First Trust Portfolios Canada

First Trust/Highland Capital Floating Rate Income Fund II

Management Report of Fund Performance

December 31, 2009

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

As at December 31, 2009

First Trust/Highland Capital Floating Rate Income Fund II

This annual management report of fund performance contains financial highlights. A copy of the complete annual financial statements for the investment fund has been attached hereto for your reference. All references to dollars contained herein are to Canadian dollars.

Security holders may also contact us to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment fund by calling 1-877-622-5552, by writing to us at First Defined Portfolio Management Co., 330 Bay Street, Suite 1300, Toronto, Ontario M5H 2S8 or by visiting our web site at www.firsttrust.ca or SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “intend”, “expect”, “estimate”, or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors that are beyond the control of the Funds, First Defined Portfolio Management Co. and its affiliates, First Trust Advisors L.P. and Highland Capital Management L.P. and which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

MANAGEMENT REPORT OF FUND PERFORMANCE

Investment Objective and Strategies

First Trust/Highland Capital Floating Rate Income Fund II (the "Fund") is an investment trust created to provide investors with exposure to a portfolio consisting primarily of senior secured floating rate corporate loans issued by debtors that are primarily U.S. issuers ("Senior Loans"). Senior Loans generally hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets of the borrower that is senior to that held by subordinated debtholders and shareholders of the borrower.

The units of the Fund are listed on the Toronto Stock Exchange under the symbol FHM.UN.

The current investment objectives of the Fund are to: (i) provide holders of units with monthly distributions which will fluctuate with changes in U.S. short-term interest rates; and (ii) preserve and potentially enhance the net asset value of the Fund.

The Fund's investment objectives and strategies were changed on August 18, 2009 in connection with the merger (the "Merger") of the Fund with First Trust/Highland Capital Floating Rate Income Fund ("Fund I"). Prior thereto, the Fund invested in accordance with the Common Share Portfolio Investment Strategy only.

The current investment strategy of the Fund is to invest its assets in a common share portfolio (the "Common Share Portfolio") and/or a senior loan portfolio (the "Senior Loan Portfolio") in accordance with the Common Share Portfolio Investment Strategy and Senior Loan Portfolio Investment Strategy set out below. The investment advisor of the Fund will allocate the assets of the Fund between the two investment strategies in its discretion.

Pursuant to its Common Share Investment Strategy, the Fund obtains exposure to First Trust/Highland Capital Senior Loan Trust (the "Senior Loan Trust"), an investment trust established under the laws of Ontario and a reporting issuer under the *Securities Act* (Quebec), by virtue of one or more forward transactions (collectively, the "Forward Agreement") with The Bank of Nova Scotia and/or such other Canadian financial institutions or their affiliates (the "Counterparty"). The Fund does not invest directly in the Senior Loan Trust. As a result of this structure, the returns of the Fund's Common Share Portfolio are intended to correlate with an investment in the Senior Loan Trust. The portfolio of the Senior Loan Trust consists primarily of Senior Loans.

The Common Share Portfolio of the Fund consists of common shares of Canadian companies. Under the Forward Agreement, the Fund will be entitled to sell securities in the Common Share Portfolio from time to time to fund monthly distributions, redemptions and repurchases of units, its operating expenses and other liabilities and general liquidity requirements. The purchase price payable by the Counterparty is calculated by reference to the redemption proceeds of a notional investment (the "Notional Investment") in units of the Senior Loan Trust at the time of the closing of the initial public offering of an amount equal to the net proceeds of the offering. The Notional Investment is reduced proportionately to reflect the redemption and repurchase of Units.

Pursuant to the Fund's Senior Loan Portfolio Investment Strategy, the Senior Loan Portfolio is invested primarily in a portfolio of Senior Loans issued by debtors that are primarily United States issuers. The Fund may also invest to a limited extent in U.S. dollar denominated Senior Loans of non-U.S. issuers and special situation investments such as securities of distressed issuers.

Risks

The risks of investing in the Fund are set out in the joint information circular of the Fund and Fund I dated June 15, 2009 (the "Circular").

The primary risk to the Fund is interest rate risk. Interest rates may fluctuate as a result of economic factors including governmental policies and other matters beyond the Fund's control. The United States Federal Reserve Open Market Committee has kept the federal funds rate at or below 25 basis points since lowering it from 100 basis points to 25 basis points in January, 2009 in response to the financial crisis experienced during the second half of 2008. Three-month London Interbank Offer Rate ("LIBOR") finished 2009 at 0.25063%, a decrease of approximately 117 basis points since December 31, 2008, when 3-month LIBOR finished at 1.425%.

