *(in thousands)*

MARCH 31, 2010 (UNAUDITED)

| MUNICIPAL BONDS (Continued) | Principal | Value |
|--|-----------|------------------|
| Wisconsin – 1.15% | | |
| WI Hlth and Edu Fac Auth, Rev Bonds (Saint John's Communities, Inc.), Ser 2009: | | |
| 7.250%, 9–15–29 | \$ 800 | \$ 826 |
| 7.625%, 9–15–39 | 800 | 838 |
| WI Hlth and Edu Fac Auth, Rev Bonds (Beloit College), Ser 2010A: | | |
| 6.125%, 6–1–35 (B) | 1,000 | 995 |
| 6.125%, 6–1–39 (B) | 1,000 | 982 |
| WI Hlth and Edu Fac Auth, Rev Bonds (Beaver Dam Cmnty Hosp, Inc. Proj), Ser 2004A: | | |
| 6.500%, 8–15–24 | 1,000 | 1,000 |
| 6.500%, 8–15–26 | 2,000 | 1,977 |
| | | <u>6,618</u> |
| Wyoming – 0.72% | | |
| WY Muni Power Agy, Power Supply Sys Rev Bonds, Ser 2008A, | | |
| 5.500%, 1–1–38 | 4,000 | <u>4,189</u> |
| TOTAL MUNICIPAL BONDS – 96.97% | | \$560,408 |
| (Cost: \$565,631) | | |
| SHORT-TERM SECURITIES | | |
| Commercial Paper (E) – 0.97% | | |
| Sonoco Products Co., | | |
| 0.000%, 4–1–10 | 5,597 | <u>5,597</u> |
| Master Note – 0.28% | | |
| Toyota Motor Credit Corporation, | | |
| 0.134%, 4–1–10 (F) | 1,613 | <u>1,613</u> |
| Municipal Obligations – 1.32% | | |
| Exempla General Impvt Dist of Lafayette, CO, Spl Impvt Dist No. 02–01, Spl Assessment Rev Rfdg and Impvt Bonds, Ser 2002 (Wells Fargo Bank, N.A.), | | |
| 0.280%, 4–1–10 (F) | 850 | 850 |
| LA Pub Fac Auth, Rev Bonds (Air Products and Chemicals Proj), Ser 2009A (Bank of New York Mellon Trust Company, N.A. (The)), | | |
| 0.400%, 4–1–10 (F) | 4,800 | 4,800 |
| NY State Hsng Fin Agy, Archstone Westbury Hsng Rev Bonds, Ser A (Bank of America, N.A.), | | |
| 0.300%, 4–1–10 (F) | 2,000 | <u>2,000</u> |
| | | <u>7,650</u> |
| TOTAL SHORT-TERM SECURITIES – 2.57% | | \$ 14,860 |
| (Cost: \$14,860) | | |
| TOTAL INVESTMENT SECURITIES – 99.54% | | \$575,268 |
| (Cost: \$580,491) | | |
| CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.46% | | 2,660 |
| NET ASSETS – 100.00% | | \$577,928 |

Notes to Schedule of Investments

(A) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.

(B) Purchased on a when-issued basis with settlement subsequent to March 31, 2010.

(C) Non-income producing as the issuer has either missed its most recent interest payment or declared bankruptcy.

(D) Zero coupon bond.

(E) Rate shown is the yield to maturity at March 31, 2010.

(F) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010. Date shown represents the date that the variable rate resets.

STATEMENT OF ASSETS AND LIABILITIES

Waddell & Reed Advisors Funds

AS OF MARCH 31, 2010 (UNAUDITED)

| (In thousands, except per share amounts) | Bond Fund | Cash Management | Global Bond Fund | Government Securities Fund | High Income Fund | Municipal Bond Fund | Municipal High Income Fund |
|--|--------------------|--------------------|------------------|----------------------------|--------------------|---------------------|----------------------------|
| ASSETS | | | | | | | |
| Investments in unaffiliated securities at market value+ | \$1,110,166 | \$1,158,463 | \$738,824 | \$428,311 | \$1,290,324 | \$674,263 | \$575,268 |
| Investments at Market Value | 1,110,166 | 1,158,463 | 738,824 | 428,311 | 1,290,324 | 674,263 | 575,268 |
| Cash | — | 1,729 | — | — | 1,936 | — | — |
| Restricted cash | — | — | 6,235 | — | — | — | — |
| Unrealized appreciation on forward foreign currency contracts | — | — | 120 | — | 268 | — | — |
| Investment securities sold receivable | 536 | — | 1,218 | 224 | 42,770 | — | 568 |
| Dividends and interest receivable | 9,349 | 4,992 | 11,522 | 2,369 | 27,005 | 9,271 | 10,236 |
| Capital shares sold receivable | 1,751 | 17,288 | 1,318 | 697 | 1,831 | 1,511 | 2,354 |
| Receivable from affiliates | — | 327 | — | — | — | — | — |
| Prepaid and other assets | 80 | 89 | 57 | 49 | 107 | 67 | 190 |
| Total Assets | 1,121,882 | 1,182,888 | 759,294 | 431,650 | 1,364,241 | 685,112 | 588,616 |
| LIABILITIES | | | | | | | |
| Investment securities purchased payable | 10,000 | — | 14,112 | 5,360 | 59,358 | 11,219 | 9,303 |
| Unrealized depreciation on forward foreign currency contracts | — | — | 1,747 | — | — | — | — |
| Capital shares redeemed payable | 1,695 | 19,986 | 908 | 949 | 2,187 | 839 | 935 |
| Distributions payable | — | 75 | — | 106 | 815 | — | 266 |
| Trustees and Chief Compliance Officer fees payable | 98 | 123 | 41 | 37 | 106 | 77 | 53 |
| Overdraft due to custodian | 30 | — | 4 | 38 | — | 6 | 19 |
| Distribution and service fees payable | 8 | 1 | 6 | 3 | 9 | 5 | 4 |
| Shareholder servicing payable | 254 | 361 | 194 | 99 | 268 | 62 | 57 |
| Investment management fee payable | 14 | 13 | 12 | 6 | 21 | 9 | 8 |
| Accounting services fee payable | 23 | 21 | 15 | 11 | 24 | 14 | 13 |
| Other liabilities | 39 | 54 | 160 | 22 | 277 | 22 | 30 |
| Total Liabilities | 12,161 | 20,634 | 17,199 | 6,631 | 63,065 | 12,253 | 10,688 |
| Total Net Assets | \$1,109,721 | \$1,162,254 | \$742,095 | \$425,019 | \$1,301,176 | \$672,859 | \$577,928 |
| NET ASSETS | | | | | | | |
| Capital paid in (shares authorized - unlimited) | \$1,110,702 | \$1,162,224 | \$739,664 | \$413,974 | \$1,438,408 | \$646,560 | \$624,884 |
| Undistributed (distributions in excess of) net investment income | (7,586) | — | 2,068 | (78) | 2 | 1,014 | 1,280 |
| Accumulated net realized gain (loss) | (6,699) | 30 | (18,478) | 112 | (202,743) | (9,879) | (43,013) |
| Net unrealized appreciation (depreciation) | 13,304 | — | 18,841 | 11,011 | 65,509 | 35,164 | (5,223) |
| Total Net Assets | \$1,109,721 | \$1,162,254 | \$742,095 | \$425,019 | \$1,301,176 | \$672,859 | \$577,928 |
| CAPITAL SHARES OUTSTANDING: | | | | | | | |
| Class A | 171,209 | 1,141,191 | 173,831 | 63,728 | 169,913 | 92,084 | 118,905 |
| Class B | 3,684 | 9,823 | 3,634 | 1,775 | 3,415 | 329 | 760 |
| Class C | 2,854 | 11,211 | 4,512 | 2,188 | 4,183 | 1,542 | 3,763 |
| Class Y | 3,059 | N/A | 4,590 | 7,419 | 13,673 | N/A | N/A |
| NET ASSET VALUE PER SHARE: | | | | | | | |
| Class A | \$6.14 | \$1.00 | \$3.98 | \$5.66 | \$6.81 | \$7.16 | \$4.68 |
| Class B | 6.14 | 1.00 | 3.96 | 5.66 | 6.81 | 7.15 | 4.68 |
| Class C | 6.14 | 1.00 | 3.96 | 5.66 | 6.81 | 7.15 | 4.68 |
| Class Y | 6.15 | N/A | 3.99 | 5.66 | 6.81 | N/A | N/A |
| +COST | | | | | | | |
| Investments in unaffiliated securities at cost | \$1,096,862 | \$1,158,463 | \$718,369 | \$417,300 | \$1,225,078 | \$639,098 | \$580,491 |

See Accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS

Waddell & Reed Advisors Funds

FOR THE SIX MONTHS ENDED MARCH 31, 2010 (UNAUDITED)

| (In thousands) | Bond Fund | Cash Management | Global Bond Fund | Government Securities Fund | High Income Fund | Municipal Bond Fund | Municipal High Income Fund |
|---|-----------------|-----------------|------------------|----------------------------|------------------|---------------------|----------------------------|
| INVESTMENT INCOME | | | | | | | |
| Interest and amortization from unaffiliated securities | \$17,740 | \$5,560 | \$19,156 | \$ 8,858 | \$56,988 | \$ 16,142 | \$18,204 |
| Foreign interest withholding tax | — | — | (17) | — | — | — | — |
| Total Investment Income | 17,740 | 5,560 | 19,139 | 8,858 | 56,988 | 16,142 | 18,204 |
| EXPENSES | | | | | | | |
| Investment management fee | 2,515 | 2,418 | 2,161 | 1,071 | 3,717 | 1,668 | 1,421 |
| Distribution and service fees: | | | | | | | |
| Class A | 1,254 | — | 813 | 455 | 1,376 | 787 | 656 |
| Class B | 120 | 59 | 71 | 56 | 118 | 13 | 18 |
| Class C | 87 | 64 | 84 | 63 | 137 | 49 | 78 |
| Shareholder servicing: | | | | | | | |
| Class A | 1,144 | 1,666 | 891 | 421 | 1,171 | 260 | 233 |
| Class B | 60 | 14 | 34 | 23 | 60 | 4 | 4 |
| Class C | 30 | 12 | 29 | 17 | 38 | 9 | 16 |
| Class Y | 14 | N/A | 15 | 31 | 66 | N/A | N/A |
| Registration fees | 63 | 64 | 58 | 46 | 69 | 50 | 52 |
| Custodian fees | 21 | 25 | 36 | 10 | 27 | 12 | 11 |
| Trustees and Chief Compliance Officer fees | 53 | 66 | 31 | 21 | 62 | 37 | 29 |
| Accounting services fee | 133 | 128 | 87 | 66 | 130 | 82 | 73 |
| Legal fees | 24 | 28 | 15 | 10 | 29 | 13 | 14 |
| Audit fees | 23 | 8 | 29 | 10 | 28 | 25 | 28 |
| Other | 73 | 263 | 54 | 41 | 61 | 37 | 17 |
| Total Expenses | 5,614 | 4,815 | 4,408 | 2,341 | 7,089 | 3,046 | 2,650 |
| Less: | | | | | | | |
| Expenses in excess of limit | (65) | (327) | (87) | (118) | (125) | (141) | (108) |
| Total Net Expenses | 5,549 | 4,488 | 4,321 | 2,223 | 6,964 | 2,905 | 2,542 |
| Net Investment Income | 12,191 | 1,072 | 14,818 | 6,635 | 50,024 | 13,237 | 15,662 |
| REALIZED AND UNREALIZED GAIN (LOSS) | | | | | | | |
| Net realized gain (loss) on: | | | | | | | |
| Investments in unaffiliated securities | 3,660 | 239 | 6,864 | 3,088 | 24,786 | 1,464 | (1,560) |
| Forward foreign currency contracts | — | — | (6,354) | — | — | — | — |
| Foreign currency exchange transactions | — | — | (6,415) | — | 2 | — | — |
| Net change in unrealized appreciation (depreciation) on: | | | | | | | |
| Investments in unaffiliated securities | 5,265 | — | 15,122 | (4,467) | 20,917 | (10,564) | (797) |
| Forward foreign currency contracts | — | — | 7,575 | — | 268 | — | — |
| Foreign currency exchange transactions | — | — | (44) | — | (5) | — | — |
| Net Realized and Unrealized Gain (Loss) | 8,925 | 239 | 16,748 | (1,379) | 45,968 | (9,100) | (2,357) |
| Net Increase in Net Assets Resulting from Operations | \$21,116 | \$1,311 | \$31,566 | \$ 5,256 | \$95,992 | \$ 4,137 | \$13,305 |

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

| | Bond Fund | | Cash Management | | Global Bond Fund | |
|--|--------------------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
| | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 |
| (In thousands) | | | | | | |
| INCREASE (DECREASE) IN NET ASSETS | | | | | | |
| Operations: | | | | | | |
| Net investment income | \$ 12,191 | \$ 35,034 | \$ 1,072 | \$ 16,735 | \$ 14,818 | \$ 25,047 |
| Net realized gain (loss) on investments | 3,660 | (2,193) | 239 | 252 | (5,905) | 5,163 |
| Net change in unrealized appreciation | 5,265 | 46,285 | — | — | 22,653 | 24,159 |
| Net Increase in Net Assets Resulting from Operations | 21,116 | 79,126 | 1,311 | 16,987 | 31,566 | 54,369 |
| Distributions to Shareholders From: | | | | | | |
| Net investment income: | | | | | | |
| Class A | (19,107) | (35,745) | (1,060) | (16,579) | (3,592) | (29,800) |
| Class B | (343) | (862) | (6) | (81) | (70) | (673) |
| Class C | (257) | (536) | (6) | (75) | (79) | (693) |
| Class Y | (381) | (674) | N/A | N/A | (120) | (1,259) |
| Net realized gains: | | | | | | |
| Class A | — | — | (419) | (41) | — | — |
| Class B | — | — | (4) | (1) | — | — |
| Class C | — | — | (5) | —* | — | — |
| Class Y | — | — | N/A | N/A | — | — |
| Total Distributions to Shareholders | (20,088) | (37,817) | (1,500) | (16,777) | (3,861) | (32,425) |
| Capital Share Transactions | 92,155 | 83,495 | (101,324) | (39,798) | 52,128 | 58,732 |
| Net Increase (Decrease) in Net Assets | 93,183 | 124,804 | (101,513) | (39,588) | 79,833 | 80,676 |
| Net Assets, Beginning of Period | 1,016,538 | 891,734 | 1,263,767 | 1,303,355 | 662,262 | 581,586 |
| Net Assets, End of Period | \$1,109,721 | \$1,016,538 | \$1,162,254 | \$1,263,767 | \$742,095 | \$662,262 |
| Undistributed (distributions in excess of) net investment income | \$ (7,586) | \$ 311 | \$ — | \$ — | \$ 2,068 | \$ (2,474) |

*Not shown due to rounding.

