

VAN KAMPEN SENIOR INCOME TRUST
Form N-CSR
October 01, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES

Investment Company Act file number 811-08743

Van Kampen Senior Income Trust

(Exact name of registrant as specified in charter)

1221 Avenue of the Americas NY NY 10020

(Address of principal executive offices) (Zip code)

Ronald Robison
1221 Avenue of the Americas
New York, NY 10020

(Name and address of agent for service)

Registrant's telephone number, including area code: 212-762-4000

Date of fiscal year end: 7/03

Date of reporting period: 7/31/03

Item 1. Report to Shareholders

Welcome, Shareholder

In this update, you'll learn about how your trust performed during the reporting period. The portfolio manager will provide an overview of the market climate, and discuss some of the factors that helped or hindered performance during the reporting period. In addition, this report includes the trust's financial statements and a list of investments, as well as other information.

Market forecasts provided in this report may not necessarily come to

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pass. There is no assurance that the trust will achieve its investment objective. The trust is subject to market risk which is the possibility that the market values of securities owned by the trust will decline and, therefore, the value of the trust shares may be less than what you paid for them. Accordingly, you can lose money investing in this trust.

An investment in senior loans is subject to certain risks such as loan defaults and illiquidity due to insufficient collateral backing.

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Performance Summary

CURRENT DISTRIBUTION

(August 31, 1998--July 31, 2003)
(LINE GRAPH)

| | SENIOR INCOME TRUST ----- |
|------|------------------------------|
| 8/98 | 8.49 |
| | 8.00 |
| | 7.85 |
| | 7.96 |
| | 8.17 |
| 1/99 | 7.91 |
| | 7.76 |
| | 8.17 |
| | 8.23 |
| | 8.17 |
| | 8.21 |
| 7/99 | 8.16 |
| | 8.49 |
| | 8.81 |
| | 8.75 |
| | 8.87 |
| | 9.90 |
| 1/00 | 9.53 |
| | 8.75 |
| | 10.34 |
| | 9.40 |
| | 9.88 |
| | 9.96 |
| 7/00 | 9.60 |
| | 9.46 |
| | 10.01 |
| | 10.46 |
| | 11.30 |
| | 11.58 |
| 1/01 | 10.66 |
| | 10.74 |
| | 10.68 |
| | 10.49 |
| | 9.79 |
| | 9.38 |
| 7/01 | 9.04 |
| | 8.54 |
| | 8.49 |

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| | |
|------|------|
| | 8.34 |
| | 7.46 |
| | 7.20 |
| 1/02 | 6.95 |
| | 6.79 |
| | 6.49 |
| | 6.56 |
| | 6.35 |
| | 6.28 |
| 7/02 | 6.76 |
| | 6.73 |
| | 6.85 |
| | 6.97 |
| | 6.89 |
| | 6.79 |
| 1/03 | 6.41 |
| | 6.20 |
| | 6.00 |
| | 5.72 |
| | 5.64 |
| | 5.46 |
| 7/03 | 5.33 |

* Source: Bloomberg

SENIOR INCOME TRUST
SYMBOL: VVR

| AVERAGE ANNUAL | Since 06/24/98 |
|-----------------|----------------|
| TOTAL RETURNS | |
| Since Inception | 3.33% |
| 5-year | 3.27 |
| 1-year | 25.06 |

Past performance is no guarantee of future results. Investment return, common share market price and net asset value will fluctuate and trust shares, when sold, may be worth more or less than their original cost.

As a result of recent market activity, current performance may vary from the figures shown. For more up-to-date information, please visit vankampen.com or speak with your financial advisor. Total return assumes an investment at the common share market price at the beginning of the period, reinvestment of all distributions for the period in accordance with the trust's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period. Distribution rate represents the monthly annualized distributions of the trust at the end of the period and not the earnings of the trust.

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FOR THE 12-MONTH PERIOD ENDED JULY 31, 2003

Howard Tiffen, Managing Director, is primarily responsible for the day-to-day management of Van Kampen Senior Income Trust. The following discussion reflects his views on the trust's performance.

Q. BEFORE YOU DISCUSS HOW THE TRUST PERFORMED, PLEASE DESCRIBE THE OVERALL MARKET ENVIRONMENT.

A. The market over the past year can really be divided into two distinct segments. During the first six months of the reporting period, a stagnant economy, lack of corporate earning power, and the effects of a series of corporate-governance scandals resulted in a very difficult environment for senior loans.

During the latter half of the period, however, the market improved dramatically. Absolute levels of corporate profitability began to increase, the number of debt refinancings rose considerably, and default rates began to subside. As a result, bank loan prices rallied. We believe this marked improvement was the result of several factors. First, corporate management has been forced to learn how to better operate in a low-growth, low-inflation environment, which has led to stronger corporate valuations. Second, more companies have been able to issue long-term debt to shore up their balance sheets. And lastly, we began to see many companies that were in bankruptcy two to three years ago return to performing status and earn a profit.

Q. HOW DID THE TRUST PERFORM DURING THE REPORTING PERIOD?

A. -- For the year ended July 31, 2003, the trust produced a total return of 25.06 percent based on common share market price, and not reflective of any early withdrawal charges. If these charges were included, performance would be lower. Past performance is no guarantee of future results.

-- The trust's monthly dividend of \$.0348 translated to a distribution rate of 5.33 percent based on the trust's closing common share market price of \$7.84 on July 31, 2003.

See Performance Summary for additional information.

Q. WHAT FACTORS HELPED PERFORMANCE?

A. -- As mentioned earlier, declining default rates, improved corporate profitability and increased loan issuance, as well as an overall improving economy, all contributed to performance.

-- A deeper secondary trading market in senior loans created greater opportunities for us to capture value. This, coupled with the

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appreciation of bank loan prices overall, helped boost the trust's return and net asset value.

-- In addition, our team now includes a total of 24 analysts, who have an average of 16 years of industry experience. Given that we employ a bottom-up investment approach, we believe that such a large team has enabled us to conduct even more in-depth analysis of every investment candidate as well as all existing portfolio holdings, and is vital to our ongoing success.

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Q. WHAT HINDERED PERFORMANCE DURING THE REPORTING PERIOD?

- A. -- Early in the reporting period, flat corporate performance and a low level of issuance dampened trust returns and left us with few compelling new investment opportunities. However, we saw marked improvement here in the last several months.
- While we have seen default rates decline, they are still at higher-than-normal levels. The number of issuers in the portfolio that are in default (defined here as those not paying principal and/or interest as contractually obligated) has also declined, by approximately 9 percent since this same period last year.
- Because senior-loan coupon rates float with short-term market rates, the near-record low interest rates throughout the entire period also held the trust back.

TOP TEN INDUSTRIES AS OF 7/31/03

| | |
|-------------------------------|------|
| Medical Products & Services | 8.4% |
| Beverage, Food & Tobacco | 7.7 |
| Healthcare | 7.0 |
| Printing & Publishing | 6.9 |
| Entertainment & Leisure | 6.3 |
| Hotels, Motels, Inns & Gaming | 6.1 |
| Broadcasting--Cable | 4.7 |
| Chemicals, Plastics & Rubber | 3.8 |
| Automotive | 3.8 |
| Telecommunications--Wireless | 3.2 |

Subject to change daily. All percentages are as a percentage of total assets. Provided for informational purposes only and should not be deemed as a recommendation to buy securities in the industries shown above. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisor services.

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Q. PLEASE WALK US THROUGH HOW YOU POSITIONED THE TRUST, HIGHLIGHTING KEY THEMES.

- A. We employed a variety of strategies during the period:
- In an effort to build value and avoid losses in the portfolio, we made greater use of the secondary market, where we were able to purchase loans at or below their repayment or recovery values. In fact, we now have two analysts on our team who are largely dedicated to this market, conducting transactions daily.
- We continued to keep the portfolio highly diversified by issuer. As of July 31, the trust contained a total of 294 issuers. Typically, each of the trust's ten largest holdings represents less than two percent of total assets. We believe that a high level of diversification--not only in this environment but going forward as well--is instrumental to successful investing in the senior loan asset class.

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- We strive to manage the trust as defensively as possible, and therefore, don't typically favor individual sectors. Some sectors may, however, fall out of favor from time to time. For example, we have chosen to reduce the trust's exposure to the auto and aerospace segments because we believe they are likely to deliver poor profits, and the value of collateral they can offer is also likely to fall. The trust's exposure to the health-care sector did increase slightly over the past year. We believe that certain parts of this sector have seen a significant improvement in business fundamentals, making some companies in the sector more attractive investments than they had previously been.
- We continued with our long-term strategy of focusing on companies that we believe demonstrate solid management strength--those that have learned to improve productivity in a low-inflation environment and keep their costs low.

Q. NOW THAT YOU'VE PROVIDED AN OVERVIEW OF THE TRUST, DO YOU HAVE ANY CLOSING THOUGHTS FOR THE SHAREHOLDERS?

A. We believe that the turnaround we've seen in the senior loan market as of late is based upon fundamentally-sound factors that may continue to positively influence the market. We also anticipate that default rates may continue their downward trend as the bankruptcies that occurred between 1999 and 2002 increasingly work their way through the system.