Changes in interest rates can affect the net income of the Fund. As interest rates decrease, the interest rates paid by the loan assets in the portfolio of the Senior Loan Trust and the Senior Loan Portfolio also decrease due to the nature of their floating interest rates. As Fund assets and liabilities tend to move in tandem, portfolio leverage benefits investors regardless of the direction of rate changes. The Fund's performance and ability to pay distributions is dependent on the performance of the Fund's assets which is subject in part to credit risk.

At the end of the reporting period, the Senior Loan Trust's investment portfolio was more heavily concentrated in the telecommunications, financials, transportation, consumer non-durables, broadcasting, information technology, and utility industries than the Fund's benchmark, the Credit Suisse Leveraged Loan Index (the "CSFB"). On the other hand, the Senior Loan Portfolio was more heavily concentrated in the Gaming and Leisure, Metals and Minerals, Retail, Consumer Non-Durables, Transportation Automotive and Aerospace industries than the CSFB. Thus, the Fund may be more exposed to any unfavorable developments faced by these industries than the benchmark.

The Fund's performance and ability to pay distributions are dependent on the performance of the Senior Loan Trust and Senior Loan Portfolio's assets which are subject, in part, to credit risk. Currently, the Fund does not pay monthly distributions. The lagging 12-month loan default rate by par amount reached an all time high in November, 2009 at 10.81% before easing to end the year at 9.61%, according to Standard and Poor's LCD Leveraged Lending Fourth Quarter Review. This was well above the lagging 12-month loan default rate experienced at the end of 2008 which was 3.75%. As of December 31, 2009, the Senior Loan Portfolio's lagging 12-month loan default rate was zero and the cumulative default rate as a percentage of market value was 1.39%. An increase in default rates could limit the Fund's ability to make distributions and may even cause a decrease in the net asset value of the Fund. However, the Fund is diversified among borrowers so as to limit the effects of a default by any borrower.

Borrowers of Senior Loans generally pay interest at least quarterly at rates which typically equal a fixed percentage spread over a base rate such as LIBOR. Although the base rate will likely fluctuate during the term of the loan, the percentage spread is generally fixed by the credit agreement between the borrower and lender. As of December 31, 2009, the average term to maturity for the Senior Loan Trust's portfolio of loans was 3.7 years and for the Senior Loan Portfolio's portfolio of loans was 3.49 years.

Although a base rate such as LIBOR can change on a daily basis, a credit agreement for a senior loan typically allows the borrower to choose how frequently the base rate for the loan will reset. Such periods can range from one day to six months, with most borrowers choosing monthly or quarterly reset periods. During periods of rising interest rates, borrowers generally choose longer reset periods, and during periods of declining interest rates, borrowers generally choose shorter reset periods. As of December 31, 2009, the average number of days to reset for the Senior Loan Trust's portfolio of loans was 31 days and for the Senior Loan Portfolio's portfolio of loans was 40 days.

The Fund's NAV is measured in Canadian dollars and payments to Unitholders will be made in Canadian dollars. However, most of the investments to which the Fund has exposure, at any time, will consist of Senior Loans denominated in U.S dollars. Accordingly, the Fund's ability to make payments to Unitholders may be affected by fluctuations in the value of the Canadian dollar relative to the United States dollar. Although it is expected that substantially all of the Fund's U.S. currency exposure will be hedged to the Canadian dollar, there can be no assurance that such hedging strategies will be successful.

The Fund is suitable for those investors seeking regular income and exposure to the U.S. senior loan market who are able to bear higher risk including the risks associated with credit quality and fluctuations in interest rates.

Results of Operations

General

In the year ended December 31, 2009, the Fund recorded net investment loss of $358,856 (however the Senior Loan Trust recorded a gain of $221,606) and paid distributions of $0.09 per unit, an annualized rate of 0.90% on the initial unit price of $10.00. The Fund suspended monthly distributions in May 2009.