STATEMENT OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

| (In thousands) | Government Securities Fund | | High Income Fund | |
|--|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
| | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 |
| INCREASE (DECREASE) IN NET ASSETS | | | | |
| Operations: | | | | |
| Net investment income | \$ 6,635 | \$ 14,716 | \$ 50,024 | \$ 80,788 |
| Net realized gain (loss) on investments | 3,088 | (1,844) | 24,788 | (74,147) |
| Net change in unrealized appreciation (depreciation) | (4,467) | 14,182 | 21,180 | 150,709 |
| Net Increase in Net Assets Resulting from Operations | 5,256 | 27,054 | 95,992 | 157,350 |
| Distributions to Shareholders From: | | | | |
| Net investment income: | | | | |
| Class A | (5,725) | (13,244) | (44,524) | (73,094) |
| Class B | (124) | (360) | (829) | (1,614) |
| Class C | (147) | (377) | (1,000) | (1,396) |
| Class Y | (717) | (635) | (3,670) | (4,921) |
| Net realized gains: | | | | |
| Class A | — | — | — | — |
| Class B | — | — | — | — |
| Class C | — | — | — | — |
| Class Y | — | — | — | — |
| Total Distributions to Shareholders | (6,713) | (14,616) | (50,023) | (81,025) |
| Capital Share Transactions | (14,304) | 55,496 | 54,095 | 225,110 |
| Net Increase (Decrease) in Net Assets | (15,761) | 67,934 | 100,064 | 301,435 |
| Net Assets, Beginning of Period | 440,780 | 372,846 | 1,201,112 | 899,677 |
| Net Assets, End of Period | \$ 425,019 | \$ 440,780 | \$ 1,301,176 | \$ 1,201,112 |
| Undistributed (distributions in excess of) net investment income | \$ (78) | \$ — | \$ 2 | \$ — |

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

| | Municipal Bond Fund | | Municipal High Income Fund | |
|---|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
| | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 | Six months ended 3-31-10 (Unaudited) | Fiscal year ended 9-30-09 |
| (In thousands) | | | | |
| INCREASE (DECREASE) IN NET ASSETS | | | | |
| Operations: | | | | |
| Net investment income | \$ 13,237 | \$ 23,495 | \$ 15,662 | \$ 27,041 |
| Net realized gain (loss) on investments | 1,464 | 1,854 | (1,560) | (16,772) |
| Net change in unrealized appreciation (depreciation) | (10,564) | 51,667 | (797) | 43,752 |
| Net Increase in Net Assets Resulting from Operations | 4,137 | 77,016 | 13,305 | 54,021 |
| Distributions to Shareholders From: | | | | |
| Net investment income: | | | | |
| Class A | (13,548) | (22,572) | (14,769) | (25,486) |
| Class B | (42) | (90) | (86) | (206) |
| Class C | (168) | (223) | (375) | (607) |
| Class Y | N/A | (1) | N/A | (5) |
| Net realized gains: | | | | |
| Class A | — | — | — | — |
| Class B | — | — | — | — |
| Class C | — | — | — | — |
| Class Y | N/A | — | N/A | — |
| Total Distributions to Shareholders | (13,758) | (22,886) | (15,230) | (26,304) |
| Capital Share Transactions | 52,901 | 65,517 | 46,435 | 42,463 |
| Net Increase in Net Assets | 43,280 | 119,647 | 44,510 | 70,180 |
| Net Assets, Beginning of Period | 629,579 | 509,932 | 533,418 | 463,238 |
| Net Assets, End of Period | \$672,859 | \$629,579 | \$577,928 | \$533,418 |
| Undistributed net investment income | \$ 1,014 | \$ 1,534 | \$ 1,280 | \$ 848 |

See Accompanying Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

BOND FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$6.13 | \$0.07 ⁽²⁾ | \$ 0.06 ⁽²⁾ | \$ 0.13 | \$(0.12) | \$ — | \$(0.12) |
| Fiscal year ended 9-30-2009 | 5.87 | 0.23 ⁽²⁾ | 0.28 ⁽²⁾ | 0.51 | (0.25) | — | (0.25) |
| Fiscal year ended 9-30-2008 | 6.11 | 0.25 | (0.23) | 0.02 | (0.26) | — | (0.26) |
| Fiscal year ended 9-30-2007 | 6.11 | 0.27 | 0.00 | 0.27 | (0.27) | — | (0.27) |
| Fiscal year ended 9-30-2006 | 6.27 | 0.26 | (0.08) | 0.18 | (0.27) | (0.07) | (0.34) |
| Fiscal year ended 9-30-2005 | 6.50 | 0.27 | (0.12) | 0.15 | (0.28) | (0.10) | (0.38) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.13 | 0.05 ⁽²⁾ | 0.05 ⁽²⁾ | 0.10 | (0.09) | — | (0.09) |
| Fiscal year ended 9-30-2009 | 5.87 | 0.17 ⁽²⁾ | 0.28 ⁽²⁾ | 0.45 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2008 | 6.11 | 0.19 | (0.23) | (0.04) | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2007 | 6.11 | 0.21 | 0.00 | 0.21 | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2006 | 6.26 | 0.20 | (0.07) | 0.13 | (0.21) | (0.07) | (0.28) |
| Fiscal year ended 9-30-2005 | 6.50 | 0.21 | (0.13) | 0.08 | (0.22) | (0.10) | (0.32) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.13 | 0.04 ⁽²⁾ | 0.06 ⁽²⁾ | 0.10 | (0.09) | — | (0.09) |
| Fiscal year ended 9-30-2009 | 5.87 | 0.18 ⁽²⁾ | 0.28 ⁽²⁾ | 0.46 | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2008 | 6.11 | 0.20 | (0.24) | (0.04) | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2007 | 6.11 | 0.21 | 0.00 | 0.21 | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2006 | 6.26 | 0.20 | (0.07) | 0.13 | (0.21) | (0.07) | (0.28) |
| Fiscal year ended 9-30-2005 | 6.50 | 0.21 | (0.13) | 0.08 | (0.22) | (0.10) | (0.32) |
| Class Y Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.13 | 0.09 ⁽²⁾ | 0.06 ⁽²⁾ | 0.15 | (0.13) | — | (0.13) |
| Fiscal year ended 9-30-2009 | 5.88 | 0.26 ⁽²⁾ | 0.26 ⁽²⁾ | 0.52 | (0.27) | — | (0.27) |
| Fiscal year ended 9-30-2008 | 6.11 | 0.27 | (0.22) | 0.05 | (0.28) | — | (0.28) |
| Fiscal year ended 9-30-2007 | 6.11 | 0.29 | 0.00 | 0.29 | (0.29) | — | (0.29) |
| Fiscal year ended 9-30-2006 | 6.27 | 0.28 | (0.08) | 0.20 | (0.29) | (0.07) | (0.36) |
| Fiscal year ended 9-30-2005 | 6.50 | 0.29 | (0.12) | 0.17 | (0.30) | (0.10) | (0.40) |

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|---|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$6.14 | 2.09% ⁽³⁾ | \$ 1,052 | 1.01% ⁽⁴⁾ | 2.32% ⁽⁴⁾ | 1.02% ⁽⁴⁾ | 2.31% ⁽⁴⁾ | 13% |
| Fiscal year ended 9-30-2009 | 6.13 | 8.88 ⁽³⁾ | 956 | 1.02 | 3.85 | 1.07 | 3.80 | 30 |
| Fiscal year ended 9-30-2008 | 5.87 | 0.21 ⁽³⁾ | 819 | 1.03 | 4.15 | 1.03 | 4.15 | 37 |
| Fiscal year ended 9-30-2007 | 6.11 | 4.51 ⁽³⁾ | 649 | 1.07 | 4.43 | 1.10 | 4.40 | 32 |
| Fiscal year ended 9-30-2006 | 6.11 | 3.02 ⁽³⁾ | 587 | 1.09 | 4.28 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 6.27 | 2.30 ⁽³⁾ | 605 | 1.09 | 4.12 | — | — | 34 |
| Class B Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.14 | 1.60 | 23 | 2.05 ⁽⁴⁾ | 1.42 ⁽⁴⁾ | — | — | 13 |
| Fiscal year ended 9-30-2009 | 6.13 | 7.79 | 25 | 2.04 | 2.90 | 2.08 | 2.86 | 30 |
| Fiscal year ended 9-30-2008 | 5.87 | -0.78 | 30 | 2.04 | 3.15 | 2.04 | 3.15 | 37 |
| Fiscal year ended 9-30-2007 | 6.11 | 3.53 | 32 | 2.03 | 3.47 | 2.06 | 3.44 | 32 |
| Fiscal year ended 9-30-2006 | 6.11 | 2.18 | 35 | 2.06 | 3.31 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 6.26 | 1.17 | 42 | 2.02 | 3.20 | — | — | 34 |
| Class C Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.14 | 1.66 | 18 | 1.89 ⁽⁴⁾ | 1.49 ⁽⁴⁾ | — | — | 13 |
| Fiscal year ended 9-30-2009 | 6.13 | 7.96 | 17 | 1.90 | 2.99 | 1.94 | 2.95 | 30 |
| Fiscal year ended 9-30-2008 | 5.87 | -0.68 | 16 | 1.92 | 3.26 | 1.92 | 3.26 | 37 |
| Fiscal year ended 9-30-2007 | 6.11 | 3.58 | 12 | 1.97 | 3.53 | 2.00 | 3.50 | 32 |
| Fiscal year ended 9-30-2006 | 6.11 | 2.26 | 13 | 2.02 | 3.36 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 6.26 | 1.17 | 13 | 2.01 | 3.20 | — | — | 34 |
| Class Y Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.15 | 2.41 | 19 | 0.69 ⁽⁴⁾ | 2.68 ⁽⁴⁾ | — | — | 13 |
| Fiscal year ended 9-30-2009 | 6.13 | 9.06 | 19 | 0.69 | 4.18 | 0.73 | 4.14 | 30 |
| Fiscal year ended 9-30-2008 | 5.88 | 0.72 | 27 | 0.70 | 4.49 | 0.70 | 4.49 | 37 |
| Fiscal year ended 9-30-2007 | 6.11 | 4.87 | 28 | 0.71 | 4.78 | 0.74 | 4.75 | 32 |
| Fiscal year ended 9-30-2006 | 6.11 | 3.39 | 17 | 0.73 | 4.65 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 6.27 | 2.67 | 15 | 0.72 | 4.49 | — | — | 34 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

CASH MANAGEMENT

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|-------------------------------------|---|-----------------------------|--|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | \$ 1.00 | \$ 0.00 ⁽²⁾ | \$ 0.00 ⁽²⁾ | \$ 0.00 | \$ — [*] | \$ — [*] | \$ — [*] |
| Fiscal year ended 9-30-2009 | 1.00 | 0.01 ⁽²⁾ | 0.00 ⁽²⁾ | 0.01 | (0.01) | — [*] | (0.01) |
| Fiscal year ended 9-30-2008 | 1.00 | 0.03 | 0.00 | 0.03 | (0.03) | — | (0.03) |
| Fiscal year ended 9-30-2007 | 1.00 | 0.05 | 0.00 | 0.05 | (0.05) | — | (0.05) |
| Fiscal year ended 9-30-2006 | 1.00 | 0.04 | 0.00 | 0.04 | (0.04) | — | (0.04) |
| Fiscal year ended 9-30-2005 | 1.00 | 0.02 | 0.00 | 0.02 | (0.02) | — | (0.02) |
| Class B Shares⁽⁴⁾ | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | 1.00 | 0.00 ⁽²⁾ | 0.00 ⁽²⁾ | 0.00 | — [*] | — [*] | — [*] |
| Fiscal year ended 9-30-2009 | 1.00 | 0.00 ⁽²⁾ | 0.00 ⁽²⁾ | 0.00 | — [*] | — [*] | — [*] |
| Fiscal year ended 9-30-2008 | 1.00 | 0.02 | 0.00 | 0.02 | (0.02) | — | (0.02) |
| Fiscal year ended 9-30-2007 | 1.00 | 0.04 | 0.00 | 0.04 | (0.04) | — | (0.04) |
| Fiscal year ended 9-30-2006 | 1.00 | 0.03 | 0.00 | 0.03 | (0.03) | — | (0.03) |
| Fiscal year ended 9-30-2005 | 1.00 | 0.01 | 0.00 | 0.01 | (0.01) | — | (0.01) |
| Class C Shares⁽⁴⁾ | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | 1.00 | 0.00 ⁽²⁾ | 0.00 ⁽²⁾ | 0.00 | — [*] | — [*] | — [*] |
| Fiscal year ended 9-30-2009 | 1.00 | 0.00 ⁽²⁾ | 0.00 ⁽²⁾ | 0.00 | — [*] | — [*] | — [*] |
| Fiscal year ended 9-30-2008 | 1.00 | 0.02 | 0.00 | 0.02 | (0.02) | — | (0.02) |
| Fiscal year ended 9-30-2007 | 1.00 | 0.04 | 0.00 | 0.04 | (0.04) | — | (0.04) |
| Fiscal year ended 9-30-2006 | 1.00 | 0.03 | 0.00 | 0.03 | (0.03) | — | (0.03) |
| Fiscal year ended 9-30-2005 | 1.00 | 0.01 | 0.00 | 0.01 | (0.01) | — | (0.01) |

*Not shown due to rounding.