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While no one can predict with certainty where or when interest rates will bottom out, we believe it's likely that short-term rates may rise, or at least remain stable, over the next several months. Such an environment, coupled with more robust corporate performance, has historically been quite favorable for senior loans. Going forward, we will continue with our disciplined investment approach, monitoring the market closely for opportunities.

PROXY VOTING POLICIES AND PROCEDURES

A description of the trust's policies and procedures with respect to the voting of proxies relating to the trust's portfolio securities is available without charge, upon request, by calling 1-800-847-2424. This information is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

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BY THE NUMBERS

PORTFOLIO OF INVESTMENTS

July 31, 2003

THE FOLLOWING PAGES DETAIL YOUR TRUST'S PORTFOLIO OF INVESTMENTS AT THE END OF THE REPORTING PERIOD. (1)

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|----------|-----------------------|-----|---------------------|-------|
| | | MOODY'S | S&P | | |

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| | | VARIABLE RATE** SENIOR LOAN INTERESTS | | 122.3% | | |
|----------|--|---------------------------------------|-----|----------------------|----|------------|
| | | AEROSPACE/DEFENSE | | 2.3% | | |
| \$ 1,882 | DeCrane Aircraft Holdings, Inc., Term Loan..... | B2 | B | 12/17/06 | \$ | 1,684,811 |
| 10,047 | DRS Technologies, Inc., Term Loan..... | Ba3 | BB- | 09/30/08 | | 10,134,488 |
| 2,901 | ILC Industries, Inc., Term Loan..... | NR | NR | 04/11/10 | | 2,879,186 |
| 1,716 | Integrated Defense Technologies, Inc., Term Loan..... | Ba3 | BB- | 03/04/08 | | 1,713,699 |
| 1,500 | Transdigm, Inc., Term Loan..... | B1 | B+ | 07/22/10 | | 1,516,407 |
| 10,032 | United Defense Industries, Inc., Term Loan..... | Ba3 | BB | 08/13/07 to 08/13/09 | | 10,049,190 |
| 5,865 | Vought Aircraft Industries, Inc., Term Loan..... | Ba3 | B+ | 12/31/06 to 06/30/08 | | 5,866,178 |
| | | | | | | ----- |
| | | | | | | 33,843,959 |
| | | | | | | ----- |
| | | AUTOMOTIVE | | 4.7% | | |
| 3,396 | AMCAN Consolidate Technologies, Inc., Term Loan..... | NR | NR | 03/28/07 | | 3,242,922 |
| 5,534 | Citation Corp., Term Loan..... | NR | B | 12/01/07 | | 4,496,434 |
| 19,801 | Federal-Mogul Corp., Term Loan (c)..... | NR | NR | 10/01/03 to 02/24/04 | | 19,746,039 |
| 9,040 | Federal-Mogul Corp., Revolving Credit Agreement (c)..... | NR | NR | 02/24/04 | | 8,994,506 |
| 5,500 | Goodyear Tire & Rubber Co., Term Loan..... | Ba2 | BB- | 03/31/06 | | 5,472,500 |
| 6,945 | MetoKote Corp., Term Loan.. | B1 | B+ | 11/02/05 to 11/14/05 | | 6,809,712 |
| 12,687 | Safelite Glass Corp., Term Loan..... | NR | NR | 09/30/07 | | 12,497,066 |
| 863 | Stoneridge, Inc., Term Loan..... | Ba3 | BB- | 04/30/08 | | 862,500 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------|---|--------------------|-----|------------------|--------------|
| | | MOODY'S | S&P | | |
| AUTOMOTIVE (CONTINUED) | | | | | |
| \$ 4,000 | TRW Automotive, Inc., Term Loan..... | Ba2 | BB | 02/28/11 | \$ 4,020,416 |
| 2,500 | United Components, Inc., Term Loan..... | B1 | BB- | 06/30/10 | 2,522,395 |
| ----- | | | | | |
| 68,664,490 | | | | | |

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| ----- | | | | | | |
|--------|-----------------------------|-------|-----|----------------------|--|------------|
| | BEVERAGE, FOOD & TOBACCO | 10.2% | | | | |
| 24,827 | Aurora Foods, Inc., Term | | | | | |
| | Loan..... | B3 | CC | 09/30/06 | | 24,586,988 |
| 5,633 | B & G Foods, Inc., Term | | | | | |
| | Loan..... | B1 | B+ | 03/31/06 | | 5,635,005 |
| 12,902 | Birds Eye Foods, Inc., Term | | | | | |
| | Loan..... | NR | B+ | 06/30/08 | | 12,945,504 |
| 4,988 | Burns Philp, Inc., Term | | | | | |
| | Loan..... | B1 | B+ | 02/26/09 | | 5,018,672 |
| 7,544 | Commonwealth Brands, Inc., | | | | | |
| | Term Loan..... | NR | NR | 08/28/07 | | 7,553,929 |
| 5,000 | Constellation Brands, Inc., | | | | | |
| | Term Loan..... | Ba1 | BB | 11/30/08 | | 5,051,250 |
| 245 | Cott Beverages, Inc., Term | | | | | |
| | Loan..... | NR | BB+ | 12/31/06 | | 245,919 |
| 9,498 | Dean Foods Co., Term Loan.. | Ba1 | BB+ | 07/15/08 | | 9,548,102 |
| 4,388 | Del Monte Corp., Term | | | | | |
| | Loan..... | Ba3 | BB- | 12/20/10 | | 4,425,165 |
| 6,511 | Doane Pet Care Co., Term | | | | | |
| | Loan..... | B1 | B | 03/31/05 to 12/29/06 | | 6,524,179 |
| 9,766 | Dole Food Co., Inc., Term | | | | | |
| | Loan..... | Ba3 | BB+ | 03/28/08 to 09/28/08 | | 9,847,018 |
| 6,532 | Hartz Mountain Corp., Term | | | | | |
| | Loan..... | B1 | B | 12/31/07 | | 6,536,566 |
| 9,750 | Land O' Lakes, Inc., Term | | | | | |
| | Loan..... | B1 | BB | 10/10/06 to 10/10/08 | | 9,555,455 |
| 2,391 | Mafco Worldwide Corp., Term | | | | | |
| | Loan..... | NR | NR | 03/31/06 | | 2,367,431 |
| 418 | Meow Mix Co., Term Loan.... | Ba3 | BB- | 01/31/08 | | 418,544 |
| 2,500 | Merisant Co., Term Loan.... | Ba3 | BB- | 01/11/10 | | 2,518,750 |
| 2,000 | NBTY, Inc., Term Loan..... | Ba2 | BB+ | 07/25/09 | | 2,022,500 |
| 5,000 | Nellson Nutraceutical, | | | | | |
| | Inc., Term Loan..... | NR | NR | 10/04/09 | | 5,043,750 |
| 5,762 | New World Pasta Co., Term | | | | | |
| | Loan..... | B3 | NR | 01/28/06 | | 4,897,363 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|--------------------------------------|--|-----------------------|-----|---------------------|------------|
| | | MOODY'S | S&P | | |
| BEVERAGE, FOOD & TOBACCO (CONTINUED) | | | | | |
| \$ 954 | New World Pasta Co., Revolving Credit Agreement..... | B3 | NR | 01/28/05 | \$ 829,980 |
| 4,825 | Otis Spunkmeyer, Inc., Term Loan..... | B1 | B+ | 02/20/09 | 4,832,448 |
| 10,659 | Pinnacle Foods, Inc., Term Loan..... | Ba3 | BB- | 05/22/08 | 10,672,119 |
| 4,352 | Southern Wine & Spirits of America, Inc., Term Loan... | NR | NR | 07/02/08 | 4,375,152 |

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| | | | | | |
|--------|--|-----|-----|----------------------|-------------|
| 3,941 | Swift & Co., Term Loan..... | Ba2 | BB | 09/19/08 | 3,950,661 |
| | | | | | ----- |
| | | | | | 149,402,450 |
| | | | | | ----- |
| | BROADCASTING--CABLE 6.3% | | | | |
| 6,895 | CC VIII Operating, LLC, Term Loan..... | B2 | B- | 02/02/08 | 6,496,076 |
| 33,498 | Charter Communications Operating, LLC, Term Loan.. | B2 | B | 09/18/07 to 09/18/08 | 31,549,033 |
| 16,712 | Falcon Cable Communications, LP, Term Loan..... | B2 | NR | 12/31/07 | 15,260,602 |
| 4,896 | Frontiervision Operating Partners, LP, Term Loan (c)..... | NR | NR | 03/31/06 | 4,659,600 |
| 4,364 | Frontiervision Operating Partners, LP, Revolving Credit Agreement (c)..... | NR | NR | 10/31/05 | 4,152,729 |
| 13,500 | Insight Midwest Holdings LLC, Term Loan..... | Ba3 | BB+ | 06/30/09 to 12/31/09 | 13,517,808 |
| 4,250 | MCC Iowa, LLC, Term Loan... | NR | NR | 09/30/10 | 4,285,122 |
| 1,489 | Mediacom Illinois, LLC, Term Loan..... | NR | BB+ | 12/31/08 | 1,486,889 |
| 2,719 | Mediacom Southeast, LLC, Term Loan..... | Ba3 | BB+ | 09/30/08 | 2,725,519 |
| 9,240 | Olympus Cable Holdings, LLC, Term Loan (c)..... | NR | NR | 09/30/10 | 8,203,965 |
| | | | | | ----- |
| | | | | | 92,337,343 |
| | | | | | ----- |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|---|-----------------------|-----|----------------------|--------------|
| | | MOODY'S | S&P | | |
| | BROADCASTING--DIVERSIFIED 0.9% | | | | |
| \$ 1,995 | Cumulus Media, Inc., Term Loan..... | Ba3 | B+ | 03/28/10 | \$ 2,008,404 |
| 9,000 | DirectTV Holdings, LLC, Term Loan..... | Ba2 | BB- | 03/06/08 to 03/06/10 | 8,994,567 |
| 1,800 | Nexstar Broadcasting, Inc., Term Loan..... | NR | NR | 12/31/10 | 1,807,743 |
| | | | | | ----- |
| | | | | | 12,810,714 |
| | | | | | ----- |
| | BROADCASTING--RADIO 0.3% | | | | |
| 4,807 | Citadel Broadcasting Co., Term Loan..... | NR | NR | 06/26/09 | 4,825,739 |
| | | | | | ----- |
| | BROADCASTING--TELEVISION 0.9% | | | | |