As of August 18, 2009, upon completion of the Merger, the Fund was invested in common shares of Canadian companies and in Senior Loans. Through the Forward Agreement, the Fund gains exposure to the Senior Loan Trust. At the end of the year, the Senior Loan Trust was approximately 97.7% invested in Senior Loans and approximately 2.21% in equities. The Senior Loan Trust held no bonds at year-end. Additionally, the Senior Loan Trust held 7.59% of managed assets in second lien and mezzanine loans as at December 31, 2009. The Senior Loan Trust was predominantly invested in loans rated between B1 and B2 at year end according to Moody's ratings system.

At the end of the year, the Senior Loan Portfolio was approximately 98.15% invested in senior loans and approximately 1.85% in equities. The portfolio held 1.35% bonds at year-end. Additionally, the Senior Loan Portfolio held 7.59% of managed assets in second lien and mezzanine loans. The Senior Loan Portfolio was also predominantly invested in loans rated between B1 and B2 at year end according to Moody's ratings system.

During the year, effective loan spreads decreased while interest rates remained at near historic lows. Spreads are the difference between the interest rate paid by a bank loan asset and a base rate such as LIBOR. According to S&P/LSTA Leveraged Loan Index, the effective average discounted spread decreased during 2009 from approximately 2373 basis points in December 2008 to approximately 718 basis points in December 2009, as the economy and loan market showed signs of recovery during the year. During 2009, repayments of senior bank loans totaled $83 billion according to S&P/LSTA Loan Commentary and Data. Highland Capital (the "Sub-Advisor") believes this money was redeployed into the loan market helping to drive loan prices higher. A large source of repayments came from high yield bond new issues that were used to refinance issuer's shorter dated outstanding loans.

Leverage

Each of the Fund and the Senior Loan Trust may use leverage by borrowing an amount representing not more than 100% of the value of its pre-leveraged net assets. The borrowed funds are to be invested in accordance with the applicable fund's investment objectives and strategies. Currently, neither the Fund nor the Senior Loan Trust use leverage. There is no guarantee that a new leverage facility can be obtained by the Fund or the SLT. Costs of borrowing are borne immediately by unitholders of the Fund or the Senior Loan Trust, as applicable and upfront costs result in a reduction of the net asset value per unit of the applicable fund.

Recent Developments

The lagging 12-month loan default rate by principal as at December 31, 2009 was 9.61%, up from 3.75% in 2008, according to Standard and Poor's LCD Leveraged Lending Fourth Quarter Review. We, along with other market participants, anticipate a continued decline in the lagging 12 month default rate as months experiencing high relative defaults, in the fourth quarter of 2008 and the first quarter of 2009, roll off the lagging 12 month calculation and are replaced with months that experienced relatively more normalized rates.

As described above under "Risks", the reporting period was a period of interest rate decreases. In May 2009, the monthly distribution was suspended as a result of a decline in the Fund's cash flow available for distribution.

On August 18, 2009, the Fund merged with Fund I and changed its investment objectives and strategies as described under Investment Objective and Strategies such that the Fund now also invests directly in Senior Loans. In addition, the Advisor retained Highland Funds Asset Management L.P. as the sub-advisor to the Senior Loan Portfolio. The declaration of trust of the Fund was amended on that date to implement a change to the redemption policy of the Fund and the termination provisions in the declaration of trust and to permit certain additional securities offerings, all as described in more detail in the Circular. As a result of the Merger, the assets of the Fund increased by $19,131,525 to $28,746,200 and combining the two funds eliminated the duplication of certain fees and expenses, thereby providing greater economics on a per unit basis. At the end of the reporting period, approximately 55.9% of the Funds assets were invested in the Common Share Portfolio with remainder invested in the Senior Loan Portfolio.

International Financial Reporting Standards

The Accounting Standards Board (AcSB) of the CICA has announced its intention to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards ("IFRS") for all publicly accountable entities (which includes investment funds) effective January 1, 2011. FT (NSI) Management Co. (the "Manager") is currently working with its service providers to develop a changeover plan and determine the impact on information systems and business arrangements. Based on a preliminary assessment, the Manager does not believe any significant changes to the Funds' information systems are required, and does not anticipate the changeover to IFRS will materially impact the Fund's existing business arrangements.

The Manager identified significant policy differences between GAAP and IFRS, but does not expect a material impact on NAV per unit on adoption. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund particularly in relation to consolidation. Due to anticipated changes to International Accounting Standard 27 ("IAS 27") IAS 27, the Manager cannot conclude on the impact of consolidation on the Fund.