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) Class B and Class C are not available for direct investments.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽¹⁾ |
|-------------------------------------|--------------------------------------|-----------------|---|--|--|---|--|
| Class A Shares | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | \$ 1.00 | 0.13% | \$ 1,141 | 0.74% ⁽³⁾ | 0.18% ⁽³⁾ | 0.78% ⁽³⁾ | 0.14% ⁽³⁾ |
| Fiscal year ended 9-30-2009 | 1.00 | 1.16 | 1,234 | 0.73 | 1.16 | — | — |
| Fiscal year ended 9-30-2008 | 1.00 | 3.00 | 1,275 | 0.73 | 2.87 | — | — |
| Fiscal year ended 9-30-2007 | 1.00 | 4.68 | 1,032 | 0.78 | 4.59 | — | — |
| Fiscal year ended 9-30-2006 | 1.00 | 3.86 | 802 | 0.88 | 3.85 | — | — |
| Fiscal year ended 9-30-2005 | 1.00 | 1.81 | 625 | 0.92 | 1.80 | — | — |
| Class B Shares⁽⁴⁾ | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | 1.00 | 0.08 | 10 | 0.83 ⁽³⁾ | 0.10 ⁽³⁾ | 1.72 ⁽³⁾ | -0.79 ⁽³⁾ |
| Fiscal year ended 9-30-2009 | 1.00 | 0.38 | 14 | 1.53 | 0.39 | 1.68 | 0.24 |
| Fiscal year ended 9-30-2008 | 1.00 | 2.00 | 14 | 1.70 | 1.87 | — | — |
| Fiscal year ended 9-30-2007 | 1.00 | 3.64 | 10 | 1.79 | 3.58 | — | — |
| Fiscal year ended 9-30-2006 | 1.00 | 2.73 | 11 | 1.98 | 2.77 | — | — |
| Fiscal year ended 9-30-2005 | 1.00 | 0.79 | 7 | 1.93 | 0.74 | 1.99 | 0.67 |
| Class C Shares⁽⁴⁾ | | | | | | | |
| Six-month period ended | | | | | | | |
| 3-31-2010 (unaudited) | 1.00 | 0.08 | 11 | 0.83 ⁽³⁾ | 0.10 ⁽³⁾ | 1.66 ⁽³⁾ | -0.73 ⁽³⁾ |
| Fiscal year ended 9-30-2009 | 1.00 | 0.40 | 15 | 1.49 | 0.41 | 1.64 | 0.26 |
| Fiscal year ended 9-30-2008 | 1.00 | 2.06 | 14 | 1.65 | 1.90 | — | — |
| Fiscal year ended 9-30-2007 | 1.00 | 3.71 | 8 | 1.73 | 3.64 | — | — |
| Fiscal year ended 9-30-2006 | 1.00 | 2.75 | 8 | 1.94 | 2.83 | — | — |
| Fiscal year ended 9-30-2005 | 1.00 | 0.75 | 5 | 1.96 | 0.70 | 2.01 | 0.65 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

GLOBAL BOND FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$3.82 | \$0.08 ⁽²⁾ | \$ 0.10 ⁽²⁾ | \$ 0.18 | \$(0.02) | \$ — | \$(0.02) |
| Fiscal year ended 9-30-2009 | 3.70 | 0.17 ⁽²⁾ | 0.17 ⁽²⁾ | 0.34 | (0.22) | — | (0.22) |
| Fiscal year ended 9-30-2008 | 3.85 | 0.15 | (0.13) | 0.02 | (0.17) | — | (0.17) |
| Fiscal year ended 9-30-2007 | 3.65 | 0.15 | 0.19 | 0.34 | (0.14) | — | (0.14) |
| Fiscal year ended 9-30-2006 | 3.65 | 0.14 | (0.01) | 0.13 | (0.13) | — | (0.13) |
| Fiscal year ended 9-30-2005 | 3.58 | 0.13 | 0.07 | 0.20 | (0.13) | — | (0.13) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.82 | 0.07 ⁽²⁾ | 0.09 ⁽²⁾ | 0.16 | (0.02) | — | (0.02) |
| Fiscal year ended 9-30-2009 | 3.69 | 0.13 ⁽²⁾ | 0.18 ⁽²⁾ | 0.31 | (0.18) | — | (0.18) |
| Fiscal year ended 9-30-2008 | 3.84 | 0.12 | (0.13) | (0.01) | (0.14) | — | (0.14) |
| Fiscal year ended 9-30-2007 | 3.65 | 0.11 | 0.18 | 0.29 | (0.10) | — | (0.10) |
| Fiscal year ended 9-30-2006 | 3.65 | 0.11 | (0.02) | 0.09 | (0.09) | — | (0.09) |
| Fiscal year ended 9-30-2005 | 3.58 | 0.09 | 0.08 | 0.17 | (0.10) | — | (0.10) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.82 | 0.07 ⁽²⁾ | 0.09 ⁽²⁾ | 0.16 | (0.02) | — | (0.02) |
| Fiscal year ended 9-30-2009 | 3.70 | 0.14 ⁽²⁾ | 0.17 ⁽²⁾ | 0.31 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2008 | 3.84 | 0.12 | (0.12) | 0.00 | (0.14) | — | (0.14) |
| Fiscal year ended 9-30-2007 | 3.65 | 0.12 | 0.18 | 0.30 | (0.11) | — | (0.11) |
| Fiscal year ended 9-30-2006 | 3.65 | 0.11 | (0.02) | 0.09 | (0.09) | — | (0.09) |
| Fiscal year ended 9-30-2005 | 3.58 | 0.09 | 0.08 | 0.17 | (0.10) | — | (0.10) |
| Class Y Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.83 | 0.09 ⁽²⁾ | 0.09 ⁽²⁾ | 0.18 | (0.02) | — | (0.02) |
| Fiscal year ended 9-30-2009 | 3.70 | 0.18 ⁽²⁾ | 0.18 ⁽²⁾ | 0.36 | (0.23) | — | (0.23) |
| Fiscal year ended 9-30-2008 | 3.85 | 0.17 | (0.13) | 0.04 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2007 | 3.65 | 0.17 | 0.19 | 0.36 | (0.16) | — | (0.16) |
| Fiscal year ended 9-30-2006 | 3.65 | 0.16 | (0.02) | 0.14 | (0.14) | — | (0.14) |
| Fiscal year ended 9-30-2005 | 3.58 | 0.14 | 0.07 | 0.21 | (0.14) | — | (0.14) |

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|---|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$3.98 | 4.78% ⁽³⁾ | \$692 | 1.21% ⁽⁴⁾ | 4.26% ⁽⁴⁾ | 1.23% ⁽⁴⁾ | 4.24% ⁽⁴⁾ | 11% |
| Fiscal year ended 9-30-2009 | 3.82 | 9.77 ⁽³⁾ | 611 | 1.26 | 4.50 | 1.29 | 4.47 | 45 |
| Fiscal year ended 9-30-2008 | 3.70 | 0.52 ⁽³⁾ | 525 | 1.20 | 3.96 | 1.23 | 3.93 | 41 |
| Fiscal year ended 9-30-2007 | 3.85 | 9.55 ⁽³⁾ | 306 | 1.29 | 4.18 | 1.32 | 4.15 | 40 |
| Fiscal year ended 9-30-2006 | 3.65 | 3.49 ⁽³⁾ | 254 | 1.31 | 3.94 | — | — | 60 |
| Fiscal year ended 9-30-2005 | 3.65 | 5.69 ⁽³⁾ | 228 | 1.28 | 3.56 | — | — | 30 |
| Class B Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.96 | 4.17 | 14 | 2.16 ⁽⁴⁾ | 3.31 ⁽⁴⁾ | 2.18 ⁽⁴⁾ | 3.29 ⁽⁴⁾ | 11 |
| Fiscal year ended 9-30-2009 | 3.82 | 9.03 | 14 | 2.25 | 3.51 | 2.28 | 3.48 | 45 |
| Fiscal year ended 9-30-2008 | 3.69 | -0.36 | 18 | 2.07 | 3.09 | 2.10 | 3.06 | 41 |
| Fiscal year ended 9-30-2007 | 3.84 | 8.12 | 11 | 2.34 | 3.13 | 2.37 | 3.10 | 40 |
| Fiscal year ended 9-30-2006 | 3.65 | 2.50 | 10 | 2.30 | 2.92 | — | — | 60 |
| Fiscal year ended 9-30-2005 | 3.65 | 4.67 | 9 | 2.28 | 2.57 | — | — | 30 |
| Class C Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.96 | 4.17 | 18 | 2.03 ⁽⁴⁾ | 3.43 ⁽⁴⁾ | 2.05 ⁽⁴⁾ | 3.41 ⁽⁴⁾ | 11 |
| Fiscal year ended 9-30-2009 | 3.82 | 8.88 | 15 | 2.10 | 3.67 | 2.13 | 3.64 | 45 |
| Fiscal year ended 9-30-2008 | 3.70 | -0.06 | 15 | 2.02 | 3.15 | 2.05 | 3.12 | 41 |
| Fiscal year ended 9-30-2007 | 3.84 | 8.24 | 7 | 2.23 | 3.24 | 2.26 | 3.21 | 40 |
| Fiscal year ended 9-30-2006 | 3.65 | 2.53 | 6 | 2.24 | 3.06 | — | — | 60 |
| Fiscal year ended 9-30-2005 | 3.65 | 4.70 | 5 | 2.21 | 2.64 | — | — | 30 |
| Class Y Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 3.99 | 4.80 | 18 | 0.83 ⁽⁴⁾ | 4.65 ⁽⁴⁾ | 0.85 ⁽⁴⁾ | 4.63 ⁽⁴⁾ | 11 |
| Fiscal year ended 9-30-2009 | 3.83 | 10.51 | 21 | 0.84 | 4.92 | 0.87 | 4.89 | 45 |
| Fiscal year ended 9-30-2008 | 3.70 | 0.88 | 24 | 0.83 | 4.33 | 0.86 | 4.30 | 41 |
| Fiscal year ended 9-30-2007 | 3.85 | 10.03 | 23 | 0.86 | 4.61 | 0.89 | 4.58 | 40 |
| Fiscal year ended 9-30-2006 | 3.65 | 3.91 | 20 | 0.89 | 4.36 | — | — | 60 |
| Fiscal year ended 9-30-2005 | 3.65 | 6.10 | 16 | 0.89 | 3.95 | — | — | 30 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

GOVERNMENT SECURITIES FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$5.68 | \$0.09 ⁽²⁾ | \$ (0.02) ⁽²⁾ | \$0.07 | \$ (0.09) | \$ — | \$ (0.09) |
| Fiscal year ended 9-30-2009 | 5.52 | 0.17 ⁽²⁾ | 0.16 ⁽²⁾ | 0.33 | (0.17) | — | (0.17) |
| Fiscal year ended 9-30-2008 | 5.42 | 0.20 | 0.10 | 0.30 | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2007 | 5.42 | 0.23 | 0.00 | 0.23 | (0.23) | — | (0.23) |
| Fiscal year ended 9-30-2006 | 5.51 | 0.22 | (0.09) | 0.13 | (0.22) | —* | (0.22) |
| Fiscal year ended 9-30-2005 | 5.62 | 0.21 | (0.07) | 0.14 | (0.21) | (0.04) | (0.25) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.68 | 0.06 ⁽²⁾ | (0.02) ⁽²⁾ | 0.04 | (0.06) | — | (0.06) |
| Fiscal year ended 9-30-2009 | 5.52 | 0.12 ⁽²⁾ | 0.16 ⁽²⁾ | 0.28 | (0.12) | — | (0.12) |
| Fiscal year ended 9-30-2008 | 5.42 | 0.15 | 0.10 | 0.25 | (0.15) | — | (0.15) |
| Fiscal year ended 9-30-2007 | 5.42 | 0.18 | 0.00 | 0.18 | (0.18) | — | (0.18) |
| Fiscal year ended 9-30-2006 | 5.51 | 0.17 | (0.09) | 0.08 | (0.17) | —* | (0.17) |
| Fiscal year ended 9-30-2005 | 5.62 | 0.16 | (0.07) | 0.09 | (0.16) | (0.04) | (0.20) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.68 | 0.07 ⁽²⁾ | (0.02) ⁽²⁾ | 0.05 | (0.07) | — | (0.07) |
| Fiscal year ended 9-30-2009 | 5.52 | 0.12 ⁽²⁾ | 0.16 ⁽²⁾ | 0.28 | (0.12) | — | (0.12) |
| Fiscal year ended 9-30-2008 | 5.42 | 0.15 | 0.10 | 0.25 | (0.15) | — | (0.15) |
| Fiscal year ended 9-30-2007 | 5.42 | 0.18 | 0.00 | 0.18 | (0.18) | — | (0.18) |
| Fiscal year ended 9-30-2006 | 5.51 | 0.18 | (0.09) | 0.09 | (0.18) | —* | (0.18) |
| Fiscal year ended 9-30-2005 | 5.62 | 0.16 | (0.07) | 0.09 | (0.16) | (0.04) | (0.20) |
| Class Y Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.68 | 0.10 ⁽²⁾ | (0.02) ⁽²⁾ | 0.08 | (0.10) | — | (0.10) |
| Fiscal year ended 9-30-2009 | 5.52 | 0.19 ⁽²⁾ | 0.16 ⁽²⁾ | 0.35 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2008 | 5.42 | 0.22 | 0.10 | 0.32 | (0.22) | — | (0.22) |
| Fiscal year ended 9-30-2007 | 5.42 | 0.25 | 0.00 | 0.25 | (0.25) | — | (0.25) |
| Fiscal year ended 9-30-2006 | 5.51 | 0.24 | (0.09) | 0.15 | (0.24) | —* | (0.24) |
| Fiscal year ended 9-30-2005 | 5.62 | 0.23 | (0.07) | 0.16 | (0.23) | (0.04) | (0.27) |

*Not shown due to rounding.

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|---|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$5.66 | 1.23% ⁽³⁾ | \$361 | 1.02% ⁽⁴⁾ | 3.11% ⁽⁴⁾ | 1.08% ⁽⁴⁾ | 3.05% ⁽⁴⁾ | 27% |
| Fiscal year ended 9-30-2009 | 5.68 | 6.05 ⁽³⁾ | 375 | 1.01 | 3.04 | 1.06 | 2.99 | 48 |
| Fiscal year ended 9-30-2008 | 5.52 | 5.60 ⁽³⁾ | 345 | 1.06 | 3.58 | 1.10 | 3.54 | 36 |
| Fiscal year ended 9-30-2007 | 5.42 | 4.31 ⁽³⁾ | 204 | 1.11 | 4.23 | 1.15 | 4.19 | 43 |
| Fiscal year ended 9-30-2006 | 5.42 | 2.58 ⁽³⁾ | 194 | 1.16 | 4.13 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 5.51 | 2.49 ⁽³⁾ | 213 | 1.17 | 3.78 | — | — | 36 |
| Class B Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.66 | 0.76 | 10 | 1.96 ⁽⁴⁾ | 2.18 ⁽⁴⁾ | 2.00 ⁽⁴⁾ | 2.14 ⁽⁴⁾ | 27 |
| Fiscal year ended 9-30-2009 | 5.68 | 5.08 | 13 | 1.92 | 2.12 | 1.96 | 2.08 | 48 |
| Fiscal year ended 9-30-2008 | 5.52 | 4.63 | 14 | 1.99 | 2.68 | 2.03 | 2.64 | 36 |
| Fiscal year ended 9-30-2007 | 5.42 | 3.35 | 13 | 2.04 | 3.30 | 2.08 | 3.26 | 43 |
| Fiscal year ended 9-30-2006 | 5.42 | 1.64 | 15 | 2.09 | 3.20 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 5.51 | 1.56 | 18 | 2.09 | 2.87 | — | — | 36 |
| Class C Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.66 | 0.82 | 12 | 1.83 ⁽⁴⁾ | 2.30 ⁽⁴⁾ | 1.87 ⁽⁴⁾ | 2.26 ⁽⁴⁾ | 27 |
| Fiscal year ended 9-30-2009 | 5.68 | 5.19 | 13 | 1.81 | 2.24 | 1.85 | 2.20 | 48 |
| Fiscal year ended 9-30-2008 | 5.52 | 4.73 | 11 | 1.90 | 2.75 | 1.94 | 2.71 | 36 |
| Fiscal year ended 9-30-2007 | 5.42 | 3.41 | 8 | 1.98 | 3.37 | 2.02 | 3.33 | 43 |
| Fiscal year ended 9-30-2006 | 5.42 | 1.72 | 9 | 2.01 | 3.28 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 5.51 | 1.62 | 11 | 2.04 | 2.92 | — | — | 36 |
| Class Y Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 5.66 | 1.39 | 42 | 0.70 ⁽⁴⁾ | 3.43 ⁽⁴⁾ | 0.74 ⁽⁴⁾ | 3.39 ⁽⁴⁾ | 27 |
| Fiscal year ended 9-30-2009 | 5.68 | 6.36 | 41 | 0.70 | 3.39 | 0.74 | 3.35 | 48 |
| Fiscal year ended 9-30-2008 | 5.52 | 5.97 | 3 | 0.72 | 4.12 | 0.76 | 4.08 | 36 |
| Fiscal year ended 9-30-2007 | 5.42 | 4.71 | 14 | 0.73 | 4.60 | 0.77 | 4.56 | 43 |
| Fiscal year ended 9-30-2006 | 5.42 | 3.00 | 8 | 0.76 | 4.56 | — | — | 53 |
| Fiscal year ended 9-30-2005 | 5.51 | 2.91 | 5 | 0.77 | 4.19 | — | — | 36 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