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| | | | | | |
|--------|---|-----|-----|----------------------|------------|
| 7,040 | Gray Communications Systems, Inc., Term Loan... | Ba3 | B+ | 12/31/10 | 7,101,600 |
| 5,950 | Quorum Broadcasting, Inc., Term Loan..... | NR | NR | 12/31/04 | 5,741,633 |
| | | | | | ----- |
| | | | | | 12,843,233 |
| | | | | | ----- |
| | BUILDINGS & REAL ESTATE 3.8% | | | | |
| 8,000 | AIMCO Properties, L.P., Term Loan..... | NR | NR | 05/30/08 | 8,035,000 |
| 5,950 | CB Richard Ellis Services, Inc., Term Loan..... | B1 | B+ | 07/18/08 | 5,994,625 |
| 7,839 | Central Parking Corp., Term Loan..... | Ba2 | BB+ | 03/31/10 | 7,830,520 |
| 3,500 | Century Maintenance & Supply, Inc., Term Loan.... | NR | NR | 05/12/10 | 3,552,500 |
| 9,083 | Corrections Corp. of America, Term Loan..... | Ba3 | BB- | 03/31/08 | 9,138,191 |
| 4,750 | The Macerich Co., Term Loan..... | NR | NR | 07/26/05 | 4,768,073 |
| 6,930 | Ventas, Inc., Term Loan.... | NR | NR | 04/17/07 | 6,912,675 |
| 1,567 | Ventas, Inc., Revolving Credit Agreement..... | NR | NR | 04/17/05 | 1,496,386 |
| 2,500 | Wackenhut Corrections Corp., Term Loan..... | Ba3 | BB- | 07/09/09 | 2,512,500 |
| 5,000 | WFP Tower Co., L.P., Term Loan..... | NR | NR | 03/31/06 | 4,996,875 |
| | | | | | ----- |
| | | | | | 55,237,345 |
| | | | | | ----- |
| | CHEMICALS, PLASTICS & RUBBER 4.9% | | | | |
| 7,985 | CP Kelco ApS, Term Loan.... | B3 | B+ | 09/30/06 to 09/30/08 | 7,981,782 |
| 11,225 | GenTek, Inc., Term Loan (c)..... | NR | NR | 04/30/05 to 10/31/07 | 7,397,793 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------|---|--------------------|------|----------------------|--------------|
| | | MOODY'S | S&P | | |
| | CHEMICALS, PLASTICS & RUBBER (CONTINUED) | | | | |
| \$ 3,792 | GenTek, Inc., Revolving Credit Agreement (c)..... | NR | NR | 04/30/05 | \$ 2,533,284 |
| 4,550 | GEO Specialty Chemicals, Inc., Term Loan..... | B3 | CCC+ | 12/31/07 | 4,178,415 |
| 27,951 | Huntsman Corp., Term Loan.. | B1 | BB | 03/31/07 | 25,827,757 |
| 12,434 | Huntsman ICI Chemicals, LLC, Term Loan..... | B2 | B+ | 06/30/05 to 06/30/08 | 12,483,257 |
| 987 | ISP Technologies, Inc., Term Loan..... | NR | B- | 06/27/08 | 991,828 |
| 3,423 | Messer Griesheim, Term Loan..... | Ba2 | BB | 04/27/09 to 04/27/10 | 3,452,184 |

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| | | | | | |
|--------|--|-----|-----|----------------------|------------|
| 2,290 | Nutrasweet Acquisition Corp., Term Loan..... | Ba3 | NR | 06/30/06 to 12/31/07 | 2,220,356 |
| 4,000 | Rockwood Specialties Group, Inc., Term Loan..... | B1 | B+ | 07/23/10 | 4,050,000 |
| 411 | West American Rubber Co., LLC, Term Loan..... | NR | NR | 11/09/03 | 411,162 |
| | | | | | ----- |
| | | | | | 71,527,818 |
| | | | | | ----- |
| | CONSTRUCTION MATERIAL 0.9% | | | | |
| 5,000 | Interline Brands, Inc., Term Loan..... | B2 | B+ | 11/30/09 | 5,018,750 |
| 2,091 | National Waterworks, Inc., Term Loan..... | B1 | BB- | 11/22/09 | 2,112,880 |
| 1,719 | Therma-Tru Corp., Term Loan..... | Ba3 | BB- | 02/21/10 | 1,727,435 |
| 3,750 | Werner Holding Co., Inc., Term Loan..... | Ba3 | B+ | 06/11/09 | 3,799,999 |
| | | | | | ----- |
| | | | | | 12,659,064 |
| | | | | | ----- |
| | CONTAINERS, PACKAGING & GLASS 3.5% | | | | |
| 9,125 | Crown Cork & Seal Co., Inc., Term Loan..... | Ba3 | NR | 09/15/08 | 9,167,778 |
| 9,860 | Dr. Pepper/Seven Up Bottling Group, Inc., Term Loan..... | NR | NR | 10/07/06 to 10/07/07 | 9,829,160 |
| 981 | Impress Metal Packaging Holding B.V., Term Loan.... | NR | NR | 12/31/06 | 978,196 |
| 374 | Jefferson Smurfit Corp., Revolving Credit Agreement..... | NR | NR | 03/31/05 | 363,859 |
| 11,000 | Owens-Illinois, Inc., Term Loan..... | NR | NR | 04/01/08 | 11,041,250 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------|---|--------------------|-----|----------------------|--------------|
| | | MOODY'S | S&P | | |
| | CONTAINERS, PACKAGING & GLASS (CONTINUED) | | | | |
| \$ 4,731 | Packaging Dynamics, Term Loan..... | NR | NR | 11/20/05 | \$ 4,719,673 |
| 2,300 | Pliant Corp., Term Loan.... | B2 | BB- | 05/31/08 | 2,284,404 |
| 1,656 | Riverwood International Corp., Term Loan..... | B1 | B | 12/31/06 to 03/31/07 | 1,655,366 |
| 4,352 | Smurfit-Stone Container Corp., Term Loan..... | NR | NR | 06/30/09 | 4,368,777 |
| 4,850 | Tekni-Plex, Inc., Term Loan..... | B1 | B+ | 06/21/08 | 4,781,799 |
| 1,610 | U.S. Can Corp., Term Loan.. | B2 | NR | 01/04/06 | 1,592,423 |
| | | | | | ----- |

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| | | | | | |
|--------|-----------------------------|------|------|----------------------|------------|
| | | | | | 50,782,685 |
| | | | | | ----- |
| | DIVERSIFIED MANUFACTURING | 2.0% | | | |
| 2,438 | EnerSys, Term Loan..... | NR | NR | 11/09/08 | 2,443,672 |
| 14,608 | Mueller Group, Inc., Term | | | | |
| | Loan..... | B1 | B+ | 05/31/08 | 14,618,214 |
| 7,593 | Neenah Foundry Co., Term | | | | |
| | Loan (c)..... | Caa3 | D | 09/30/05 | 7,545,554 |
| 5,404 | SPX Corp., Term Loan..... | Ba2 | BBB- | 09/30/09 to 03/31/10 | 5,427,719 |
| | | | | | ----- |
| | | | | | 30,035,159 |
| | | | | | ----- |
| | ECOLOGICAL | 2.9% | | | |
| 32,533 | Allied Waste North America, | | | | |
| | Inc., Term Loan (i)..... | Ba3 | BB | 01/15/10 | 32,845,810 |
| 4,950 | Casella Waste Systems, | | | | |
| | Inc., Term Loan..... | B1 | BB- | 05/11/07 | 4,976,606 |
| 4,844 | Duratek, Inc., Term Loan... | NR | NR | 12/08/06 | 4,722,827 |
| | | | | | ----- |
| | | | | | 42,545,243 |
| | | | | | ----- |
| | EDUCATION & CHILD CARE | 0.1% | | | |
| 863 | TEC Worldwide, Inc., Term | | | | |
| | Loan..... | NR | NR | 02/28/05 | 846,770 |
| | | | | | ----- |
| | ELECTRONICS | 4.8% | | | |
| 599 | AMI Semiconductor, Inc., | | | | |
| | Term Loan..... | Ba3 | BB | 12/26/06 | 596,990 |
| 3,713 | Audio Visual Services | | | | |
| | Corp., Term Loan..... | NR | NR | 03/04/04 to 03/04/06 | 3,558,922 |
| 4,178 | Automata, Inc., Term Loan | | | | |
| | (a) (j)..... | NR | NR | 02/28/03 to 02/28/04 | 0 |
| 5,409 | Kinetics Group, Inc., Term | | | | |
| | Loan..... | B1 | NR | 02/28/06 | 4,746,294 |
| 6,432 | Knowles Electronics, Inc., | | | | |
| | Term Loan..... | B3 | CCC+ | 06/29/07 | 6,355,562 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|-----------------------------|-----------------------|-----|----------------------|---------------|
| | | MOODY'S | S&P | | |
| | ELECTRONICS (CONTINUED) | | | | |
| \$11,125 | Rayovac Corp., Term Loan... | Ba3 | BB- | 09/30/09 | \$ 11,148,173 |
| 11,880 | Seagate Technologies, Inc., | | | | |
| | Term Loan..... | Ba1 | BB+ | 05/13/07 | 11,939,400 |
| 16,377 | Semiconductor Components | | | | |
| | Industries, LLC, Term | | | | |
| | Loan..... | B3 | B | 08/04/06 to 08/04/07 | 16,270,814 |
| 4,669 | Stratus Technologies, Inc., | | | | |
| | Term Loan..... | NR | NR | 02/26/05 | 4,108,923 |