Related Party Transactions

The Manager is a wholly-owned subsidiary of First Defined Portfolio Management Co. and is a Canadian affiliate of First Trust Advisors L.P. (the "Advisor"), the investment advisor of the Fund.

Pursuant to the terms of the declaration of trust of the Fund, the Manager provides or arranges for all management, administrative and other services required by the Fund. The Manager receives a management fee from the Fund. For further details, please see "Management Fees".

The Manager has retained the Advisor to provide certain services to the fund pursuant to an investment advisory agreement. The Advisor receives advisory fees from the Manager out of the management fee.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since its inception on May 31, 2005. This information is derived from the Fund's audited annual financial statements. The financial information shown for 2005 is for the period May 31 to December 31, and for each of 2006, 2007, 2008 and 2009 is for the periods January 1 to December 31.

The Fund's Net Assets per Unit

	2009	2008	2007	2006	2005
Net assets, at the beginning of the year (net of issue costs) (1)	**$ 5.50**	**$ 8.21**	**$ 9.92**	**$ 9.48**	**$ 9.35**
Increase (decrease) from operations:					
Total revenue	0.03	–	–	–	–
Total expenses	(0.12)	(0.12)	(0.14)	(0.13)	(0.08)
Realized gains (losses) for the period	(0.36)	0.72	(0.06)	0.31	0.01
Unrealized gains (losses) for the period	0.34	(2.75)	(0.60)	0.84	0.50
Total increase (decrease) from operations (2)	**$ (0.11)**	**$ (2.15)**	**$ (0.80)**	**$ 1.02**	**$ 0.43**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	0.09	0.44	0.70	0.66	0.31
Total annual distributions (3)	**$ 0.09**	**$ 0.44**	**$ 0.70**	**$ 0.66**	**$ 0.31**
Net assets, at the end of the year (1)	**$ 5.24**	**$ 5.50**	**$ 8.21**	**$ 9.92**	**$ 9.48**

Ratios and Supplemental Data

	2009	2008	2007	2006	2005
Net asset value (000's) (1)	**$ 28,231**	**$ 22,076**	**$ 50,705**	**$ 64,823**	**$ 85,226**
Number of units outstanding	5,318,992	4,004,885	6,088,857	6,535,981	8,993,958
Management expense ratio (4)	2.22%	1.69%	1.55%	1.34%	13.14%
Management expense ratio before waiver and absorption (5)	2.22%	1.69%	1.55%	1.34%	13.14%
Trading expense ratio (6)	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate (7)	119.84%	56.12%	8.63%	25.88%	34.29%
Net asset value per unit (1)	$ 5.31	$ 5.51	$ 8.33	$ 9.92	$ 9.48
Closing market price	$ 3.95	$ 4.25	$ 7.90	$ 9.43	$ 9.00

(1) Net assets or net assets per unit ("GAAP NAV") is calculated using bid/ask prices of portfolio securities in accordance with generally accepted accounting principles. Net asset value or net asset value per unit ("Transactional NAV") is calculated using close prices of portfolio securities.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash.

(4) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(5) The Manager has not historically absorbed any of the Fund's expenses but may do so in the future at its discretion.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading cost payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund.

Management Fees

Prior to August 18, 2009, the Manager received from the Fund and the SLT a management fee equal to 0.75% of the Managed Assets of the SLT. Approximately 1/75 of the management fee was paid by the Fund. Managed Assets of the SLT was equal to the average daily gross asset value of the SLT (including assets attributable to the principal amount of borrowings) minus the sum of the SLT's accrued liabilities (other than the principal amount of any borrowings incurred). After August 18, 2009, a management fee equal to 0.75% of the Managed Assets of the Fund is calculated and paid monthly to the Manager. "Managed Assets" means, in respect of any particular month, the average daily gross asset value of the Fund (including assets attributable to the principal amount of borrowings) minus the sum of the accrued liabilities of the Fund (other than the principal amount of any borrowings incurred) minus the value of the Common Share Portfolio and the fair market value of the Forward Agreement. From August 19 to December 31, the Fund and the Senior Loan Trust received services in consideration of the management fee as follows:

Services Provided	
Portfolio Advisory and Management Services	46.67%
Sub-Advisory Services	53.33%