HIGH INCOME FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$6.56 | \$0.27 ⁽²⁾ | \$ 0.25 ⁽²⁾ | \$ 0.52 | \$(0.27) | \$ — | \$(0.27) |
| Fiscal year ended 9-30-2009 | 6.31 | 0.50 ⁽²⁾ | 0.25 ⁽²⁾ | 0.75 | (0.50) | — | (0.50) |
| Fiscal year ended 9-30-2008 | 7.28 | 0.51 | (0.95) | (0.44) | (0.53) | — | (0.53) |
| Fiscal year ended 9-30-2007 | 7.27 | 0.53 | 0.01 | 0.54 | (0.53) | — | (0.53) |
| Fiscal year ended 9-30-2006 | 7.39 | 0.52 | (0.13) | 0.39 | (0.51) | — | (0.51) |
| Fiscal year ended 9-30-2005 | 7.55 | 0.52 | (0.17) | 0.35 | (0.51) | — | (0.51) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.56 | 0.24 ⁽²⁾ | 0.25 ⁽²⁾ | 0.49 | (0.24) | — | (0.24) |
| Fiscal year ended 9-30-2009 | 6.30 | 0.43 ⁽²⁾ | 0.26 ⁽²⁾ | 0.69 | (0.43) | — | (0.43) |
| Fiscal year ended 9-30-2008 | 7.28 | 0.44 | (0.95) | (0.51) | (0.47) | — | (0.47) |
| Fiscal year ended 9-30-2007 | 7.26 | 0.46 | 0.02 | 0.48 | (0.46) | — | (0.46) |
| Fiscal year ended 9-30-2006 | 7.39 | 0.45 | (0.14) | 0.31 | (0.44) | — | (0.44) |
| Fiscal year ended 9-30-2005 | 7.55 | 0.45 | (0.17) | 0.28 | (0.44) | — | (0.44) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.56 | 0.24 ⁽²⁾ | 0.25 ⁽²⁾ | 0.49 | (0.24) | — | (0.24) |
| Fiscal year ended 9-30-2009 | 6.30 | 0.45 ⁽²⁾ | 0.25 ⁽²⁾ | 0.70 | (0.44) | — | (0.44) |
| Fiscal year ended 9-30-2008 | 7.28 | 0.44 | (0.95) | (0.51) | (0.47) | — | (0.47) |
| Fiscal year ended 9-30-2007 | 7.26 | 0.46 | 0.02 | 0.48 | (0.46) | — | (0.46) |
| Fiscal year ended 9-30-2006 | 7.39 | 0.45 | (0.13) | 0.32 | (0.45) | — | (0.45) |
| Fiscal year ended 9-30-2005 | 7.55 | 0.45 | (0.17) | 0.28 | (0.44) | — | (0.44) |
| Class Y Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.56 | 0.28 ⁽²⁾ | 0.25 ⁽²⁾ | 0.53 | (0.28) | — | (0.28) |
| Fiscal year ended 9-30-2009 | 6.31 | 0.52 ⁽²⁾ | 0.25 ⁽²⁾ | 0.77 | (0.52) | — | (0.52) |
| Fiscal year ended 9-30-2008 | 7.29 | 0.53 | (0.96) | (0.43) | (0.55) | — | (0.55) |
| Fiscal year ended 9-30-2007 | 7.27 | 0.55 | 0.02 | 0.57 | (0.55) | — | (0.55) |
| Fiscal year ended 9-30-2006 | 7.39 | 0.54 | (0.12) | 0.42 | (0.54) | — | (0.54) |
| Fiscal year ended 9-30-2005 | 7.55 | 0.55 | (0.18) | 0.37 | (0.53) | — | (0.53) |

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|---|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$6.81 | 8.06% ⁽³⁾ | \$ 1,156 | 1.11% ⁽⁴⁾ | 8.09% ⁽⁴⁾ | 1.13% ⁽⁴⁾ | 8.07% ⁽⁴⁾ | 47% |
| Fiscal year ended 9-30-2009 | 6.56 | 13.49 ⁽³⁾ | 1,069 | 1.17 | 8.71 | 1.20 | 8.68 | 67 |
| Fiscal year ended 9-30-2008 | 6.31 | -6.39 ⁽³⁾ | 824 | 1.12 | 7.38 | 1.15 | 7.35 | 30 |
| Fiscal year ended 9-30-2007 | 7.28 | 7.74 ⁽³⁾ | 922 | 1.12 | 7.17 | 1.15 | 7.14 | 59 |
| Fiscal year ended 9-30-2006 | 7.27 | 5.40 ⁽³⁾ | 847 | 1.15 | 7.12 | — | — | 47 |
| Fiscal year ended 9-30-2005 | 7.39 | 4.77 ⁽³⁾ | 856 | 1.14 | 6.93 | — | — | 40 |
| Class B Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.81 | 7.51 | 23 | 2.15 ⁽⁴⁾ | 7.05 ⁽⁴⁾ | 2.17 ⁽⁴⁾ | 7.03 ⁽⁴⁾ | 47 |
| Fiscal year ended 9-30-2009 | 6.56 | 12.40 | 24 | 2.26 | 7.66 | 2.29 | 7.63 | 67 |
| Fiscal year ended 9-30-2008 | 6.30 | -7.42 | 24 | 2.12 | 6.38 | 2.15 | 6.35 | 30 |
| Fiscal year ended 9-30-2007 | 7.28 | 6.70 | 33 | 2.09 | 6.20 | 2.12 | 6.17 | 59 |
| Fiscal year ended 9-30-2006 | 7.26 | 4.73 | 33 | 2.13 | 6.14 | — | — | 47 |
| Fiscal year ended 9-30-2005 | 7.39 | 3.75 | 36 | 2.11 | 5.95 | — | — | 40 |
| Class C Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.81 | 7.63 | 28 | 1.92 ⁽⁴⁾ | 7.28 ⁽⁴⁾ | 1.94 ⁽⁴⁾ | 7.26 ⁽⁴⁾ | 47 |
| Fiscal year ended 9-30-2009 | 6.56 | 12.64 | 27 | 2.03 | 7.75 | 2.06 | 7.72 | 67 |
| Fiscal year ended 9-30-2008 | 6.30 | -7.35 | 13 | 2.05 | 6.45 | 2.08 | 6.42 | 30 |
| Fiscal year ended 9-30-2007 | 7.28 | 6.74 | 17 | 2.04 | 6.25 | 2.07 | 6.22 | 59 |
| Fiscal year ended 9-30-2006 | 7.26 | 4.47 | 15 | 2.06 | 6.20 | — | — | 47 |
| Fiscal year ended 9-30-2005 | 7.39 | 3.82 | 16 | 2.04 | 6.02 | — | — | 40 |
| Class Y Shares | | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 6.81 | 8.23 | 93 | 0.79 ⁽⁴⁾ | 8.41 ⁽⁴⁾ | 0.81 ⁽⁴⁾ | 8.39 ⁽⁴⁾ | 47 |
| Fiscal year ended 9-30-2009 | 6.56 | 13.93 | 81 | 0.80 | 9.00 | 0.83 | 8.97 | 67 |
| Fiscal year ended 9-30-2008 | 6.31 | -6.09 | 39 | 0.79 | 7.71 | 0.82 | 7.68 | 30 |
| Fiscal year ended 9-30-2007 | 7.29 | 7.93 | 38 | 0.80 | 7.50 | 0.83 | 7.47 | 59 |
| Fiscal year ended 9-30-2006 | 7.27 | 5.89 | 28 | 0.82 | 7.44 | — | — | 47 |
| Fiscal year ended 9-30-2005 | 7.39 | 5.07 | 24 | 0.83 | 7.24 | — | — | 40 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

MUNICIPAL BOND FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$7.27 | \$0.14 ⁽²⁾ | \$(0.10) ⁽²⁾ | \$ 0.04 | \$(0.15) | \$ — | \$(0.15) |
| Fiscal year ended 9-30-2009 | 6.63 | 0.29 ⁽²⁾ | 0.63 ⁽²⁾ | 0.92 | (0.28) | — | (0.28) |
| Fiscal year ended 9-30-2008 | 6.92 | 0.26 | (0.28) | (0.02) | (0.27) | — | (0.27) |
| Fiscal year ended 9-30-2007 | 6.99 | 0.27 | (0.08) | 0.19 | (0.26) | — | (0.26) |
| Fiscal year ended 9-30-2006 | 7.02 | 0.26 | (0.03) | 0.23 | (0.26) | — | (0.26) |
| Fiscal year ended 9-30-2005 | 7.10 | 0.25 | (0.08) | 0.17 | (0.25) | — | (0.25) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 7.26 | 0.12 ⁽²⁾ | (0.11) ⁽²⁾ | 0.01 | (0.12) | — | (0.12) |
| Fiscal year ended 9-30-2009 | 6.62 | 0.22 ⁽²⁾ | 0.64 ⁽²⁾ | 0.86 | (0.22) | — | (0.22) |
| Fiscal year ended 9-30-2008 | 6.92 | 0.20 | (0.29) | (0.09) | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2007 | 6.98 | 0.21 | (0.07) | 0.14 | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2006 | 7.01 | 0.19 | (0.03) | 0.16 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2005 | 7.10 | 0.19 | (0.09) | 0.10 | (0.19) | — | (0.19) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 7.26 | 0.12 ⁽²⁾ | (0.11) ⁽²⁾ | 0.01 | (0.12) | — | (0.12) |
| Fiscal year ended 9-30-2009 | 6.62 | 0.23 ⁽²⁾ | 0.63 ⁽²⁾ | 0.86 | (0.22) | — | (0.22) |
| Fiscal year ended 9-30-2008 | 6.92 | 0.20 | (0.29) | (0.09) | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2007 | 6.98 | 0.21 | (0.07) | 0.14 | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2006 | 7.01 | 0.19 | (0.03) | 0.16 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2005 | 7.10 | 0.18 | (0.09) | 0.09 | (0.18) | — | (0.18) |

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|-----------------------------|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | \$7.16 | 0.63% ⁽³⁾ | \$659 | 0.89% ⁽⁴⁾ | 4.13% ⁽⁴⁾ | 0.93% ⁽⁴⁾ | 4.09% ⁽⁴⁾ | 10% |
| Fiscal year ended 9-30-2009 | 7.27 | 14.31 ⁽³⁾ | 618 | 0.90 | 4.26 | 0.95 | 4.21 | 24 |
| Fiscal year ended 9-30-2008 | 6.63 | -0.39 ⁽³⁾ | 503 | 0.93 | 3.82 | 0.97 | 3.78 | 20 |
| Fiscal year ended 9-30-2007 | 6.92 | 2.84 ⁽³⁾ | 499 | 0.95 | 3.99 | 0.99 | 3.95 | 5 |
| Fiscal year ended 9-30-2006 | 6.99 | 3.32 ⁽³⁾ | 536 | 0.92 | 3.71 | — | — | 16 |
| Fiscal year ended 9-30-2005 | 7.02 | 2.43 ⁽³⁾ | 589 | 0.91 | 3.57 | — | — | 14 |
| Class B Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | 7.15 | 0.12 | 2 | 1.83 ⁽⁴⁾ | 3.20 ⁽⁴⁾ | 1.86 ⁽⁴⁾ | 3.17 ⁽⁴⁾ | 10 |
| Fiscal year ended 9-30-2009 | 7.26 | 13.28 | 3 | 1.87 | 3.29 | 1.91 | 3.25 | 24 |
| Fiscal year ended 9-30-2008 | 6.62 | -1.38 | 3 | 1.86 | 2.89 | 1.90 | 2.85 | 20 |
| Fiscal year ended 9-30-2007 | 6.92 | 2.03 | 4 | 1.88 | 3.05 | 1.92 | 3.01 | 5 |
| Fiscal year ended 9-30-2006 | 6.98 | 2.37 | 4 | 1.85 | 2.78 | — | — | 16 |
| Fiscal year ended 9-30-2005 | 7.01 | 1.36 | 5 | 1.82 | 2.66 | — | — | 14 |
| Class C Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | 7.15 | 0.18 | 11 | 1.75 ⁽⁴⁾ | 3.27 ⁽⁴⁾ | 1.78 ⁽⁴⁾ | 3.24 ⁽⁴⁾ | 10 |
| Fiscal year ended 9-30-2009 | 7.26 | 13.34 | 9 | 1.79 | 3.37 | 1.83 | 3.33 | 24 |
| Fiscal year ended 9-30-2008 | 6.62 | -1.39 | 4 | 1.87 | 2.88 | 1.91 | 2.84 | 20 |
| Fiscal year ended 9-30-2007 | 6.92 | 2.00 | 3 | 1.90 | 3.03 | 1.94 | 2.99 | 5 |
| Fiscal year ended 9-30-2006 | 6.98 | 2.34 | 4 | 1.89 | 2.74 | — | — | 16 |
| Fiscal year ended 9-30-2005 | 7.01 | 1.32 | 4 | 1.85 | 2.63 | — | — | 14 |

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

MUNICIPAL HIGH INCOME FUND

| | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|---|-----------------------------|---|--|---|---|------------------------|
| Class A Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | \$4.70 | \$0.13 ⁽²⁾ | \$(0.02) ⁽²⁾ | \$ 0.11 | \$(0.13) | \$ — | \$(0.13) |
| Fiscal year ended 9-30-2009 | 4.48 | 0.26 ⁽²⁾ | 0.21 ⁽²⁾ | 0.47 | (0.25) | — | (0.25) |
| Fiscal year ended 9-30-2008 | 5.00 | 0.24 | (0.52) | (0.28) | (0.24) | — | (0.24) |
| Fiscal year ended 9-30-2007 | 5.10 | 0.24 | (0.10) | 0.14 | (0.24) | — | (0.24) |
| Fiscal year ended 9-30-2006 | 4.98 | 0.24 | 0.12 | 0.36 | (0.24) | — | (0.24) |
| Fiscal year ended 9-30-2005 | 4.88 | 0.26 | 0.10 | 0.36 | (0.26) | — | (0.26) |
| Class B Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 4.70 | 0.11 ⁽²⁾ | (0.02) ⁽²⁾ | 0.09 | (0.11) | — | (0.11) |
| Fiscal year ended 9-30-2009 | 4.48 | 0.22 ⁽²⁾ | 0.21 ⁽²⁾ | 0.43 | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2008 | 5.00 | 0.20 | (0.52) | (0.32) | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2007 | 5.10 | 0.19 | (0.10) | 0.09 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2006 | 4.98 | 0.19 | 0.12 | 0.31 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2005 | 4.88 | 0.21 | 0.10 | 0.31 | (0.21) | — | (0.21) |
| Class C Shares | | | | | | | |
| Six-month period ended 3-31-2010 (unaudited) | 4.70 | 0.11 ⁽²⁾ | (0.02) ⁽²⁾ | 0.09 | (0.11) | — | (0.11) |
| Fiscal year ended 9-30-2009 | 4.48 | 0.22 ⁽²⁾ | 0.21 ⁽²⁾ | 0.43 | (0.21) | — | (0.21) |
| Fiscal year ended 9-30-2008 | 5.00 | 0.19 | (0.51) | (0.32) | (0.20) | — | (0.20) |
| Fiscal year ended 9-30-2007 | 5.10 | 0.19 | (0.10) | 0.09 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2006 | 4.98 | 0.19 | 0.12 | 0.31 | (0.19) | — | (0.19) |
| Fiscal year ended 9-30-2005 | 4.88 | 0.21 | 0.10 | 0.31 | (0.21) | — | (0.21) |