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| | | | | | |
|--------|--|-----|-----|----------------------|------------|
| 4,089 | Veridian Corp., Term Loan..... | Ba3 | BB- | 06/30/08 | 4,116,642 |
| 8,028 | Viasystems, Inc., Term Loan..... | NR | NR | 03/31/06 | 6,964,155 |
| | | | | | ----- |
| | | | | | 69,805,875 |
| | | | | | ----- |
| | ENTERTAINMENT & LEISURE 8.4% | | | | |
| 4,520 | Bell Sports, Inc., Term Loan..... | NR | NR | 12/31/05 | 3,412,695 |
| 6,963 | Carmike Cinemas, Inc., Term Loan..... | NR | NR | 01/31/07 | 7,005,221 |
| 2,934 | Cinemark USA, Inc., Term Loan..... | Ba3 | BB- | 03/31/08 | 2,956,745 |
| 5,818 | Festival Fun Parks, LLC, Term Loan..... | NR | NR | 06/30/07 to 12/31/07 | 5,794,295 |
| 8,657 | Fitness Holdings Worldwide, Inc., Term Loan..... | NR | B | 11/02/06 to 11/02/07 | 8,597,973 |
| 3,716 | GT Brands, LLC, Term Loan.. | NR | NR | 09/30/07 | 3,604,432 |
| 5,970 | Kerasotes Theatres, Inc., Term Loan..... | NR | NR | 12/31/08 | 6,014,775 |
| 10,527 | Loews Cineplex Entertainment Corp., Term Loan..... | NR | NR | 02/29/08 | 10,500,260 |
| 19,425 | Metro-Goldwyn-Mayer, Inc., Term Loan..... | NR | NR | 06/30/08 | 19,455,361 |
| 7,500 | Mets II, LLC, Term Loan.... | NR | NR | 08/23/05 | 7,490,625 |
| 1,981 | Panavision, Inc., Term Loan..... | B3 | CCC | 03/31/05 | 1,948,471 |
| 4,850 | Playcore Wisconsin, Inc., Term Loan..... | NR | NR | 07/01/07 | 4,654,471 |
| 5,000 | Pure Fishing, Term Loan.... | NR | NR | 12/31/09 | 4,993,750 |
| 3,000 | Regal Cinemas, Inc., Term Loan..... | Ba2 | BB- | 06/30/09 | 3,033,750 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|--|-----------------------|-----|---------------------|--------------|
| | | MOODY'S | S&P | | |
| | ENTERTAINMENT & LEISURE (CONTINUED) | | | | |
| \$ 2,500 | Riddell Sports Group, Inc., Term Loan..... | NR | NR | 06/30/08 | \$ 2,506,250 |
| 6,500 | Six Flags Theme Parks, Inc., Term Loan..... | Ba2 | BB- | 06/30/09 | 6,496,614 |
| 11,500 | Vivendi Universal Entertainment, Term Loan... | Ba2 | BB+ | 06/30/08 | 11,573,669 |
| 5,000 | Washington Group International, Inc., Term Loan..... | NR | NR | 10/16/07 | 5,028,125 |
| 3,750 | Worldspan, LP, Term Loan... | B1 | BB- | 06/30/07 | 3,775,781 |
| 4,465 | Worldwide Sports & | | | | |

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| | | | | | |
|--------|---|------|-----|----------------------|-------------------------------|
| | Recreation, Inc., Term Loan..... | NR | NR | 12/31/06 | 4,278,452 |
| | | | | | ----- 123,121,715 ----- |
| | FARMING & AGRICULTURE 0.4% | | | | |
| 2,250 | Central Garden & Pet Co., Term Loan..... | Ba2 | BB+ | 05/14/09 | 2,264,767 |
| 3,704 | The Scotts Co., Term Loan.. | Ba1 | BB | 12/31/07 | 3,728,749 |
| | | | | | ----- 5,993,516 ----- |
| | FINANCE 1.3% | | | | |
| 4,818 | Outsourcing Solutions, Term Loan (a) (c)..... | Caa1 | NR | 06/10/06 | 2,228,094 |
| 8,500 | Rent-A-Center, Inc., Term Loan..... | Ba2 | BB | 05/28/09 | 8,567,294 |
| 8,242 | Risk Management Assurance Co., Term Loan..... | NR | NR | 12/21/06 | 8,235,996 |
| | | | | | ----- 19,031,384 ----- |
| | GROCERY 0.4% | | | | |
| 4,314 | Fleming Cos., Inc., Term Loan (c)..... | NR | NR | 06/18/08 | 4,076,350 |
| 1,569 | Fleming Cos., Inc., Revolving Credit Agreement (c)..... | NR | NR | 06/18/07 | 1,492,892 |
| | | | | | ----- 5,569,242 ----- |
| | HEALTHCARE 6.5% | | | | |
| 31,949 | Community Health Systems, Inc., Term Loan..... | NR | NR | 07/16/10 to 01/16/11 | 32,068,704 |
| 8,005 | FHC Health Systems, Inc., Term Loan..... | B1 | NR | 04/30/05 to 04/30/06 | 7,925,238 |
| 2,795 | Genesis Health Ventures, Inc., Term Loan..... | Ba3 | B+ | 03/31/07 | 2,791,564 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|---|-----------------------|-----|----------------------|--------------|
| | | MOODY'S | S&P | | |
| | HEALTHCARE (CONTINUED) | | | | |
| \$ 7,888 | InteliStaf Group, Inc., Term Loan..... | NR | NR | 10/31/05 to 10/31/07 | \$ 7,828,935 |
| 16,378 | Kindred Healthcare, Inc., Term Loan..... | NR | NR | 04/13/08 | 16,214,221 |
| 10,727 | Magellan Health Services, Inc., Term Loan (c)..... | NR | D | 02/12/05 to 02/12/06 | 10,547,996 |
| 9,034 | Medical Staffing Network | | | | |

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| | | | | | | |
|-------|---|-----|----|----------------------|--|------------|
| | Holdings, Inc., Term | | | | | |
| 3,758 | Loan..... | NR | NR | 10/26/06 | | 8,994,072 |
| | Team Health, Inc., Term | | | | | |
| 4,523 | Loan..... | Ba3 | B+ | 10/31/08 | | 3,717,368 |
| | Triad Hospitals, Inc., Term | | | | | |
| | Loan..... | Ba3 | BB | 09/30/08 | | 4,557,437 |
| | | | | | | ----- |
| | | | | | | 94,645,535 |
| | | | | | | ----- |
| | HEALTHCARE & BEAUTY 1.0% | | | | | |
| 3,750 | Jafra Cosmetics, Term | | | | | |
| | Loan..... | NR | B+ | 05/20/08 | | 3,656,250 |
| 1,717 | Mary Kay, Inc., Term | | | | | |
| | Loan..... | Ba3 | BB | 10/03/07 | | 1,725,582 |
| 2,895 | Prestige Brands Holdings, | | | | | |
| | Inc., Term Loan..... | NR | NR | 12/30/08 | | 2,909,475 |
| 5,915 | Revlon Consumer Products | | | | | |
| | Corp., Term Loan..... | B3 | B- | 05/30/05 | | 5,767,269 |
| | | | | | | ----- |
| | | | | | | 14,058,576 |
| | | | | | | ----- |
| | HOME & OFFICE FURNISHINGS, HOUSEWARES & | | | | | |
| | DURABLE CONSUMER PRODUCTS 1.4% | | | | | |
| 1,958 | Formica Corp., Term Loan | | | | | |
| | (c)..... | NR | NR | 04/30/06 | | 1,899,586 |
| 7,083 | General Binding Corp., Term | | | | | |
| | Loan..... | B2 | B+ | 01/15/08 | | 7,061,198 |
| 3,122 | Holmes Products Corp., Term | | | | | |
| | Loan..... | B2 | B | 02/05/07 | | 3,049,084 |
| 1,422 | Imperial Home Decor Group, | | | | | |
| | Inc., Term Loan (a) (d).... | NR | NR | 04/04/06 | | 35,557 |
| 3,289 | National Bedding Co., Term | | | | | |
| | Loan..... | B1 | B+ | 08/31/08 | | 3,302,348 |
| 3,567 | Sealy Mattress Co., Term | | | | | |
| | Loan..... | B1 | B+ | 12/15/04 to 12/15/06 | | 3,553,806 |
| 1,410 | Targus Group International, | | | | | |
| | Inc., Term Loan..... | NR | NR | 08/31/06 | | 1,247,818 |
| | | | | | | ----- |
| | | | | | | 20,149,397 |
| | | | | | | ----- |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|------------------------------------|-----------------------|-----|----------------------|---------------|
| | | MOODY'S | S&P | | |
| | HOTELS, MOTELS, INNS & GAMING 8.1% | | | | |
| \$37,993 | Aladdin Gaming, LLC, Term | | | | |
| | Loan (a) (c)..... | NR | NR | 02/25/05 to 02/26/08 | \$ 31,901,385 |
| 3,461 | Alliance Gaming Corp., Term | | | | |
| | Loan..... | B1 | BB- | 12/31/06 | 3,472,029 |
| 2,906 | Ameristar Casinos, Inc., | | | | |