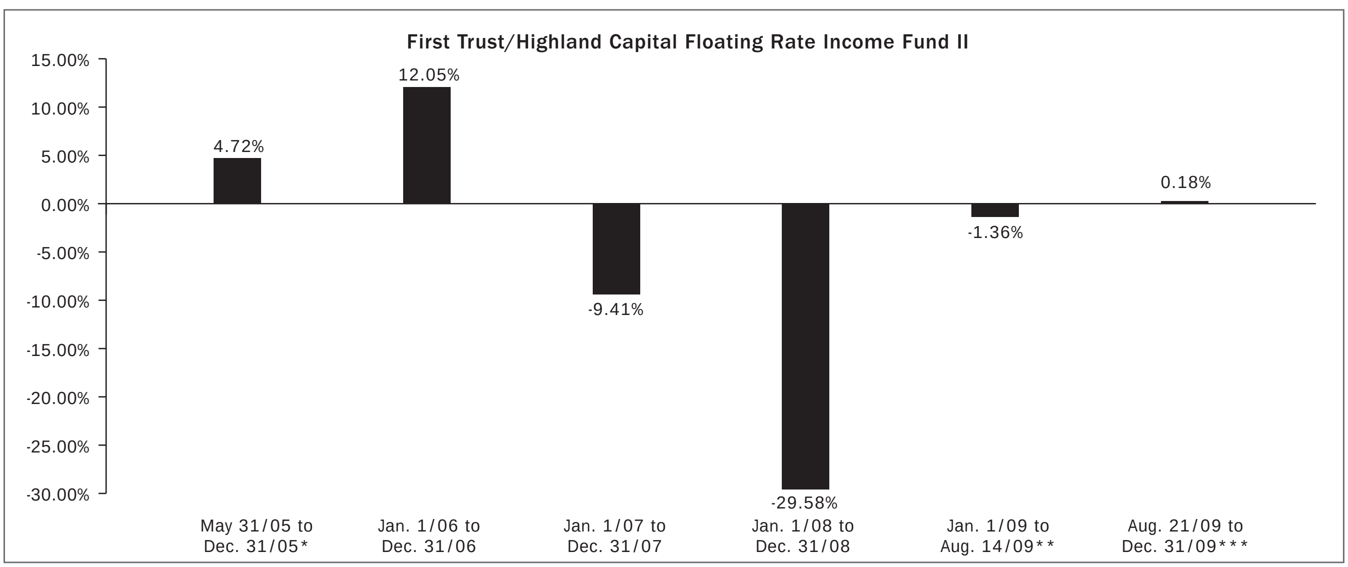
Past Performance

General

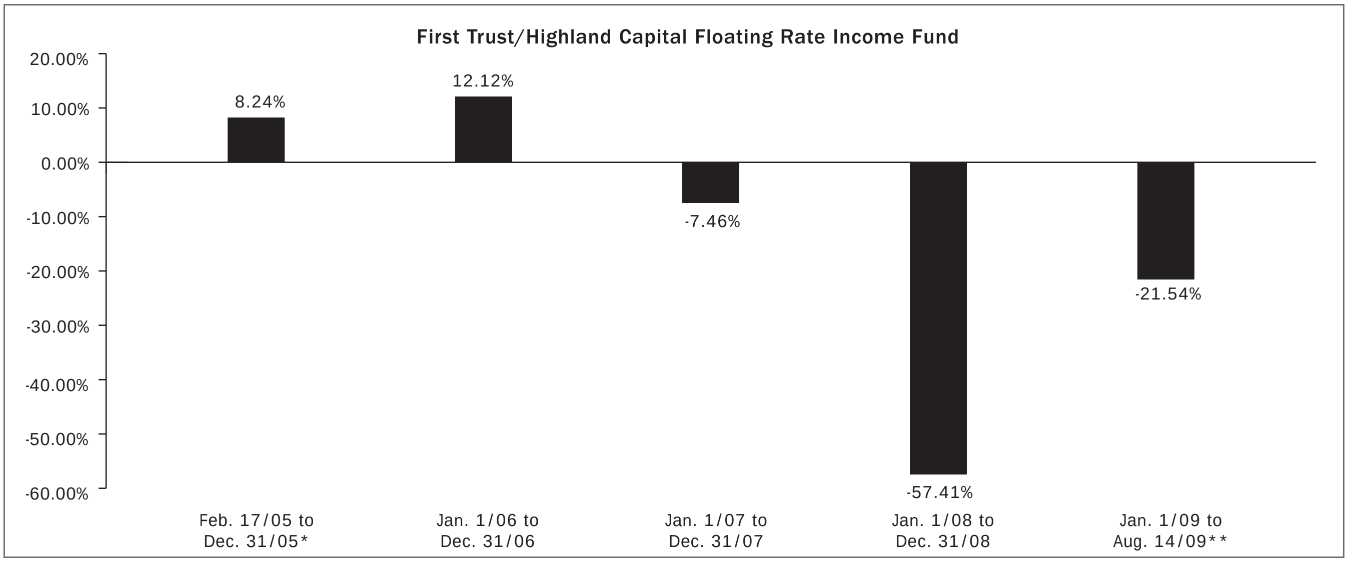
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar charts show the annual performances of the Fund and of Fund I for each of the periods shown and illustrate how the performances of the two funds have changed from year to year. The charts also show, in percentage terms, how much an investment made on the day of inception of the Fund and of Fund I or on the first day of each year, as applicable, would have grown or decreased by the last day of each financial year.