(1) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

| | Net Asset Value, End of Period | Total Return | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾ | Portfolio Turnover Rate |
|-----------------------------|--------------------------------------|----------------------|---|--|--|---|---|-------------------------------|
| Class A Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | \$4.68 | 2.41% ⁽³⁾ | \$557 | 0.90% ⁽⁴⁾ | 5.79% ⁽⁴⁾ | 0.94% ⁽⁴⁾ | 5.75% ⁽⁴⁾ | 12% |
| Fiscal year ended 9-30-2009 | 4.70 | 11.40 ⁽³⁾ | 515 | 0.93 | 6.20 | 0.97 | 6.16 | 34 |
| Fiscal year ended 9-30-2008 | 4.48 | -5.82 ⁽³⁾ | 445 | 0.90 | 4.92 | 0.94 | 4.88 | 26 |
| Fiscal year ended 9-30-2007 | 5.00 | 2.68 ⁽³⁾ | 497 | 0.97 | 4.67 | 1.01 | 4.63 | 33 |
| Fiscal year ended 9-30-2006 | 5.10 | 7.37 ⁽³⁾ | 467 | 0.98 | 4.72 | — | — | 29 |
| Fiscal year ended 9-30-2005 | 4.98 | 7.45 ⁽³⁾ | 407 | 0.97 | 5.18 | — | — | 24 |
| Class B Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | 4.68 | 1.95 | 4 | 1.80 ⁽⁴⁾ | 4.88 ⁽⁴⁾ | 1.84 ⁽⁴⁾ | 4.84 ⁽⁴⁾ | 12 |
| Fiscal year ended 9-30-2009 | 4.70 | 10.43 | 4 | 1.83 | 5.27 | 1.87 | 5.23 | 34 |
| Fiscal year ended 9-30-2008 | 4.48 | -6.63 | 5 | 1.75 | 4.05 | 1.79 | 4.01 | 26 |
| Fiscal year ended 9-30-2007 | 5.00 | 1.81 | 7 | 1.82 | 3.81 | 1.86 | 3.77 | 33 |
| Fiscal year ended 9-30-2006 | 5.10 | 6.47 | 7 | 1.82 | 3.89 | — | — | 29 |
| Fiscal year ended 9-30-2005 | 4.98 | 6.53 | 7 | 1.83 | 4.31 | — | — | 24 |
| Class C Shares | | | | | | | | |
| Six-month period ended | | | | | | | | |
| 3-31-2010 (unaudited) | 4.68 | 1.97 | 18 | 1.76 ⁽⁴⁾ | 4.94 ⁽⁴⁾ | 1.80 ⁽⁴⁾ | 4.90 ⁽⁴⁾ | 12 |
| Fiscal year ended 9-30-2009 | 4.70 | 10.42 | 15 | 1.83 | 5.30 | 1.87 | 5.26 | 34 |
| Fiscal year ended 9-30-2008 | 4.48 | -6.67 | 13 | 1.79 | 4.02 | 1.83 | 3.98 | 26 |
| Fiscal year ended 9-30-2007 | 5.00 | 1.77 | 13 | 1.87 | 3.77 | 1.91 | 3.73 | 33 |
| Fiscal year ended 9-30-2006 | 5.10 | 6.43 | 13 | 1.86 | 3.82 | — | — | 29 |
| Fiscal year ended 9-30-2005 | 4.98 | 6.49 | 9 | 1.87 | 4.26 | — | — | 24 |

See Accompanying Notes to Financial Statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Waddell & Reed Advisors Funds, a Delaware statutory trust (Trust), is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company. Waddell & Reed Advisors Bond Fund, Waddell & Reed Advisors Cash Management, Waddell & Reed Advisors Global Bond Fund, Waddell & Reed Advisors Government Securities Fund, Waddell & Reed Advisors High Income Fund, Waddell & Reed Advisors Municipal Bond Fund and Waddell & Reed Advisors Municipal High Income Fund (each, a Fund) are each a series of the Trust and are the only series of the Trust included in these financial statements. The investment objective(s), policies and risk factors of each Fund are described more fully in the Funds' prospectus and Statement of Additional Information. The investment manager to each Fund is Waddell & Reed Investment Management Company (WRIMCO or the Manager).

Each Fund (except Cash Management, Municipal Bond Fund and Municipal High Income Fund, which do not offer Class Y shares) offers Class A, Class B, Class C and Class Y shares. Class B and Class C shares of Cash Management are closed to direct investment. Class A shares are sold at their offering price, which is normally net asset value plus a front-end sales charge. Class B and Class C shares are sold without a front-end sales charge, but may be subject to a contingent deferred sales charge (CDSC). Class Y shares are sold to certain institutional investors without either a front-end sales charge or a CDSC. All classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Net investment income, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer agent and shareholder servicing fees, directly attributable to that class. Class A, Class B and Class C have separate distribution and/or service plans. No such plan has been adopted for Class Y shares or Class A shares of Cash Management. Class B shares will automatically convert to Class A shares 96 months after the date of purchase.

The following is a summary of significant accounting policies consistently followed by each Fund.

Securities Valuation. Each Fund calculates the net asset value of its shares as of the close of the New York Stock Exchange (the NYSE), normally 4:00 P.M. Eastern time, on each day the NYSE is open for trading.

Securities traded on U.S. or foreign securities exchanges or included in a national market system are valued at the official closing price at the close of each business day unless otherwise stated below. Over-the-counter securities and listed securities for which no price is readily available are valued at the average of the last bid and asked prices. Security prices are based on quotes that are obtained from an independent pricing service approved by the Board of Trustees.

To determine values of fixed-income securities, the independent pricing service utilizes such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Securities which cannot be valued by the independent pricing service are valued using valuations obtained from dealers that make markets in the securities.

Options and swaps are valued by the independent pricing service unless the price is unavailable, in which case they are valued at either the mean between the last bid and asked price or using a valuation obtained from a dealer in that security. Futures contracts traded on an exchange are generally valued at the settlement price. Mutual funds, including investment funds, are typically valued at the net asset value reported at the close of each business day.

Forward foreign currency contracts are valued daily based upon the closing prices of the forward currency rates determined at the close of the NYSE as provided by a bank, dealer or independent pricing service.

Senior loans are valued using a composite price from more than one broker or dealer as obtained from an independent pricing service.

Short-term securities with maturities of 60 days or less and all securities held by Cash Management are valued on the basis of amortized cost (which approximates market value), whereby a portfolio security is valued at its cost initially, and thereafter valued to reflect a constant amortization to maturity of any discount or premium.

Because many foreign markets close before the NYSE, events may occur between the close of the foreign market and the close of the NYSE that could have a material impact on the valuation of foreign securities. The Funds, under the supervision of the Board of Trustees, evaluates the impacts of these events and may adjust the valuation of foreign securities to reflect the fair value as of the close of the NYSE. In addition, all securities for which market values are not readily available or are deemed unreliable are appraised at fair value as determined in good faith under the direction of the Board of Trustees. As of March 31, 2010, the following had aggregate investments valued at fair value as shown:

| Fund Name | Total Amount of Fair Valued Securities | Percent of Net Assets |
|--------------------------------------|--|--------------------------|
| Government Securities Fund | \$ 1,630 | 0.38% |

Security Transactions and Related Investment Income.

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses are calculated on the identified cost basis. Interest income is recorded on the accrual basis and includes paydown gain (loss) and accretion of discounts and amortization of premiums. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is

informed of the ex-dividend date. Upon notification from issuers, some of the distributions received from a real estate investment trust or publicly traded partnership may be redesignated as a reduction of cost of the related investment and/or realized gain.

Securities on a When-Issued or Delayed Delivery Basis.

Certain Funds may purchase securities on a “when-issued” basis, and may purchase or sell securities on a “delayed delivery” basis. “When-issued” or “delayed delivery” refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. Delivery and payment for securities that have been purchased by a Fund on a when-issued basis normally take place within six months and possibly as long as two years or more after the trade date. During this period, such securities do not earn interest, are subject to market fluctuation and may increase or decrease in value prior to their delivery. The purchase of securities on a when-issued basis may increase the volatility of a Fund’s net asset value to the extent the Fund executes such transactions while remaining substantially fully invested. When a Fund engages in when-issued or delayed delivery transactions, it relies on the buyer or seller, as the case may be, to complete the transaction. Their failure to do so may cause the Fund to lose the opportunity to obtain or dispose of the security at a price and yield it considers advantageous. The Fund maintains internally designated assets with a market value equal to or greater than the amount of its purchase commitments. The Fund may also sell securities that it purchased on a when-issued or delayed delivery basis prior to settlement of the original purchase.

Senior Loans. A Fund invests in senior secured corporate loans (senior loans) either as an original lender or as a purchaser of a loan assignment or a participation interest in a loan. Senior loans are generally made to U.S. and foreign borrowers that are corporations, partnerships, or other business entities. Senior loans are generally readily marketable, but some loans may be illiquid or be subject to some restrictions on resale.

Certain senior loans contain provisions that obligate a Fund to fund future commitments at the borrower’s discretion. At March 31, 2010, there were no such unfunded commitments.

Interest Only Obligations. These securities entitle the owner to receive only the interest portion from a bond, Treasury note or pool of mortgages. These securities are generally created by a third party separating a bond or pool of mortgages into distinct interest-only and principal-only securities. As the principal (par) amount of a bond or pool of mortgages is paid down, the amount of interest income earned by the owner will decline as well.

Credit Risk. Certain Funds may hold high-yield and/or non-investment-grade bonds, which may be subject to a greater degree of credit risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they become due. The Funds may acquire securities in default, and are not obligated to dispose of securities whose issuers subsequently

default. As of March 31, 2010, High Income Fund and Municipal High Income Fund held defaulted securities with an aggregate market value of \$3,528 and \$4,418, respectively, representing 0.27% and 0.76% of each Fund’s net assets, respectively.

Foreign Currency Translation. Each Fund’s accounting records are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars daily, using foreign exchange rates obtained from an independent pricing service authorized by the Board of Trustees. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translation arise from changes in currency exchange rates. Each Fund combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments. Foreign exchange rates are valued as of the close of the NYSE, normally 4:00 P.M. Eastern time, on each day the NYSE is open for trading, primarily using an independent pricing service authorized by the Board of Trustees.

Repurchase Agreements. Each Fund may purchase securities subject to repurchase agreements, which are instruments under which the Fund purchases a security and the seller (normally a commercial bank or broker-dealer) agrees, at the time of purchase, that it will repurchase the security at a specified time and price. Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, generally remains at least equal to the value of the agreement, including accrued interest thereon. The collateral for the repurchase agreement is held by a custodian bank.

Investments with Off-Balance Sheet Risk. Certain Funds may enter into financial instrument transactions (such as swaps, futures, options and other derivatives) that may have off-balance sheet market risk. Off-balance sheet market risk exists when the maximum potential loss on a particular financial instrument is greater than the value of such financial instrument, as reflected in the Statement of Assets and Liabilities.

Segregation and Collateralization. In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (SEC) require that a Fund either delivers collateral or segregates assets in connection with certain investments (e.g., dollar rolls, financial futures contracts, foreign currency exchange contracts, options written, securities with extended settlement periods and swaps), the Fund will segregate collateral or designate on its books and records cash or other liquid securities having a market value at least equal to the amount that is required to be physically segregated for the benefit of the counterparty. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit cash or securities as collateral for certain investments.

Allocation of Income, Expenses, Gains and Losses. Income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Income Taxes. It is the policy of each Fund to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. In addition, each Fund intends to pay distributions as required to avoid imposition of excise tax. Accordingly, no provision has been made for Federal income taxes. Management of the Trust periodically reviews all tax positions to assess that it is more likely than not that the position would be sustained upon examination by the relevant tax authority based on the technical merits of each position. As of and for the fiscal period ended March 31, 2010, management believes that under this standard no liability for unrecognized tax positions is required. The Funds are subject to examination by U.S. federal and state authorities for returns filed for tax years after 2004.

Dividends and Distributions to Shareholders. Dividends and distributions to shareholders are recorded by each Fund on the business day following record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America.

Custodian Fees. “Custodian fees” in the Statement of Operations may include interest expense incurred by a Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. A Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by that Fund, at a rate equal to the custodian’s prime rate less 150 basis points. The “Earnings credit” line item, if shown, represents earnings on cash balances maintained by that Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

Trustees and Chief Compliance Officer Fees. Fees paid to the Trustees can be paid in cash or deferred to a later date, at the election of each Trustee according to the Deferred Fee Agreement entered into between the Trust and the Trustee(s). Each Fund records its portion of the deferred fees as a liability on the Statement of Assets and Liabilities. All fees paid in cash plus any appreciation (depreciation) in the underlying deferred plan are shown on the Statement of Operations. Additionally, fees paid to the office of the Chief Compliance Officer of the Funds are shown on the Statement of Operations.

Indemnifications. The Trust’s organizational documents provide current and former Trustees and Officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Trust. In the normal course of business, the Trust may also enter into contracts that provide general indemnifications. The Trust’s maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Trust. The risk of material loss from such claims is considered remote.

Concentration of Risk. Certain Funds may have a concentration of risk which includes, but is not limited to, investing in international securities. International investing involves additional risks including, but not limited to, currency fluctuations, political or economic conditions affecting the foreign country and differences in accounting standards and foreign regulations.

Other. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Management has performed a review for subsequent events through the date this report was issued.