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| | | | | | |
|--------|---|------|------|----------------------|-------------------------------|
| 3,980 | Term Loan..... | Ba3 | BB- | 12/20/06 | 2,923,384 |
| | Extended Stay America, Inc., Term Loan..... | Ba3 | BB- | 01/15/08 | 4,006,325 |
| 4,682 | Greektown Casino, LLC, Term Loan..... | NR | NR | 09/30/04 | 4,694,728 |
| 2,962 | Isle of Capri Casinos, Inc., Term Loan..... | Ba2 | BB- | 04/26/08 | 2,975,923 |
| 13,500 | Mandalay Resort Group, Term Loan..... | NR | NR | 08/21/06 to 06/30/08 | 13,484,687 |
| 1,760 | Mandalay Resort Group, Revolving Credit Agreement..... | NR | NR | 08/21/06 | 1,689,600 |
| 2,190 | Park Place Entertainment Corp., Revolving Credit Agreement..... | NR | BBB- | 12/31/03 | 2,157,567 |
| 5,689 | Penn National Gaming, Term Loan..... | B1 | B+ | 09/01/07 | 5,712,171 |
| 10,448 | Scientific Games Corp., Term Loan..... | Ba3 | BB- | 12/31/08 | 10,486,678 |
| 9,000 | Thunder Valley Casino, Term Loan..... | NR | NR | 12/01/08 | 9,022,500 |
| 30,312 | Wyndham International, Inc., Term Loan..... | NR | NR | 06/30/04 to 06/30/06 | 25,965,061 |
| | | | | | ----- 118,492,038 ----- |
| | INSURANCE 1.0% | | | | |
| 10,000 | Alea Group Holdings, Term Loan..... | NR | BBB- | 03/31/07 | 9,975,000 |
| 3,053 | Hilb, Rogal & Hamilton Co., Term Loan..... | Ba3 | BB- | 06/30/07 | 3,083,025 |
| 1,800 | Infinity Property & Casualty Corp., Term Loan..... | Baa3 | BBB | 06/30/10 | 1,814,625 |
| | | | | | ----- 14,872,650 ----- |
| | MACHINERY 1.1% | | | | |
| 4,482 | Alliance Laundry Holdings, LLC, Term Loan..... | B1 | B | 08/02/07 | 4,462,257 |
| 139 | Alliance Laundry Holdings, LLC, Revolving Credit Agreement..... | B1 | B | 06/02/05 | 135,417 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|---------------------------------------|-----------------------|-----|---------------------|--------------|
| | | MOODY'S | S&P | | |
| | MACHINERY (CONTINUED) | | | | |
| \$10,051 | Ashtead Group, PLC, Term Loan..... | NR | NR | 06/01/07 | \$ 7,714,223 |

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| | | | | | |
|--------|---|-----|-----|----------------------|-------------------------------|
| 1,606 | Flowserve Corp., Term Loan..... | Ba3 | BB- | 06/30/09 | 1,614,514 |
| 2,116 | Weigh-Tronix, LLC, Term Loan..... | NR | NR | 09/30/05 | 1,639,729 |
| | | | | | ----- 15,566,140 ----- |
| | MEDICAL PRODUCTS & SERVICES 9.0% | | | | |
| 4,556 | Alaris Medical Systems, Inc., Term Loan..... | B1 | BB | 06/30/09 | 4,604,531 |
| 10,005 | Alliance Imaging, Inc., Term Loan..... | B1 | B+ | 06/10/08 | 9,774,809 |
| 2,993 | Ameripath, Inc., Term Loan..... | B1 | B+ | 03/27/10 | 3,011,203 |
| 11,452 | CONMED Corp., Term Loan.... | Ba3 | BB- | 12/15/09 | 11,574,183 |
| 13,782 | Dade Behring, Inc., Term Loan..... | B1 | B+ | 10/03/08 | 13,971,377 |
| 32,043 | DaVita, Inc., Term Loan.... | Ba3 | BB- | 03/31/07 to 03/31/09 | 32,182,383 |
| 5,027 | Fisher Scientific International, Inc., Term Loan..... | Ba3 | BB+ | 03/31/10 | 5,057,564 |
| 22,111 | Fresenius Medical Care Holding, Inc., Term Loan... | Ba1 | BB+ | 02/21/10 | 22,290,904 |
| 6,349 | InSight Health, Term Loan..... | NR | B+ | 10/17/08 | 6,376,785 |
| 9,449 | Kinetic Concepts, Inc., Term Loan..... | Ba3 | BB- | 12/31/04 to 03/31/06 | 9,444,756 |
| 4,379 | National Nephrology Associates, Inc., Term Loan..... | B1 | B+ | 12/31/05 | 4,351,567 |
| 1,975 | Rotech Healthcare, Inc., Term Loan..... | Ba2 | BB | 03/31/08 | 1,976,919 |
| 6,000 | Symmetry Medical, Inc., Term Loan..... | NR | NR | 06/30/08 to 06/30/09 | 6,003,138 |
| | | | | | ----- 130,620,119 ----- |
| | MINING, STEEL, IRON & NON-PRECIOUS METALS 2.3% | | | | |
| 500 | Arch Coal, Inc., Revolving Credit Agreement..... | Ba2 | BB | 04/18/07 | 477,500 |
| 3,388 | CII Carbon, LLC, Term Loan..... | NR | NR | 06/25/08 | 3,015,724 |
| 3,064 | Fairmount Minerals, Ltd., Term Loan..... | NR | NR | 03/13/09 | 3,071,763 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------|---|--------------------|-----|----------------------|---------------|
| | | MOODY'S | S&P | | |
| | MINING, STEEL, IRON & NON-PRECIOUS METALS (CONTINUED) | | | | |
| \$31,554 | Ispat Inland, Term Loan.... | Caa1 | B- | 07/16/05 to 07/16/06 | \$ 21,851,164 |

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| | | | | | |
|--------|--|-----|------|----------------------|------------|
| 4,788 | Peabody Energy Corp., Term Loan..... | Ba1 | BB+ | 03/21/10 | 4,835,880 |
| | | | | | ----- |
| | | | | | 33,252,031 |
| | | | | | ----- |
| | NATURAL RESOURCES 3.2% | | | | |
| 1,250 | CITGO Petroleum Corp., Term Loan..... | NR | BB+ | 02/27/06 | 1,290,625 |
| 7,500 | El Paso Oil & Gas, Term Loan..... | B3 | B+ | 12/31/06 | 7,485,938 |
| 1,250 | El Paso Oil & Gas, Revolving Credit Agreement..... | B3 | B+ | 06/30/05 | 1,237,305 |
| 10,500 | Lyondell-Citgo Refining, LP, Term Loan..... | Ba3 | BB- | 06/10/04 | 9,975,000 |
| 15,000 | Ocean Rig ASA--(Norway), Term Loan..... | NR | NR | 06/01/08 | 12,600,000 |
| 4,500 | Pacific Energy Group, LLC, Term Loan..... | Ba2 | BBB- | 07/26/09 | 4,533,750 |
| 7,655 | Tesoro Petroleum Corp., Term Loan..... | Ba3 | BB | 04/17/07 | 7,722,454 |
| 1,400 | U.S. Synthetic Corp., Term Loan..... | NR | NR | 05/31/05 | 1,344,000 |
| | | | | | ----- |
| | | | | | 46,189,072 |
| | | | | | ----- |
| | NON-DURABLE CONSUMER PRODUCTS 1.1% | | | | |
| 2,379 | Aero Products International, Inc., Term Loan..... | NR | NR | 12/19/08 | 2,349,652 |
| 1,267 | American Safety Razor Co., Term Loan..... | NR | NR | 01/31/05 to 04/30/07 | 1,236,368 |
| 2,985 | Amscan Holdings, Inc., Term Loan..... | B1 | BB- | 06/15/07 | 2,999,925 |
| 1,376 | Church & Dwight Co., Inc., Term Loan..... | Ba2 | BB | 09/30/07 | 1,385,590 |
| 2,640 | JohnsonDiversey, Inc., Term Loan..... | Ba3 | BB- | 11/03/09 | 2,652,727 |
| 6,777 | The Boyds Collection, Ltd., Term Loan..... | Ba3 | B+ | 04/21/05 | 6,641,292 |
| | | | | | ----- |
| | | | | | 17,265,554 |
| | | | | | ----- |
| | PAPER & FOREST PRODUCTS 0.3% | | | | |
| 2,465 | Bear Island Paper Co., LLC, Term Loan..... | B3 | B- | 12/31/05 | 2,453,142 |
| 2,611 | Port Townsend Paper Corp., Term Loan..... | NR | NR | 03/16/05 to 03/16/07 | 2,402,045 |
| | | | | | ----- |
| | | | | | 4,855,187 |
| | | | | | ----- |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