* *Return shown is actual (not annualized).*
** *Return shown is pre-Merger information.*
*** *Return shown is post Merger information.*



* *Return shown is actual (not annualized).*
** *Return shown is pre-Merger information.*

Annual Compound Returns

Pre-merger data – Fund I performance

	1 Year (1)	3 Year (2)	Since Inception(3)
First Trust/Highland Capital Floating Rate Income Fund	(21.54%)	(25.10%)	(19.26%)
CSFB Leveraged Loan Index*	35.32%	1.45%	2.27%

(1) For the period from January 31, 2009 to August 14, 2009.
(2) For the period from January 31, 2006 to August 14, 2009.
(3) For the period from February 17, 2005 to August 14, 2009.

For the period ending August 14, 2009, Fund I underperformed its benchmark, the Credit Suisse Leveraged Loan Index. Contributing to the underperformance were senior loans whose value was correlated with the deteriorating domestic real estate market, specifically positions categorized by Credit Suisse as being in the gaming/leisure and housing sectors. Fund I experienced a substantial redemption before the merger. In order to satisfy this redemption, holdings of Fund I were sold during the first quarter of the year. The realization of losses associated with these sales preceded the run up in the bank loan market which contributed to underperformance of Fund I relative to the index. Although Fund I employed a hedging strategy to minimize the impact of changes in the U.S.-Canadian exchange rate for most of the period, a strengthening Canadian dollar vis a vis the U.S. dollar and volatility in the foreign exchange markets undermined the effectiveness of the hedging strategy employed by Fund I and negatively impacted performance.

Pre-merger data – Fund's performance

	1 Year [1]	3 Year [2]	Since Inception[3]
First Trust/Highland Capital Floating Rate Income Fund II	(1.36%)	(9.08%)	(6.88%)
CSFB Leveraged Loan Index*	35.32%	1.45%	2.15%

(1) For the period from January 31, 2009 to August 14, 2009.
(2) For the period from January 31, 2006 to August 14, 2009.
(3) For the period from May 31, 2005 to August 14, 2009.

For the period ending August 14, 2009, the Fund underperformed its benchmark, the Credit Suisse Leveraged Loan Index. Contributing to the underperformance were senior loans whose value was correlated with the deteriorating domestic real estate market, specifically positions categorized by Credit Suisse as being in the gaming/leisure and housing sectors. The Fund experienced a substantial redemption in the year. In order to satisfy this redemption, holdings of the Fund were sold during the first half of the year. The realization of losses associated with these sales preceded the run up in the bank loan market which contributed to underperformance of the Fund relative to the index. Although the Fund employed a hedging strategy to minimize the impact of changes in the U.S.-Canadian exchange rate for most of the period, a strengthening Canadian dollar vis a vis the U.S. dollar and volatility in the foreign exchange markets undermined the effectiveness of the hedging strategy employed by the Fund and negatively impacted performance.

Post merger data – Fund's performance

	1 Year [1]
First Trust/Highland Capital Floating Rate Income Fund II	0.18%
CSFB Leveraged Loan Index*	9.44%

(1) For the period from August 21, 2009 to December 31, 2009.

For the period ending December 31, 2009, the Fund underperformed its benchmark, the Credit Suisse Leveraged Loan Index, not including the impact of currency fluctuations. Contributing to the underperformance were senior loans whose value was correlated with the deteriorating domestic real estate market, specifically positions categorized by Credit Suisse as being in the gaming/leisure and housing sectors.