2. INVESTMENT MANAGEMENT AND PAYMENTS TO AFFILIATED PERSONS

Management Fees. WRIMCO, a wholly owned subsidiary of Waddell & Reed, Inc. (W&R), serves as the Trust’s investment manager. WRIMCO provides investment advice, for which services it is paid a fee. Until September 30, 2006, the fee was payable by each Fund at the following annual rates and is accrued and paid daily:

| Fund | Net Asset Breakpoints | Annual Rate |
|------------------|--------------------------------------|-------------|
| Bond Fund | Up to \$500 Million | 0.525% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |
| Cash Management | None | 0.400% |
| Global Bond Fund | Up to \$500 Million | 0.625% |
| | Over \$500 Million up to \$1 Billion | 0.600% |
| | Over \$1 Billion up to \$1.5 Billion | 0.550% |
| | Over \$1.5 Billion | 0.500% |

| Fund | Net Asset Breakpoints | Annual Rate |
|----------------------------|--------------------------------------|--------------------|
| Government Securities Fund | Up to \$500 Million | 0.500% |
| | Over \$500 Million up to \$1 Billion | 0.450% |
| | Over \$1 Billion up to \$1.5 Billion | 0.400% |
| | Over \$1.5 Billion | 0.350% |
| High Income Fund | Up to \$500 Million | 0.625% |
| | Over \$500 Million up to \$1 Billion | 0.600% |
| | Over \$1 Billion up to \$1.5 Billion | 0.550% |
| | Over \$1.5 Billion | 0.500% |
| Municipal Bond Fund | Up to \$500 Million | 0.525% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |
| Municipal High Income Fund | Up to \$500 Million | 0.525% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |

Effective October 1, 2006, under terms of a settlement agreement reached in July 2006 (see Note 9), the fee is payable at the following annual rates for those Funds included in the settlement agreement:

| Fund | Net Asset Breakpoints | Annual Rate |
|----------------------------|--------------------------------------|--------------------|
| Bond Fund | Up to \$500 Million | 0.485% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |
| Global Bond Fund | Up to \$500 Million | 0.590% |
| | Over \$500 Million up to \$1 Billion | 0.600% |
| | Over \$1 Billion up to \$1.5 Billion | 0.550% |
| | Over \$1.5 Billion | 0.500% |
| Government Securities Fund | Up to \$500 Million | 0.460% |
| | Over \$500 Million up to \$1 Billion | 0.450% |
| | Over \$1 Billion up to \$1.5 Billion | 0.400% |
| | Over \$1.5 Billion | 0.350% |
| High Income Fund | Up to \$500 Million | 0.575% |
| | Over \$500 Million up to \$1 Billion | 0.600% |
| | Over \$1 Billion up to \$1.5 Billion | 0.550% |
| | Over \$1.5 Billion | 0.500% |
| Municipal Bond Fund | Up to \$500 Million | 0.485% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |
| Municipal High Income Fund | Up to \$500 Million | 0.485% |
| | Over \$500 Million up to \$1 Billion | 0.500% |
| | Over \$1 Billion up to \$1.5 Billion | 0.450% |
| | Over \$1.5 Billion | 0.400% |

Effective October 8, 2007, upon completion of the merger of Limited-Term Bond Fund into Bond Fund, the fee for Bond Fund is as follows: 0.475% of net assets up to \$1 billion, 0.45% of net assets over \$1 billion and up to \$1.5 billion, and 0.40% of net assets over \$1.5 billion.

WRIMCO has voluntarily agreed to waive a Fund's management fee on any day that the Fund's net assets are less than \$25 million, subject to WRIMCO's right to change or modify this waiver. See Expense Reimbursements and/or Waivers for more information.

Accounting Services Fees. The Trust has an Accounting Services Agreement with Waddell & Reed Services Company (WRSCO), doing business as WI Services Company (WISC), an affiliate of W&R. Under the agreement, WISC acts as the agent in providing bookkeeping and accounting services and assistance to the Trust, including maintenance of Fund records, pricing of Fund shares and preparation of certain shareholder reports. For these services, each Fund pays WISC a monthly fee of one-twelfth of the annual fee shown in the following table:

| Accounting Services Fee | |
|--|-----------------------------------|
| Average Net Asset Level (in millions) | Annual Fee Rate for Each Level |
| From \$ 0 to \$ 10 | \$ 0 |
| From \$ 10 to \$ 25 | \$ 11.5 |
| From \$ 25 to \$ 50 | \$ 23.1 |
| From \$ 50 to \$ 100 | \$ 35.5 |
| From \$ 100 to \$ 200 | \$ 48.4 |
| From \$ 200 to \$ 350 | \$ 63.2 |
| From \$ 350 to \$ 550 | \$ 82.5 |
| From \$ 550 to \$ 750 | \$ 96.3 |
| From \$ 750 to \$ 1,000 | \$ 121.6 |
| From \$ 1,000 and Over | \$ 148.5 |

In addition, for each class of shares in excess of one, each Fund pays WISC a monthly per-class fee equal to 2.5% of the monthly accounting services base fee.

Administrative Fee. Each Fund also pays WISC a monthly fee at the annual rate of 0.01%, or one basis point, for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion. This fee is voluntarily waived by WISC until a Fund's net assets are at least \$10 million.

Shareholder Servicing. General. Under the Shareholder Servicing Agreement between the Trust and WISC, with respect to Class A, Class B and Class C shares, for each shareholder account that was in existence at any time during the prior month, each Fund (except Cash Management) pays a monthly fee of \$1.6958. Cash Management and Government Securities Fund pay a monthly fee of \$1.75 for each shareholder account that was in existence at any time during the prior month plus, for Class A shareholder accounts, \$0.75 for each shareholder check processed in the prior month. For Class Y shares, each Fund pays a monthly fee equal to one-twelfth of 0.15 of 1% of the average daily net assets of the class for the preceding month. Each Fund also reimburses WISC for certain out-of-pocket costs for all classes.

Non-networked accounts. Each Fund pays WISC an annual fee (payable monthly) for each account of the Fund that is non-networked and is as shown above; however, WISC has agreed to reduce that fee if the number of total shareholder accounts within the Complex (Waddell & Reed Advisors Funds, Waddell & Reed InvestEd Portfolios, Ivy Funds and Ivy Funds, Inc.) reaches certain levels.

Networked accounts. For certain networked accounts (that is, those accounts whose Fund shares are purchased through certain financial intermediaries), WISC has agreed to reduce its per account fees charged to the Funds to \$0.50 per month per

shareholder account. Additional fees may be paid by the Funds to those intermediaries. If the aggregate annual rate of the WISC transfer agent fee and the costs charged by the financial services companies exceeds \$18.00 per account for a Fund, WISC will reimburse the Fund the amount in excess of \$18.00.

Broker accounts. Certain broker-dealers that maintain shareholder accounts with each Fund through an omnibus account provide transfer agent and other shareholder-related services that would otherwise be provided by WISC if the individual accounts that comprise the omnibus account were opened by their beneficial owners directly. Each Fund may pay such broker-dealers a per account fee for each open account within the omnibus account, or a fixed rate fee, based on the average daily net asset value of the omnibus account (or a combination thereof).

Distribution and Service Plan for Class A Shares. Under a Distribution and Service Plan for Class A shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act, each Fund, other than Cash Management, may pay a distribution and/or service fee to W&R in an amount not to exceed 0.25% of the Fund's average annual net assets. The fee is paid daily to compensate W&R for amounts it expends in connection with the distribution of the Class A shares and/or provision of personal services to Fund shareholders and/or maintenance of shareholder accounts of that class either directly or by third parties. For each of Bond Fund, Government Securities Fund, Municipal Bond Fund and Municipal High Income Fund, the Board of Trustees has limited payments to 0.237%, 0.232%, 0.237% and 0.247%, respectively, of the Fund's average Class A net assets on an annual basis. The Board may in the future, without shareholder approval, authorize payments up to a maximum of 0.25% of the Fund's average Class A net assets on an annual basis, if it determines to do so.

Distribution and Service Plan for Class B and Class C Shares. Under the Distribution and Service Plan adopted by the Trust for Class B and Class C shares, respectively, each Fund may pay W&R a service fee not to exceed 0.25% and a distribution fee not to exceed 0.75% of the Fund's average annual net assets attributable to that class to compensate W&R for its services in connection with the distribution of shares of that class and/or provision of personal services to Class B or Class C shareholders and/or maintenance of shareholder accounts of that class.

Sales Charges. As principal underwriter for the Trust's shares, W&R receives sales commissions (which are not an expense of the Trust) for sales of Class A shares. A contingent deferred sales charge (CDSC) may be assessed against a shareholder's redemption amount of Class B, Class C or certain Class A shares and is paid to W&R. During the fiscal period ended March 31, 2010, W&R received the following amounts in sales commissions and CDSC:

| | Gross Sales Commissions | CDSC | | |
|--------------------------------------|----------------------------|---------|---------|---------|
| | | Class A | Class B | Class C |
| Bond Fund | \$ 890 | \$ 1 | \$ 7 | \$ 2 |
| Cash Management | — | 9 | 9 | 1 |
| Global Bond Fund | 854 | 1 | 4 | 1 |
| Government Securities Fund | 180 | —* | 3 | 1 |
| High Income Fund | 1,196 | —* | 5 | 4 |
| Municipal Bond Fund | 523 | 2 | 1 | 1 |
| Municipal High Income Fund | 677 | —* | 2 | 2 |

*Not shown due to rounding.

With respect to Class A, Class B and Class C shares, W&R pays sales commissions and all expenses in connection with the sale of the Trust's shares, except for registration fees and related expenses. During the fiscal period ended March 31, 2010, the following amounts were paid by W&R:

| | |
|--------------------------------------|--------|
| Bond Fund | \$ 562 |
| Cash Management | 10,483 |
| Global Bond Fund | 552 |
| Government Securities Fund | 130 |
| High Income Fund | 753 |
| Municipal Bond Fund | 427 |
| Municipal High Income Fund | 470 |

Expense Reimbursements and/or Waivers. During the fiscal period ended March 31, 2010, the following amounts were waived as a result of the reduced management fees related to the settlement agreement:

| | |
|--------------------------------------|-------|
| Global Bond Fund | \$ 87 |
| Government Securities Fund | 85 |
| High Income Fund | 125 |
| Municipal Bond Fund | 100 |
| Municipal High Income Fund | 100 |

For each of Bond Fund, Government Securities Fund, Municipal Bond Fund and Municipal High Income Fund, the Board of Trustees has limited Rule 12b-1 payments to 0.237%, 0.232%, 0.237% and 0.247%, respectively, of the Fund's average Class A net assets on an annual basis. During the fiscal period ended March 31, 2010, the following amounts represent the difference between 0.25% and the reduced Rule 12b-1 fees:

| | |
|--------------------------------------|-------|
| Bond Fund | \$ 65 |
| Government Securities Fund | 33 |
| Municipal Bond Fund | 41 |
| Municipal High Income Fund | 8 |

WRIMCO has voluntarily agreed to reimburse sufficient expenses of any class of Cash Management to maintain a minimum annualized yield. The minimum yield was 0.20% for the period from October 1, 2009 through December 3, 2009, 0.05% for the period from December 4, 2009 through January 28, 2010 and 0.02% for the period from January 29, 2010 through the date of this report. This reimbursement serves to reduce shareholder servicing. For the fiscal period ended March 31, 2010, the following expenses were reimbursed:

| | |
|------------------------------------|--------|
| Cash Management, Class A | \$ 221 |
| Cash Management, Class B | 53 |
| Cash Management, Class C | 53 |

Any amounts due to the funds as a reimbursement but not paid as of March 31, 2010 are shown as a receivable from affiliate on the Statement of Assets and Liabilities.

3. INVESTMENT VALUATIONS

Fair value is defined as the price that each Fund would receive upon selling an asset or would pay upon satisfying a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. An individual investment's fair value measurement is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 – unadjusted quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including each Fund's own assumptions in determining the fair value of investments)

The following tables summarize the valuation of each Fund's investments by the above fair value hierarchy levels as of March 31, 2010:

| Fund | Level 1 | Level 2 | Level 3 | Fund (Continued) | Level 1 | Level 2 | Level 3 |
|--|-------------|---------------------|-----------------|--|------------------|---------------------|-----------------|
| Bond Fund | | | | Government Securities Fund | | | |
| Assets | | | | Assets | | | |
| Investments in Securities | | | | Investments in Securities | | | |
| Corporate Debt Securities | \$ — | \$ 564,438 | \$ — | Corporate Debt Securities | \$ — | \$ 10,413 | \$ — |
| Municipal Bonds | — | 16,313 | — | United States Government | | | |
| Other Government Securities | — | 11,817 | — | Agency Obligations | — | 312,363 | 6,982 |
| United States Government | | | | United States Government | | | |
| Agency Obligations | — | 317,586 | 9,985 | Obligations | — | 83,713 | — |
| United States Government | | | | Short-Term Securities | — | 14,840 | — |
| Obligations | — | 145,083 | — | Total Investments in Securities . . . | \$ — | \$ 421,329 | \$ 6,982 |
| Short-Term Securities | — | 44,944 | — | | | | |
| Total Investments in Securities . . . | \$ — | \$ 1,100,181 | \$ 9,985 | | | | |
| Cash Management | | | | High Income Fund | | | |
| Assets | | | | Assets | | | |
| Investments in Securities | | | | Investments in Securities | | | |
| Corporate Obligations | \$ — | \$ 778,155 | \$ — | Common Stocks | \$ 12,605 | \$ — | \$ — |
| Municipal Obligations | — | 355,735 | — | Corporate Debt Securities | — | 1,177,632 | 8,710 |
| United States Government | | | | Senior Loans | — | 54,742 | — |
| Agency Obligations | — | 24,573 | — | Short-Term Securities | — | 36,635 | — |
| Total Investments in Securities . . . | \$ — | \$ 1,158,463 | \$ — | Total Investments in Securities . . . | \$ 12,605 | \$ 1,269,009 | \$ 8,710 |
| Global Bond Fund | | | | Forward Foreign Currency Contracts . . | \$ — | \$ 268 | \$ — |
| Assets | | | | | | | |
| Investments in Securities | | | | Municipal Bond Fund | | | |
| Corporate Debt Securities | \$ — | \$ 502,318 | \$ 3,928 | Assets | | | |
| Other Government Securities | — | 50,951 | 2,253 | Investments in Securities | | | |
| United States Government | | | | Municipal Bonds | \$ — | \$ 640,967 | \$ — |
| Agency Obligations | — | 59,290 | — | Short-Term Securities | — | 33,296 | — |
| United States Government | | | | Total Investments in Securities . . . | \$ — | \$ 674,263 | \$ — |
| Obligations | — | 85,201 | — | | | | |
| Short-Term Securities | — | 34,883 | — | Municipal High Income Fund | | | |
| Total Investments in Securities . . . | \$ — | \$ 732,643 | \$ 6,181 | Assets | | | |
| Forward Foreign Currency Contracts . . | \$ — | \$ 120 | \$ — | Investments in Securities | | | |
| Liabilities | | | | Municipal Bonds | \$ — | \$ 560,408 | \$ — |
| Forward Foreign Currency Contracts . . | \$ — | \$ 1,747 | \$ — | Short-Term Securities | — | 14,860 | — |
| | | | | Total Investments in Securities . . . | \$ — | \$ 575,268 | \$ — |