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| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|---|-----------------------|------|----------------------|------------------------------|
| | | MOODY'S | S&P | | |
| | PERSONAL & MISCELLANEOUS SERVICES 2.4% | | | | |
| \$ 7,840 | Coinmach Laundry Corp., Term Loan..... | B1 | BB- | 07/25/09 | \$ 7,875,280 |
| 3,868 | Encompass Service Corp., Term Loan (a) (c)..... | NR | NR | 05/10/07 | 512,548 |
| 2,000 | Global Imaging Systems, Inc., Term Loan..... | Ba3 | BB- | 06/25/09 | 2,025,000 |
| 1,925 | Info-USA, Inc., Term Loan..... | Ba3 | NR | 04/30/07 | 1,922,594 |
| 1,595 | Iron Mountain, Inc., Term Loan..... | Ba3 | BB | 02/15/08 | 1,605,456 |
| 4,950 | Katun Corp., Term Loan.... | NR | B+ | 06/30/09 | 4,934,531 |
| 2,710 | Stewart Enterprises, Inc., Term Loan..... | Ba3 | BB | 01/31/06 | 2,724,260 |
| 9,509 | The Relizon Co., Term Loan..... | NR | NR | 09/30/06 to 12/31/07 | 9,342,946 |
| 3,840 | Weight Watchers International, Inc., Term Loan..... | Ba1 | BB | 12/31/07 | 3,873,353 |
| | | | | | ----- 34,815,968 ----- |
| | PHARMACEUTICALS 1.5% | | | | |
| 848 | Alpharma, Inc., Term Loan (i)..... | B2 | BB- | 10/05/07 | 842,577 |
| 9,712 | Caremark Rx, Inc., Term Loan..... | Ba2 | BBB- | 03/31/06 | 9,733,693 |
| 11,913 | MedPointe, Inc., Term Loan..... | B1 | B | 09/30/07 to 09/30/08 | 11,221,886 |
| | | | | | ----- 21,798,156 ----- |
| | PRINTING & PUBLISHING 9.2% | | | | |
| 4,962 | 21st Century Newspapers, Term Loan..... | NR | NR | 08/27/08 | 4,961,538 |
| 1,144 | Adams Outdoor Advertising LP, Term Loan..... | B1 | B+ | 02/08/08 | 1,149,535 |
| 6,100 | Advanstar Communications, Inc., Term Loan (i)..... | NR | B | 04/11/07 to 10/11/07 | 6,028,468 |
| 7,622 | American Media Operations, Inc., Term Loan..... | Ba3 | B+ | 04/01/07 | 7,661,077 |
| 11,127 | American Reprographics Co., Term Loan..... | NR | NR | 04/10/08 | 10,893,648 |
| 1,900 | Check Printers, Inc., Term Loan..... | NR | NR | 06/30/05 | 1,897,578 |
| 17,268 | CommerceConnect Media, Inc., Term Loan..... | NR | NR | 12/31/07 | 16,577,328 |
| 2,010 | Daily News, LP, Term Loan.. | NR | NR | 03/19/08 | 1,927,427 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

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| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|---|-----------------------|-----|----------------------|-------------------------------|
| | | MOODY'S | S&P | | |
| | PRINTING & PUBLISHING (CONTINUED) | | | | |
| \$ 9,994 | F&W Publications, Inc., Term Loan..... | NR | NR | 12/31/09 | \$ 9,993,832 |
| 3,884 | Hights Cross Communications, LLC, Term Loan..... | B2 | B+ | 12/10/06 | 3,764,824 |
| 7,200 | Lamar Media Corp., Term Loan..... | Ba2 | BB- | 06/30/10 | 7,230,002 |
| 3,570 | Liberty Group Operating, Inc., Term Loan..... | B1 | B | 03/31/07 | 3,565,519 |
| 5,167 | Merrill Communications, LLC, Term Loan..... | B3 | B | 11/23/07 | 5,064,027 |
| 2,500 | Moore Corp., Term Loan..... | Ba2 | BB+ | 03/15/10 | 2,508,203 |
| 15,000 | Morris Communications Corp., Term Loan..... | NR | BB | 09/30/09 | 15,046,875 |
| 3,435 | Network Communications, Inc., Term Loan..... | NR | NR | 06/27/08 | 3,443,380 |
| 8,341 | PRIMEDIA, Inc., Term Loan.. | NR | B | 06/30/09 | 8,084,904 |
| 6,520 | R.H. Donnelley, Inc., Term Loan..... | Ba3 | NR | 12/31/08 to 06/30/10 | 6,633,836 |
| 4,764 | The Reader's Digest Association, Inc., Term Loan..... | Ba1 | BB+ | 05/21/07 | 4,710,320 |
| 1,895 | Vutek, Inc., Term Loan..... | B1 | NR | 07/31/07 | 1,837,727 |
| 9,500 | Xerox Corp., Term Loan..... | NR | BB- | 09/30/08 | 9,428,750 |
| 1,598 | Ziff-Davis Media, Inc., Term Loan..... | NR | CCC | 03/31/07 | 1,430,027 |
| | | | | | ----- 133,838,825 ----- |
| | RESTAURANTS & FOOD SERVICE 0.6% | | | | |
| 1,632 | Carvel Corp., Term Loan.... | NR | NR | 12/31/06 | 1,615,841 |
| 3,871 | Domino's, Inc., Term Loan..... | B1 | B+ | 06/25/10 | 3,912,326 |
| 2,672 | Papa Ginos, Inc., Term Loan..... | NR | NR | 08/31/07 | 2,665,237 |
| | | | | | ----- 8,193,404 ----- |
| | RETAIL--OIL & GAS 0.8% | | | | |
| 5,000 | Barjan Products, LLC, Term Loan..... | NR | NR | 05/31/06 | 2,500,000 |
| 9,421 | The Pantry, Inc., Term Loan..... | B1 | B+ | 03/31/07 | 9,502,856 |
| | | | | | ----- 12,002,856 ----- |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

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July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|--|-----------------------|-----|----------------------|------------------------------|
| | | MOODY'S | S&P | | |
| | RETAIL--SPECIALTY 0.3% | | | | |
| \$ 3,209 | DRL Acquisition, Inc., Term Loan..... | NR | NR | 04/30/09 | \$ 3,197,340 |
| 1,592 | Home Interiors & Gifts, Inc., Term Loan..... | B2 | B+ | 12/31/06 | 1,577,914 |
| | | | | | ----- 4,775,254 ----- |
| | RETAIL--STORES 3.1% | | | | |
| 4,198 | Advance Stores Co., Inc., Term Loan..... | Ba3 | BB- | 11/30/07 | 4,221,509 |
| 5,350 | CSK Auto, Inc., Term Loan.. | Ba3 | BB- | 02/15/06 | 5,403,500 |
| 35,000 | Rite Aid Corp., Term Loan..... | B1 | BB | 04/30/08 | 35,288,750 |
| | | | | | ----- 44,913,759 ----- |
| | TECHNOLOGY 0.9% | | | | |
| 12,854 | The Titan Corp., Term Loan..... | Ba3 | BB- | 06/30/09 | 12,889,240 |
| | | | | | ----- |
| | TELECOMMUNICATIONS--LOCAL EXCHANGE CARRIERS 1.0% | | | | |
| 2,684 | Cincinnati Bell, Inc., Term Loan..... | B1 | B+ | 11/09/04 to 06/28/07 | 2,709,293 |
| 3,000 | FairPoint Communications, Inc., Term Loan..... | B1 | BB- | 03/31/07 | 3,011,250 |
| 1,926 | Orius Corp., Term Loan..... | NR | NR | 01/23/09 to 01/23/10 | 499,278 |
| 1,127 | Orius Corp., Revolving Credit Agreement..... | NR | NR | 01/23/05 | 647,798 |
| 5,381 | Qwest Corp., Term Loan..... | Ba3 | B- | 06/30/07 | 5,425,345 |
| 1,675 | Superior Telecom, Inc., Revolving Credit Agreement..... | NR | NR | 12/04/03 | 1,659,297 |
| 7,500 | WCI Capital Corp., Term Loan (a) (c)..... | NR | NR | 09/30/07 | 9,375 |
| 2,158 | WCI Capital Corp., Revolving Credit Agreement (a) (c) (g)..... | NR | NR | 12/31/02 | 1,035,884 |
| | | | | | ----- 14,997,520 ----- |
| | TELECOMMUNICATIONS--LONG DISTANCE 0.1% | | | | |
| 20,965 | Pacific Crossing, Ltd., Term Loan (a) (c)..... | NR | NR | 07/28/06 | 1,467,578 |
| | | | | | ----- |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