** The CSFB Leveraged Loan Index is a market capitalization-weighted index that is designed to mirror the investable universe of the US dollar denominated senior floating rate bank (or 'leveraged') loan market. It is administered by Credit Suisse First Boston. The index frequency is monthly. Unlike the Fund, indices are not investments, do not incur fees or expenses and are not managed. As the annual compound return of the Fund is calculated in Canadian dollars and the annual compound return of the CSFB Leveraged Loan Index is calculated in US dollars, the comparison in the charts above do not reflect the impact of currency fluctuations.*

SUMMARY OF INVESTMENT PORTFOLIO

As at the end of the reporting period, the Fund was invested in the Common Share Portfolio and entered into a Forward Agreement to gain exposure to the portfolio of the Senior Loan Trust. Additionally, the Fund was invested in senior loans through the Senior Loan Portfolio. Holdings may change due to ongoing portfolio transactions of the Senior Loan Trust. A quarterly update is available at www.firsttrust.ca.

The table below shows the top 25 holdings of the Fund (including portfolio holdings of the Senior Loan Trust to which the Fund has exposure by virtue of the Forward Agreement) expressed as a percentage of net assets of the Fund as of December 31, 2009

Company	Total Market Value	% of Net Assets
Revlon Consumer Products Corporation	1,788,092	6.41
Charter Communications Operating, LLC	1,713,297	6.15
LifeCare Holdings (Rainer Acquisition Corp.)	1,691,798	6.07
Fontainebleu Florida Hotel, LLC / Fontainebleu Florida Tower 2, LLC	1,677,360	6.02
Sabre Inc.	1,425,101	5.11
Euramax International, Inc.	1,411,235	5.06
Burlington Coat Factory Warehouse Corporation	967,976	3.47
Remy International, Inc.	906,892	3.25
VML US Finance, LLC (aka Venetian Macau)	830,675	2.98
Bosque Power Company, LLC	746,836	2.68
Coleto Creek Power, LP (aka Coleto Creek WLE, LP)	730,281	2.62
SIRVA Worldwide, Inc.	683,679	2.45
Nuveen Investments, Inc.	544,705	1.95
Springboard Finance, LLC	537,541	1.93
CCS Medical, Inc. (Chronic Care)	529,918	1.90
SCS Holdings II, Inc. (Sirius Computer Solutions)	528,766	1.90
SunGard Data Systems, Inc. (Solar Capital Corp.)	526,253	1.89
Rehabcare Group, Inc.	518,278	1.86
Custom Building Products, Inc.	510,766	1.83
Digicell International Finance Limited	501,898	1.80
Dana Holding Corporation	501,242	1.80
Pierre Foods, Inc.	497,966	1.79
AWAS Capital, Inc.	493,493	1.77
Ford Motor Company	481,694	1.73
HUB International Limited	478,310	1.72
Total	**21,224,052**	**76.14**

PORTFOLIO BREAKDOWN

The table below sets out the percentage (based on net assets) of the Fund's portfolio (including portfolio holdings of the Senior Loan Trust to which the Fund has exposure by virtue of the Forward Agreement) by industry as at December 31, 2009.

Sector	% of Net Assets
Healthcare, Education and Childcare	9.83
Hotels, Motels, Inns & Gaming	9.00
Diversified Natural Resources, Precious Metals & Minerals	8.47
Utilities	6.83
Personal and Non Durable Consumer Products	6.41
Broadcasting and Entertainment	6.15
Electronics	5.40
Telecommunications	5.35
Retail Stores	5.06
Aerospace and Defense	4.69
Finance	3.62
Automobile	3.53
Chemical, Plastic & Rubber	3.41
Beverage, Food and Tobacco	3.40
Personal Transportation	3.25
Buildings and Real Estate	3.08
Cargo Transport	2.45
Insurance	1.72
Printing and Publishing	1.71
Diversified and Conglomerate Service	1.70
Total	**95.06**

The table below sets out the percentage of the Fund's portfolio (including portfolio holdings of the Senior Loan Trust to which the Fund has exposure by virtue of the Forward Agreement) by credit rating as at December 31, 2009.

Moody Rating	% of Portfolio
B1	18.87
B2	18.99
B3	12.60
Ba2	10.20
Ba3	14.20
Caa1	11.66
Caa2	2.06
Caa3	0.74
Not Rated	10.68
Total	**100.00**