The following tables are a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

| Fund | Corporate Debt Securities | Other Government Securities | United States Government Agency Obligations | Senior Loans |
|---|---------------------------|-----------------------------|---|--------------|
| Bond Fund | | | | |
| Beginning Balance 10–1–09 | \$ 1,039 | \$ — | \$ — | \$ — |
| Net realized gain (loss) | (2,020) | — | — | — |
| Net unrealized appreciation (depreciation) | 1,979 | — | (15) | — |
| Purchases | 33 | — | 10,000 | — |
| Sales | — | — | — | — |
| Transfers into Level 3 during the period | — | — | — | — |
| Transfers out of Level 3 during the period | (1,031) | — | — | — |
| Ending Balance 3–31–10 | \$ — | \$ — | \$ 9,985 | \$ — |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 3–31–10 | \$ — | \$ — | \$ (15) | \$ — |
| Global Bond Fund | | | | |
| Beginning Balance 10–1–09 | \$ 3,791 | \$ 2,075 | \$ — | \$ — |
| Net realized gain (loss) | — | — | — | — |
| Net unrealized appreciation (depreciation) | 137 | 178 | — | — |
| Purchases | — | — | — | — |
| Sales | — | — | — | — |
| Transfers into Level 3 during the period | — | — | — | — |
| Transfers out of Level 3 during the period | — | — | — | — |
| Ending Balance 3–31–10 | \$ 3,928 | \$ 2,253 | \$ — | \$ — |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 3–31–10 | \$ 137 | \$ 178 | \$ — | \$ — |

| Fund (Continued) | Corporate Debt Securities | Other Government Securities | United States Government Agency Obligations | Senior Loans |
|--|------------------------------|-----------------------------------|---|-----------------|
| Government Securities Fund | | | | |
| Beginning Balance 10–1–09 | \$ — | \$ — | \$ 1,856 | \$ — |
| Net realized gain (loss) | — | — | — | — |
| Net unrealized appreciation (depreciation) | — | — | (19) | — |
| Purchases | — | — | 5,360 | — |
| Sales | — | — | (215) | — |
| Transfers into Level 3 during the period | — | — | — | — |
| Transfers out of Level 3 during the period | — | — | — | — |
| Ending Balance 3–31–10 | \$ — | \$ — | \$ 6,982 | \$ — |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 3–31–10 | \$ — | \$ — | \$ (19) | \$ — |
| High Income Fund | | | | |
| Beginning Balance 10–1–09 | \$ 2,774 | \$ — | \$ — | \$ 33,577 |
| Net realized gain (loss) | 132 | — | — | 3,230 |
| Net unrealized appreciation (depreciation) | (17) | — | — | (3,284) |
| Purchases | 7,088 | — | — | 601 |
| Sales | (6,744) | — | — | (19,139) |
| Transfers into Level 3 during the period | 6,745 | — | — | — |
| Transfers out of Level 3 during the period | (1,268) | — | — | (14,985) |
| Ending Balance 3–31–10 | \$ 8,710 | \$ — | \$ — | \$ — |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 3–31–10 | \$ (17) | \$ — | \$ — | \$ — |

Transfers from Level 2 to Level 3 occurred generally due to the lack of observable market data due to decreased market activity or information for these securities. Transfers from Level 3 to Level 2 occurred generally due to the increased availability of observable market data due to increased market activity or information. As shown above, transfers in and out of Level 3 represent the value at the later of the beginning of the fiscal period or the purchase date of the security.

Net realized gain (loss) and net unrealized appreciation (depreciation), shown on the reconciliation of Level 3 investments if applicable, are included on the Statement of Operations in net realized gain (loss) on investments in unaffiliated securities and in net change in unrealized appreciation (depreciation) on investments in unaffiliated securities, respectively. Additionally, the net change in unrealized appreciation for all Level 3 investments still held as of March 31, 2010, if applicable, is included on the Statement of Operations in net change in unrealized appreciation (depreciation) on investments in unaffiliated securities.

As shown above, the Funds may own different types of assets that are classified as Level 2 or Level 3. Assets classified as Level 2 can have a variety of observable inputs, including, but not limited to, benchmark yields, reported trades, broker quotes, benchmark securities, and bid/offer quotations. These observable inputs are collected and utilized, primarily by an independent pricing service, in different evaluated pricing approaches depending upon the specific asset to determine a value.

Securities' values included in the reconciliations above have been primarily determined through the use of a single quote (or multiple quotes) from dealer(s) in the securities using proprietary valuation models. These quotes involve significant unobservable inputs, and thus the related securities are classified as Level 3 investments.

4. INVESTMENT SECURITIES TRANSACTIONS

For the fiscal period ended March 31, 2010, the cost of purchases and the proceeds from maturities and sales of investment securities, other than U.S. Government and short-term securities, were as follows:

| | Purchases | Sales |
|----------------------------------|------------|-----------|
| Bond Fund | \$ 131,272 | \$ 23,882 |
| Cash Management | — | — |
| Global Bond Fund | 97,955 | 58,827 |
| Government Securities Fund | 381 | — |
| High Income Fund | 618,466 | 556,431 |
| Municipal Bond Fund | 104,180 | 61,294 |
| Municipal High Income Fund | 112,817 | 62,275 |

Purchases of and proceeds from maturities and sales of U.S. Government securities were as follows:

| | Purchases | Sales |
|----------------------------------|------------|------------|
| Bond Fund | \$ 123,492 | \$ 103,638 |
| Global Bond Fund | 36,279 | 14,845 |
| Government Securities Fund | 110,282 | 123,085 |

5. FEDERAL INCOME TAX MATTERS

For Federal income tax purposes, cost of investments owned at March 31, 2010 and the related unrealized appreciation (depreciation) were as follows:

| Fund | Cost of investments | Gross appreciation | Gross depreciation | Net unrealized appreciation (depreciation) |
|--------------------------------------|---------------------|--------------------|--------------------|--|
| Bond Fund | \$1,096,862 | \$48,050 | \$34,746 | \$ 13,304 |
| Cash Management | 1,158,463 | — | — | — |
| Global Bond Fund | 718,369 | 34,794 | 14,339 | 20,455 |
| Government Securities Fund | 417,300 | 13,424 | 2,413 | 11,011 |
| High Income Fund | 1,225,078 | 74,363 | 9,117 | 65,246 |
| Municipal Bond Fund | 640,467 | 38,478 | 4,682 | 33,796 |
| Municipal High Income Fund | 579,256 | 29,279 | 33,267 | (3,988) |

For Federal income tax purposes, the Funds' distributed and undistributed earnings and profit for the fiscal year ended September 30, 2009 and the related net capital losses and post-October activity updated with information available through the date of this report were as follows:

| | Bond Fund | Cash Management | Global Bond Fund | Government Securities Fund | High Income Fund | Municipal Bond Fund | Municipal High Income Fund |
|---|-----------|-----------------|------------------|----------------------------|------------------|---------------------|----------------------------|
| Net ordinary income | \$36,843 | \$17,163 | \$24,903 | \$14,618 | \$80,445 | \$23,465 | \$26,364 |
| Distributed ordinary income | 37,817 | 16,865 | 32,425 | 14,556 | 80,181 | 22,886 | 26,238 |
| Undistributed ordinary income | 413 | 658 | 3,845 | 158 | 925 | 763 | 397 |
| Realized long term capital gains | — | — | — | — | — | — | — |
| Distributed long term capital gains | — | — | — | — | — | — | — |
| Undistributed long term capital gains | — | — | — | — | — | — | — |
| Post-October losses deferred | 4,397 | 209 | 22,215 | 2,009 | 71,510 | — | 15,880 |

Internal Revenue Code regulations permit each Fund to defer into its next fiscal year net capital losses or net long-term capital losses and currency losses incurred between each November 1 and the end of its fiscal year (post-October losses). Distributions shown above may be reported differently to individual shareholders.

Capital loss carryovers are available to offset future net realized gains incurred in the eight taxable years succeeding the loss year for Federal income tax purposes. The following tables show the totals by year in which the capital loss carryovers will expire if not utilized.

| | Bond Fund | Global Bond Fund | Government Securities Fund | High Income Fund | Municipal Bond Fund | Municipal High Income Fund |
|------------------------------|-----------|------------------|----------------------------|------------------|---------------------|----------------------------|
| September 30, 2010 | \$ — | \$ 10,992 | \$ — | \$ 48,079 | \$ 7,210 | \$ 11,473 |
| September 30, 2011 | — | 1,274 | — | 74,474 | — | 3,930 |
| September 30, 2012 | — | — | — | — | — | 4,152 |
| September 30, 2013 | — | — | — | — | — | 5,048 |
| September 30, 2014 | — | — | — | — | 115 | — |
| September 30, 2015 | 5,689 | — | 923 | — | 1,919 | 420 |
| September 30, 2017 | 276 | — | 44 | 33,425 | — | 504 |
| Total carryover | \$5,965 | \$12,266 | \$967 | \$155,978 | \$9,244 | \$25,527 |

6. MULTICLASS OPERATIONS

The Trust has authorized an unlimited number of no par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

| Bond Fund | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
|---|-------------------------------------|------------------|--------------------------------------|------------------|
| | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 28,835 | \$ 177,008 | 53,699 | \$ 317,260 |
| Class B. | 370 | 2,269 | 1,148 | 6,756 |
| Class C. | 510 | 3,128 | 1,203 | 7,088 |
| Class Y. | 475 | 2,906 | 1,397 | 8,340 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 3,022 | 18,499 | 5,844 | 34,452 |
| Class B. | 55 | 335 | 143 | 843 |
| Class C. | 41 | 252 | 89 | 526 |
| Class Y. | 62 | 380 | 114 | 672 |
| Shares redeemed: | | | | |
| Class A. | (16,513) | (101,340) | (43,185) | (254,467) |
| Class B. | (823) | (5,048) | (2,243) | (13,233) |
| Class C. | (513) | (3,145) | (1,135) | (6,695) |
| Class Y. | (506) | (3,089) | (3,100) | (18,047) |
| Net increase. | 15,015 | \$ 92,155 | 13,974 | \$ 83,495 |

| Cash Management | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
|---|-------------------------------------|---------------------|--------------------------------------|--------------------|
| | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 1,494,250 | \$ 1,494,250 | 2,797,287 | \$ 2,797,287 |
| Class B**. | 3,706 | 3,706 | 29,724 | 29,724 |
| Class C**. | 4,387 | 4,387 | 23,967 | 23,967 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 1,478 | 1,478 | 16,313 | 16,313 |
| Class B**. | 10 | 10 | 81 | 81 |
| Class C**. | 10 | 10 | 74 | 74 |
| Shares redeemed: | | | | |
| Class A. | (1,588,876) | (1,588,876) | (2,854,350) | (2,854,350) |
| Class B**. | (7,868) | (7,868) | (29,551) | (29,551) |
| Class C**. | (8,421) | (8,421) | (23,343) | (23,343) |
| Net decrease. | (101,324) | \$ (101,324) | (39,798) | \$ (39,798) |

| Global Bond Fund | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
|---|-------------------------------------|------------------|--------------------------------------|------------------|
| | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 30,726 | \$ 119,754 | 61,271 | \$ 220,915 |
| Class B. | 625 | 2,435 | 1,613 | 5,816 |
| Class C. | 1,093 | 4,246 | 1,851 | 6,649 |
| Class Y. | 849 | 3,313 | 606 | 2,201 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 910 | 3,512 | 8,324 | 29,084 |
| Class B. | 18 | 69 | 192 | 666 |
| Class C. | 20 | 77 | 196 | 682 |
| Class Y. | 31 | 120 | 360 | 1,257 |
| Shares redeemed: | | | | |
| Class A. | (17,702) | (69,037) | (51,610) | (183,774) |
| Class B. | (681) | (2,653) | (3,021) | (10,796) |
| Class C. | (621) | (2,417) | (2,196) | (7,861) |
| Class Y. | (1,878) | (7,291) | (1,748) | (6,107) |
| Net increase. | 13,390 | \$ 52,128 | 15,838 | \$ 58,732 |

**Class B and Class C are not available for direct investments.

| | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
|---|-----------------------------|-------------------|------------------------------|-------------------|
| Government Securities Fund | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 9,273 | \$ 52,647 | 53,840 | \$ 302,625 |
| Class B. | 82 | 466 | 1,648 | 9,228 |
| Class C. | 360 | 2,045 | 2,493 | 13,987 |
| Class Y. | 911 | 5,147 | 7,213 | 40,669 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 974 | 5,529 | 2,228 | 12,590 |
| Class B. | 21 | 119 | 61 | 344 |
| Class C. | 25 | 142 | 62 | 353 |
| Class Y. | 125 | 712 | 110 | 621 |
| Shares redeemed: | | | | |
| Class A. | (12,446) | (70,658) | (52,568) | (296,886) |
| Class B. | (545) | (3,097) | (2,037) | (11,508) |
| Class C. | (491) | (2,785) | (2,310) | (13,035) |
| Class Y. | (810) | (4,571) | (619) | (3,492) |
| Net increase (decrease) | (2,521) | \$(14,304) | 10,121 | \$ 55,496 |
| | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
| High Income Fund | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 19,091 | \$ 127,445 | 58,324 | \$ 326,307 |
| Class B. | 317 | 2,115 | 1,359 | 7,557 |
| Class C. | 642 | 4,285 | 2,720 | 15,221 |
| Class Y. | 2,323 | 15,478 | 7,240 | 40,348 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 6,189 | 41,376 | 11,807 | 67,130 |
| Class B. | 119 | 793 | 272 | 1,533 |
| Class C. | 140 | 936 | 228 | 1,306 |
| Class Y. | 545 | 3,645 | 848 | 4,862 |
| Shares redeemed: | | | | |
| Class A. | (18,272) | (121,792) | (37,892) | (213,922) |
| Class B. | (703) | (4,693) | (1,688) | (9,506) |
| Class C. | (692) | (4,616) | (980) | (5,589) |
| Class Y. | (1,632) | (10,877) | (1,765) | (10,137) |
| Net increase. | 8,067 | \$ 54,095 | 40,473 | \$ 225,110 |
| | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
| Municipal Bond Fund | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 10,952 | \$ 78,471 | 19,588 | \$ 132,575 |
| Class B. | 34 | 240 | 130 | 875 |
| Class C. | 436 | 3,120 | 837 | 5,646 |
| Class Y** | — | — | — | — |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 1,640 | 11,729 | 2,853 | 19,325 |
| Class B. | 6 | 41 | 13 | 86 |
| Class C. | 22 | 159 | 32 | 217 |
| Class Y** | — | — | —* | 1 |
| Shares redeemed: | | | | |
| Class A. | (5,484) | (39,273) | (13,307) | (89,731) |
| Class B. | (92) | (657) | (214) | (1,441) |
| Class C. | (130) | (929) | (295) | (2,007) |
| Class Y** | — | — | (4) | (29) |
| Net increase. | 7,384 | \$ 52,901 | 9,633 | \$ 65,517 |

*Not shown due to rounding.

**Class is closed to investment.

| Municipal High Income Fund | Six months ended 3-31-10 | | Fiscal year ended 9-30-09 | |
|---|-----------------------------|------------------|------------------------------|------------------|
| | Shares | Value | Shares | Value |
| Shares issued from sale of shares: | | | | |
| Class A. | 14,000 | \$ 65,173 | 24,517 | \$ 101,885 |
| Class B. | 92 | 430 | 178 | 732 |
| Class C. | 961 | 4,477 | 1,345 | 5,598 |
| Class Y**. | — | — | 1,104 | 4,625 |
| Shares issued in reinvestment of distributions to shareholders: | | | | |
| Class A. | 2,663 | 12,374 | 5,045 | 21,032 |
| Class B. | 17 | 79 | 42 | 174 |
| Class C. | 73 | 337 | 131 | 548 |
| Class Y**. | — | — | —* | 1 |
| Shares redeemed: | | | | |
| Class A. | (7,274) | (33,825) | (19,527) | (80,274) |
| Class B. | (129) | (600) | (566) | (2,364) |
| Class C. | (431) | (2,010) | (1,173) | (4,817) |
| Class Y**. | — | — | (1,111) | (4,677) |
| Net increase. | 9,972 | \$ 46,435 | 9,985 | \$ 42,463 |

*Not shown due to rounding.