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July 31, 2003

| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|--|-----------------------|-----|----------------------|------------------------------|
| | | MOODY'S | S&P | | |
| | TELECOMMUNICATIONS-WIRELESS | 3.8% | | | |
| \$ 7,477 | American Cellular Corp., Term Loan..... | B3 | CC | 03/31/08 to 03/31/09 | \$ 7,410,815 |
| 269 | American Cellular Corp., Revolving Credit Agreement..... | B3 | CC | 03/31/07 | 268,218 |
| 14,467 | BCP SP Ltd., Term Loan (g) (k)..... | NR | NR | 03/31/02 to 03/31/05 | 4,945,703 |
| 2,900 | Centennial Cellular Corp., Term Loan..... | B3 | B | 11/30/06 | 2,809,640 |
| 3,150 | Centennial Puerto Rico Operations Corp., Term Loan..... | NR | B | 05/31/07 to 11/30/07 | 3,062,863 |
| 8,000 | Cricket Communications, Inc., Term Loan (a) (c).... | NR | NR | 06/30/07 | 3,100,000 |
| 23,451 | Nextel Finance Co., Term Loan..... | Ba2 | BB | 12/31/07 to 12/31/08 | 23,344,049 |
| 2,038 | Spectrasite Communications, Inc., Term Loan..... | B1 | B+ | 12/31/07 | 2,058,830 |
| 3,534 | Sygnel Wireless, Inc., Term Loan..... | NR | NR | 12/23/06 to 12/23/07 | 3,477,667 |
| 1,043 | TSI Telecommunication Services, Inc., Term Loan..... | Ba3 | B+ | 12/31/06 | 1,044,640 |
| 3,443 | Western Wireless Corp., Term Loan..... | B3 | B- | 09/30/08 | 3,391,272 |
| | | | | | ----- 54,913,697 ----- |
| | TEXTILES & LEATHER | 0.1% | | | |
| 5,402 | Malden Mills Industries, Inc., Term Loan (a) (c).... | NR | NR | 10/28/06 | 1,308,902 |
| | TRANSPORTATION--CARGO | 1.9% | | | |
| 9,764 | American Commercial Lines, LLC, Term Loan (c)..... | NR | NR | 06/30/06 to 06/30/07 | 7,937,909 |
| 4,380 | Atlas Freighter Leasing, Inc., Term Loan..... | NR | NR | 04/25/05 to 04/25/06 | 2,655,673 |
| 4,872 | Comcar Industries, Inc., Term Loan..... | NR | NR | 09/30/04 | 4,092,781 |
| 2,652 | Ingram Industries, Inc., Term Loan..... | NR | NR | 07/02/08 | 2,625,859 |
| 7,118 | Pacer International, Inc., Term Loan..... | B1 | BB- | 06/10/10 | 7,179,927 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

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| PRINCIPAL AMOUNT (000) | BORROWER | BANK LOAN RATINGS+ | | STATED MATURITY* | VALUE |
|------------------------------|--|-----------------------|-----|---------------------|------------|
| | | MOODY'S | S&P | | |
| | TRANSPORTATION--CARGO (CONTINUED) | | | | |
| \$ 598 | Roadway Corp., Term Loan... | Baa3 | BBB | 11/30/06 | \$ 595,712 |
| 3,046 | United States Shipping, LLC, Term Loan..... | Ba2 | BB | 09/12/08 | 3,054,557 |
| | | | | | ----- |
| | | | | | 28,142,418 |
| | | | | | ----- |
| | TRANSPORTATION--PERSONAL 1.3% | | | | |
| 5,996 | IAP Newsub, Inc., Term Loan (a)..... | NR | NR | 05/29/05 | 929,438 |
| 900 | IAP Newsub, Inc., Revolving Credit Agreement (a)..... | NR | NR | 05/29/05 | 139,476 |
| 9,900 | Laidlaw Investments, Ltd., Term Loan..... | Ba3 | BB+ | 06/19/09 | 9,974,250 |
| 4,673 | Motor Coach Industries, Inc., Term Loan..... | B2 | B | 06/16/05 | 3,936,785 |
| 3,810 | Transcore Holdings, Inc., Term Loan..... | NR | NR | 10/01/06 | 3,824,223 |
| | | | | | ----- |
| | | | | | 18,804,172 |
| | | | | | ----- |
| | TRANSPORTATION--RAIL MANUFACTURING 0.2% | | | | |
| 3,231 | Helm, Inc., Term Loan..... | NR | NR | 10/18/06 | 3,012,942 |
| 1,666 | RailWorks Corp., Term Loan..... | NR | NR | 11/13/04 | 624,857 |
| | | | | | ----- |
| | | | | | 3,637,799 |
| | | | | | ----- |
| | UTILITIES 1.1% | | | | |
| 750 | Allegheny Energy, Inc., Term Loan..... | B1 | B | 09/30/04 | 750,375 |
| 853 | Aquila, Inc., Term Loan.... | B2 | B+ | 05/15/06 | 859,573 |
| 27 | CMS Energy Corp., Term Loan..... | B2 | BB | 09/30/04 | 27,044 |
| 1,050 | Consumers Energy Co., Term Loan..... | Baa3 | NR | 07/11/04 | 1,057,219 |
| 1,647 | Pike Electric, Inc., Term Loan..... | NR | NR | 04/18/10 | 1,658,898 |
| 3,125 | Southern California Edison Co., Term Loan..... | Ba2 | NR | 03/01/05 | 3,137,697 |
| 441 | TNP Enterprises, Inc., Term Loan..... | Ba2 | BB+ | 03/30/06 | 435,117 |

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See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS

July 31, 2003

BANK LOAN

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| PRINCIPAL AMOUNT (000) | BORROWER | RATINGS+ | | STATED MATURITY* | VALUE |
|---|--|----------|-----|---------------------|------------------------------|
| | | MOODY'S | S&P | | |
| | UTILITIES (CONTINUED) | | | | |
| \$ 7,695 | Westar Energy, Inc., Term Loan..... | NR | NR | 06/06/05 | \$ 7,733,402 |
| 10 | Westar Energy, Inc., Revolving Credit Agreement..... | NR | NR | 06/05/05 | 9,375 |
| | | | | | ----- 15,668,700 ----- |
| TOTAL VARIABLE RATE** SENIOR LOAN INTERESTS 122.3%..... | | | | | 1,784,018,291 ----- |

NOTES 3.0%

| | |
|--|---------------------|
| Alderwoods Group, Inc. (\$3,283,700 par, 11.00% to 12.25% coupon, maturing 01/02/07 to 01/02/09)..... | 3,446,141 |
| American Home Patient, Inc. (\$5,562,289 par, 6.785% to 8.57% coupon, maturing 07/01/09)..... | 3,782,357 |
| Commonwealth Brands, Inc. (\$1,500,000 par, 8.736% coupon, maturing 04/15/08) (h)..... | 1,537,500 |
| Dade Behring, Inc. (\$5,523,042 par, 11.91% coupon, maturing 10/03/10)..... | 5,799,194 |
| Genesis Health Ventures, Inc. (\$9,217,299 par, 6.114% coupon, maturing 04/02/07) (h)..... | 9,217,299 |
| PCI Chemicals Canada, Inc. (\$3,353,666 par, 10.00% coupon, maturing 12/31/08)..... | 2,900,921 |
| Pioneer Cos., Inc. (\$1,624,077 par, 4.60% coupon, maturing 12/31/06) (h)..... | 1,388,586 |
| Premcor Refining Group, Inc. (\$7,500,000 par, 4.34% coupon, maturing 02/11/06) (h)..... | 7,565,625 |
| Satelites Mexicanos (\$8,770,000 par, 5.614% coupon, maturing 06/30/04), 144A Private Placement (b) (h)..... | 7,761,450 |
| TOTAL NOTES..... | 43,399,073 ----- |

EQUITIES 4.4%

| | |
|--|------------|
| Alderwoods Group, Inc. (152,880 common shares) (e)..... | 1,037,902 |
| American Home Patient, Inc. (Warrants for 68,497 common shares) (c) (e)..... | 0 |
| Audio Visual Services Corp. (70,205 common shares) (e) (f)..... | 737,153 |
| Comdisco Holdings Co. (350 common shares) (e)..... | 33,250 |
| Dade Behring Holdings, Inc. (512,559 common shares) (e)..... | 12,639,705 |
| Genesis Health Ventures, Inc. (11,631 preferred shares) (e) (f) (k)..... | 1,206,716 |
| Genesis Health Ventures, Inc. (932,290 common shares) (e)..... | 19,811,163 |
| Holmes Group, Inc. (Warrants for 22,312 common shares) (e)..... | 0 |
| Imperial Home Decor Group, Inc. (512,023 common shares) (d) (e) (f)..... | 0 |
| Imperial Home Decor Realty, Inc. (512,023 common shares) (d) (e) (f)..... | 0 |
| Kindred Healthcare, Inc. (499,875 common shares) (e)..... | 11,977,005 |
| Orius Corp. (315,080 common shares) (d) (e) (f)..... | 0 |
| Pioneer Cos., Inc. (269,846 common shares) (e)..... | 863,507 |