**All capital and shares related to Class Y were reorganized into an affiliated fund on May 18, 2009.

7. DERIVATIVE INSTRUMENTS

Forward Foreign Currency Contracts. Certain Funds may enter into forward foreign currency contracts (forward contracts) for the purchase or sale of a foreign currency at a negotiated rate at a future date. Forward contracts are reported on a schedule following the Schedule of Investments. Forward contracts will be valued daily based upon the closing prices of the forward currency rates determined at the close of the NYSE as provided by a bank, dealer or independent pricing service. The resulting unrealized appreciation and depreciation is reported in the Statement of Assets and Liabilities as a receivable or payable and in the Statement of Operations within the change in unrealized appreciation (depreciation). At contract close, the difference between the original cost of the contract and the value at the close date is recorded as a realized gain (loss) in the Statement of Operations.

Risks to a Fund include both market and credit risk. Market risk is the risk that the value of the forward contract will depreciate due to unfavorable changes in the exchange rates. Credit risk arises from the possibility that the counterparty will default. If the counterparty defaults, a Fund's loss will consist of the net amount of contractual payments that the Fund has not yet received.

Futures Contracts. Certain Funds may engage in buying and selling futures contracts. Upon entering into a futures contract, the Fund is required to deposit, in a segregated account, an amount equal to a varying specified percentage of the contract amount. This amount is known as the initial margin. Subsequent payments (variation margins) are made or received by the Fund each day, dependent on the daily fluctuations in the value of the underlying debt security or index.

Futures contracts are reported on a schedule following the Schedule of Investments. Securities held in collateralized

accounts to cover initial margin requirements on open futures contracts are identified in the Schedule of Investments. Cash held by the broker to cover initial margin requirements on open futures contracts and the receivable and/or payable for the daily mark to market for the variation margin are noted in the Statement of Assets and Liabilities. The net change in unrealized appreciation (depreciation) is reported in the Statement of Operations. Realized gains (losses) are reported in the Statement of Operations at the closing or expiration of futures contracts.

Risks of entering into futures contracts include the possibility of loss of securities or cash held as collateral, that there may be an illiquid market where the Fund is unable to close the contract or enter into an offsetting position and, if used for hedging purposes, the risk that the price of the contract will correlate imperfectly with the prices of the Fund's securities.

Swap Agreements. Certain Funds may invest in swap agreements.

Credit default swaps involve the exchange of a fixed rate premium for protection against the loss in value of an underlying security in the event of a defined credit event, such as payment default or bankruptcy. Under a credit default swap one party acts as a guarantor by receiving the fixed periodic payment in exchange for the commitment to purchase the underlying security at par if the defined credit event occurs. A Fund may enter into credit default swaps in which either it or its counterparty act as the guarantor.

Total return swaps involve a commitment to pay periodic interest payments in exchange for a market-linked return based on a security or a basket of securities representing a variety of securities or a particular index. To the extent the total return of the security, index or other financial measure underlying the

transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

Variance swaps involve a contract in which two parties agree to exchange cash flows based on the measured variance of a specified underlying security or index during a certain time period. On the trade date, the two parties agree on the strike price of the contract (the reference level against which cash flows are exchanged), as well as the number of units in the transaction and the length of the contract. Like an option contract, the value of a variance swap is influenced by both realized and implied volatility, as well as the passage of time. A Fund may enter into variance swaps to manage volatility risk.

The creditworthiness of firms with which a Fund enters into a swap agreement is monitored by WRIMCO. If a firm's creditworthiness declines, the value of the agreement would likely decline, potentially resulting in losses. If a default occurs by the counterparty to such a transaction, the Fund will have contractual remedies pursuant to the agreement related to the transaction.

Option Contracts. Options purchased by a Fund are accounted for in the same manner as marketable portfolio securities. The cost of portfolio securities acquired through the exercise of call options is increased by the premium paid to purchase the call. The proceeds from securities sold through the exercise of put options are decreased by the premium paid to purchase the put.

When a Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded as a liability. The amount of the liability is subsequently adjusted to reflect the current market value of the option written. The current market value of an option is the last sales price on the principal exchange on which the option is traded or, in the absence of transactions, the mean between the bid and asked prices or at a value supplied by a broker-dealer. When an option expires on its stipulated expiration date or a Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost

of a closing purchase transaction exceeds the premium received when the call option was sold) and the liability related to such option is extinguished. When a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether a Fund has realized a gain or loss. For each Fund, when a written put is exercised, the cost basis of the securities purchased by a Fund is reduced by the amount of the premium received.

Investments in options, whether purchased or written, involve certain risks. Writing put options and purchasing call options may increase a Fund's exposure to the underlying security (or basket of securities). With written options, there may be times when a Fund will be required to purchase or sell securities to meet its obligation under the option contract where the required action is not beneficial to the Fund, due to unfavorable movement of the market price of the underlying security (or basket of securities). Additionally, to the extent a Fund enters into over-the-counter (OTC) option transactions with counterparties, the Fund will be exposed to the risk that counterparties to these OTC transactions will be unable to meet their obligations under the terms of the transaction.

Collateral. The Fund may mitigate counterparty risk through credit support annexes (CSA) included with an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement which is the standard contract governing most derivative transactions between the Fund and each of its counterparties. The CSA allows the Fund to offset with its counterparty certain derivative financial instruments' payables and/or receivables with collateral, which is generally held by the Fund's custodian. The amount of collateral moved to/from applicable counterparties is based upon minimum transfer amounts specified in the CSA. To the extent amounts due to the Fund from its counterparties are not fully collateralized contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance. See Note 1 "Segregation and Collateralization" for additional information with respect to collateral practices.

Objectives and Strategies

Global Bond Fund. The Fund's objective in using derivatives during the period was to manage the exposure to various foreign currencies. To achieve this objective, the Fund utilized forward contracts to either hedge a position held by the Fund or to gain exposure to a currency where a foreign bond is not available.

Fair values of derivative instruments as of March 31, 2010:

| Type of Derivative | Asset Derivatives | | Liability Derivatives | |
|--------------------|---|------------|---|------------|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign currency | Unrealized appreciation on forward foreign currency contracts | \$120 | Unrealized depreciation on forward foreign currency contracts | \$1,747 |

The effect of derivative instruments on the Statement of Operations for the fiscal period ended March 31, 2010:

| Type of Derivative | Location of Gain (Loss) on Derivatives Recognized in Income | Realized Gain (Loss) on Derivatives Recognized in Income | Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income |
|--------------------|---|--|--|
| Foreign currency | Net realized gain (loss) on forward foreign currency contracts/Net change in unrealized appreciation (depreciation) on forward foreign currency contracts | \$(6,354) | \$7,575 |

During the fiscal period ended March 31, 2010, the Fund's average principal amount outstanding for short forward contracts and long forward contracts was \$75,837 and \$72,007, respectively.

High Income Fund. The Fund's objective in using derivatives during the period was to hedge the exposure to foreign currencies of securities held in the fund. To achieve this objective, the Fund utilized forward contracts.

Fair values of derivative instruments as of March 31, 2010:

| Type of Derivative | Asset Derivatives | | Liability Derivatives | |
|--------------------|---|------------|------------------------|------------|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign currency | Unrealized appreciation on forward foreign currency contracts | \$268 | N/A | \$0 |

The effect of derivative instruments on the Statement of Operations for the fiscal period ended March 31, 2010:

| Type of Derivative | Location of Gain (Loss) on Derivatives Recognized in Income | Realized Gain (Loss) on Derivatives Recognized in Income | Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income |
|--------------------|---|--|--|
| Foreign currency | Net realized gain (loss) on forward foreign currency contracts/Net change in unrealized appreciation (depreciation) on forward foreign currency contracts | \$0 | \$268 |

During the fiscal period ended March 31, 2010, the Fund's average principal amount outstanding for short forward contracts and long forward contracts was \$3,202 and \$3,365, respectively.

8. IN-KIND REDEMPTIONS

A Fund may, under certain circumstances, redeem portfolio securities rather than cash for a redemption of Fund shares (in-kind redemption). The fund recognizes a gain or loss on in-kind redemptions to the extent that the value of the redeemed securities differs on the date of the redemption from the cost of those securities. Gains and losses realized from in-kind redemptions are not recognized for tax purposes but rather are reclassified from accumulated undistributed net realized loss to paid-in capital. During the fiscal year ended September 30, 2009, Municipal High Income Fund realized \$353 of net capital losses resulting from in-kind redemptions of \$3,860.

9. REGULATORY AND LITIGATION MATTERS

On July 24, 2006, WRIMCO, W&R and WRSCO (collectively, Waddell & Reed) reached a settlement with each of the SEC, the New York Attorney General (NYAG) and the Securities Commissioner of the State of Kansas to resolve proceedings brought by each regulator in connection with its investigation of frequent trading and market timing in certain Waddell & Reed Advisors Funds.

Under the terms of the SEC's cease-and desist order (SEC Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among other provisions Waddell & Reed has agreed to: pay \$40 million in disgorgement and \$10 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to periodically review Waddell & Reed's supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (described below). According to the SEC Order, the SEC found that some market timers made profits in some of the Waddell & Reed Advisors Funds, and that this may have caused some dilution in those Funds. Also, the SEC found that Waddell & Reed failed to make certain disclosures to the Waddell & Reed Advisors Funds' Boards of Directors (now Trustees) and shareholders regarding the market timing activity and Waddell & Reed's acceptance of service fees from some market timers.

The Assurance of Discontinuance with the NYAG (NYAG Settlement), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among its conditions requires that Waddell & Reed: reduce the aggregate investment management fees paid by certain of the Waddell & Reed Advisors Funds and by certain of the Ivy Funds Variable Insurance Portfolios, formerly W&R Target Funds, Inc. (the Funds) by \$5 million per year for five years, for a projected total of \$25 million in investment management fee reductions; bear the costs of an independent fee consultant to be retained by the Funds to review and consult regarding the Funds' investment management fee arrangements; and make additional investment management fee-related disclosures to Fund shareholders. The NYAG Settlement also effectively requires that the Funds implement certain governance measures designed to maintain the independence of the Funds' Boards of Directors (now Trustees) and appoint an independent compliance consultant responsible for monitoring the Funds' and WRIMCO's compliance with applicable laws.

The consent order issued by the Securities Commissioner of the State of Kansas (Kansas Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, requires Waddell & Reed to pay a fine of \$2 million to the Office of the Commissioner.

The SEC Order further requires that the \$50 million in settlement amounts described above will be distributed in accordance with a distribution plan developed by an independent distribution consultant, in consultation with Waddell & Reed, and that is agreed to by the SEC staff and the Funds' Disinterested Directors (now Trustees). The SEC Order requires that the independent distribution consultant develop a methodology and distribution plan pursuant to which Fund shareholders shall receive their proportionate share of losses, if any, suffered by the Funds due to market timing. Therefore, it is not currently possible to specify which particular Fund shareholders or groups of Fund shareholders will receive distributions of those settlement monies or in what proportion and amounts.

The foregoing is only a summary of the SEC Order, NYAG Settlement and Kansas Order. A copy of the SEC Order is available on the SEC's website at www.sec.gov. A copy of the SEC Order, NYAG Settlement and Kansas Order is available as part of the Waddell & Reed Financial, Inc. Form 8-K as filed on July 24, 2006.

In addition, pursuant to the terms of agreement in the dismissal of separate litigation, Waddell & Reed has also agreed to extend the reduction in the aggregate investment management fees paid by the Funds, as described above, for an additional five years.

PROXY VOTING INFORMATION

Waddell & Reed Advisors Funds

Proxy Voting Guidelines

A description of the policies and procedures Waddell & Reed Advisors Funds uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 1.888.WADDELL and (ii) on the Securities and Exchange Commission's (SEC) website at www.sec.gov.

Proxy Voting Records

Information regarding how each Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on Form N-PX through Waddell & Reed's website at www.waddell.com and on the SEC's website at www.sec.gov.

QUARTERLY PORTFOLIO SCHEDULE INFORMATION

Waddell & Reed Advisors Funds

A complete schedule of portfolio holdings for the first and third quarters of each fiscal year is filed with the Securities and Exchange Commission (SEC) on the Trust's Form N-Q. This form may be obtained in the following ways:

- On the SEC's website at www.sec.gov.
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.
- On Waddell & Reed's website at www.waddell.com.

TO ALL TRADITIONAL IRA PLANHOLDERS: **Waddell & Reed Advisors Funds**

As required by law, we are hereby providing notice to you that income tax may be withheld automatically from any distribution or withdrawal from a traditional IRA. A Fund is generally required to withhold taxes unless you make a written election not to have taxes withheld. The election may be made on the distribution/withdrawal form provided by Waddell & Reed, Inc. which can be obtained from your Waddell & Reed financial advisor or by submitting Internal Revenue Service Form W-4P. Once made, an election can be revoked by providing written notice to Waddell & Reed, Inc. If you elect not to have tax withheld you may be required to make payments of estimated tax. Penalties may be imposed by the IRS if withholding and estimated tax payments are not adequate.

This page is for your notes and calculations.

The Waddell & Reed Advisors Funds Family

Global/International Funds

Waddell & Reed Advisors International Growth Fund

Domestic Equity Funds

Waddell & Reed Advisors Accumulative Fund

Waddell & Reed Advisors Core Investment Fund

Waddell & Reed Advisors Dividend Opportunities Fund

Waddell & Reed Advisors New Concepts Fund

Waddell & Reed Advisors Small Cap Fund

Waddell & Reed Advisors Tax-Managed Equity Fund

Waddell & Reed Advisors Value Fund

Waddell & Reed Advisors Vanguard Fund

Fixed Income Funds

Waddell & Reed Advisors Bond Fund

Waddell & Reed Advisors Global Bond Fund

Waddell & Reed Advisors Government Securities Fund

Waddell & Reed Advisors High Income Fund

Waddell & Reed Advisors Municipal Bond Fund

Waddell & Reed Advisors Municipal High Income Fund

Money Market Funds

Waddell & Reed Advisors Cash Management

Specialty Funds

Waddell & Reed Advisors Asset Strategy Fund

Waddell & Reed Advisors Continental Income Fund

Waddell & Reed Advisors Energy Fund

Waddell & Reed Advisors Science and Technology Fund

1.888.WADDELL

Visit us online at www.waddell.com

Investors should consider the investment objectives, risks, charges and expenses of a fund carefully before investing. For a prospectus containing this and other information for the Waddell & Reed Advisors Funds, call your financial advisor or visit us online at www.waddell.com. Please read the prospectus, or summary prospectus, carefully before investing.

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|  | <p>6300 Lamar Avenue P.O. Box 29217 Shawnee Mission, KS 66201-9217</p> | <p>www.waddell.com</p> |
| <p>Waddell & Reed, Inc.</p> | | |

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