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS

July 31, 2003

| DESCRIPTION | VALUE |
|--|-----------------|
| EQUITIES (CONTINUED) | |
| Railworks Corp. (186 preferred shares) (e) (f)..... | \$ 0 |
| Railworks Corp. (Warrants for 3,282 common shares) (e) (f)..... | 0 |
| Rotech Healthcare, Inc. (478,573 common shares) (e)..... | 11,366,109 |
| Rotech Medical Corp. (48,485 common shares) (e) (f)..... | 0 |
| Safelite Glass Corp. (421,447 common shares) (e) (f)..... | 4,808,710 |
| Safelite Realty (28,448 common shares) (e) (f)..... | 0 |
| Tembec, Inc. (78,468 common shares) (e)..... | 406,464 |
| West American Rubber Co., LLC (5.04% Ownership Interest) (e) (f)..... | 0 |
| <hr style="border-top: 1px dashed black;"/> | |
| TOTAL EQUITIES 4.4%..... | 64,887,684 |
| <hr style="border-top: 1px dashed black;"/> | |
| TOTAL LONG-TERM INVESTMENTS 129.7% | |
| (Cost \$1,980,267,426)..... | 1,892,305,048 |
| <hr style="border-top: 1px dashed black;"/> | |
| SHORT-TERM INVESTMENTS 1.8% | |
| REPURCHASE AGREEMENT 1.7% | |
| State Street Bank & Trust Corp. (\$24,200,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 07/31/03, 0.95% coupon, to be sold on 08/01/03 at \$24,200,639) (i)..... | 24,200,000 |
| <hr style="border-top: 1px dashed black;"/> | |
| TIME DEPOSIT 0.1% | |
| State Street Bank & Trust Corp. (\$2,211,082 par, 0.116% coupon, dated 07/31/03, to be sold on 08/01/03 at \$2,211,089) (i)..... | 2,211,082 |
| <hr style="border-top: 1px dashed black;"/> | |
| TOTAL SHORT-TERM INVESTMENTS | |
| (Cost \$26,411,082)..... | 26,411,082 |
| <hr style="border-top: 1px dashed black;"/> | |
| TOTAL INVESTMENTS 131.5% | |
| (Cost \$2,006,678,508)..... | 1,918,716,130 |
| BORROWINGS (27.5)%..... | (401,000,000) |
| LIABILITIES IN EXCESS OF OTHER ASSETS (4.0)%..... | (59,129,807) |
| <hr style="border-top: 1px dashed black;"/> | |
| NET ASSETS 100.0%..... | \$1,458,586,323 |
| <hr style="border-top: 3px double black;"/> | |

NR--Not rated

+ Bank Loans rated below Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade. (Bank loan ratings are unaudited.)

(1) Industry percentages are calculated as a percentage of net assets.

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PORTFOLIO OF INVESTMENTS

July 31, 2003

- (a) This Senior Loan interest is non-income producing.
 - (b) 144A Securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally transactions with qualified institutional buyers.
 - (c) This borrower has filed for protection in federal bankruptcy court.
 - (d) Affiliated company. See Notes to Financial Statements.
 - (e) Non-income producing security as this stock currently does not declare dividends.
 - (f) Restricted Security.
 - (g) The borrower is in the process of restructuring or amending the terms of this loan.
 - (h) Variable rate security. Interest rate shown is that in effect at July 31, 2003.
 - (i) A portion of this security is designated in connection with unfunded commitments.
 - (j) This borrower is currently in liquidation.
 - (k) Payment-in-kind security.
- * Senior Loans in the Trust's portfolio generally are subject to mandatory and/or optional prepayment. Because of these mandatory prepayment conditions and because there may be significant economic incentives for a Borrower to prepay, prepayments of Senior Loans in the Trust's portfolio may occur. As a result, the actual remaining maturity of Senior Loans held in the Trust's portfolio may be substantially less than the stated maturities shown. Although the Trust is unable to accurately estimate the actual remaining maturity of individual Senior Loans, the Trust estimates that the actual average maturity of the Senior Loans held in its portfolio will be approximately 18-24 months.
- ** Senior Loans in which the Trust invests generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more major United States banks and (iii) the certificate of deposit rate. Senior Loans are generally considered to be restricted in that the Trust ordinarily is contractually obligated to receive approval from the Agent Bank and/or Borrower prior to the disposition of a Senior Loan.

See Notes to Financial Statements

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FINANCIAL STATEMENTS

Statement of Assets and Liabilities

July 31, 2003

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| | |
|---|-----------------|
| ASSETS: | |
| Total Investments (Cost \$2,006,678,508) | \$1,918,716,130 |
| Receivables: | |
| Investments Sold..... | 23,413,773 |
| Interest and Fees..... | 7,229,248 |
| Other..... | 179,048 |
| | ----- |
| Total Assets..... | 1,949,538,199 |
| | ----- |
| LIABILITIES: | |
| Payables: | |
| Borrowings..... | 401,000,000 |
| Investments Purchased..... | 86,933,072 |
| Investment Advisory Fee..... | 1,343,379 |
| Administrative Fee..... | 316,089 |
| Distributor and Affiliates..... | 74,396 |
| Custodian Bank..... | 68,362 |
| Accrued Expenses..... | 544,396 |
| Accrued Interest Expense..... | 356,762 |
| Trustees' Deferred Compensation and Retirement Plans..... | 315,420 |
| | ----- |
| Total Liabilities..... | 490,951,876 |
| | ----- |
| NET ASSETS..... | \$1,458,586,323 |
| | ===== |
| NET ASSET VALUE PER COMMON SHARE (\$1,458,586,323 divided by 180,010,000 shares outstanding)..... | \$ 8.10 |
| | ===== |
| NET ASSETS CONSIST OF: | |
| Common Shares (\$.01 par value with an unlimited number of shares authorized, 180,010,000 shares issued and outstanding)..... | \$ 1,800,100 |
| Paid in Surplus..... | 1,795,669,290 |
| Accumulated Undistributed Net Investment Income..... | 1,189,293 |
| Net Unrealized Depreciation..... | (87,962,378) |
| Accumulated Net Realized Loss..... | (252,109,982) |
| | ----- |
| NET ASSETS..... | \$1,458,586,323 |
| | ===== |

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See Notes to Financial Statements

Statement of Operations
For the Year Ended July 31, 2003

| | |
|------------------------------|----------------|
| INVESTMENT INCOME: | |
| Interest..... | \$ 108,915,548 |
| Dividends..... | 112,275 |
| Other..... | 5,575,696 |
| | ----- |
| Total Income..... | 114,603,519 |
| | ----- |
| EXPENSES: | |
| Investment Advisory Fee..... | 15,923,642 |
| Administrative Fee..... | 3,746,739 |

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| | |
|--|-----------------|
| Legal..... | 1,142,132 |
| Custody..... | 511,487 |
| Trustees' Fees and Related Expenses..... | 118,547 |
| Other..... | 793,663 |
| | ----- |
| Total Operating Expenses..... | 22,236,210 |
| Interest Expense..... | 8,673,475 |
| | ----- |
| NET INVESTMENT INCOME..... | \$ 83,693,834 |
| | ===== |
| REALIZED AND UNREALIZED GAIN/LOSS: | |
| Net Realized Loss..... | \$ (33,874,642) |
| | ----- |
| Unrealized Appreciation/Depreciation: | |
| Beginning of the Period..... | (146,657,331) |
| End of the Period..... | (87,962,378) |
| | ----- |
| Net Unrealized Appreciation During the Period..... | 58,694,953 |
| | ----- |
| NET REALIZED AND UNREALIZED GAIN..... | \$ 24,820,311 |
| | ===== |
| NET INCREASE IN NET ASSETS FROM OPERATIONS..... | \$ 108,514,145 |
| | ===== |

See Notes to Financial Statements

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Statements of Changes in Net Assets

| | YEAR ENDED JULY 31, 2003 | YEAR ENDED JULY 31, 2002 |
|---|-----------------------------|-----------------------------|
| | ----- | ----- |
| FROM INVESTMENT ACTIVITIES: | | |
| Operations: | | |
| Net Investment Income..... | \$ 83,693,834 | \$ 89,866,208 |
| Net Realized Loss..... | (33,874,642) | (87,927,766) |
| Net Unrealized Appreciation/Depreciation During the Period..... | 58,694,953 | (11,950,146) |
| | ----- | ----- |
| Change in Net Assets from Operations..... | 108,514,145 | (10,011,704) |
| Distributions from Net Investment Income..... | (79,888,289) | (92,687,003) |
| | ----- | ----- |
| NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES..... | 28,625,856 | (102,698,707) |
| NET ASSETS: | | |
| Beginning of the Period..... | 1,429,960,467 | 1,532,659,174 |
| | ----- | ----- |
| End of the Period (Including accumulated undistributed net investment income of \$1,189,293 and \$5,331,061, respectively)..... | \$1,458,586,323 | \$1,429,960,467 |
| | ===== | ===== |

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See Notes to Financial Statements

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Statement of Cash Flows
For the Year Ended July 31, 2003

| | |
|---|---------------|
| CHANGE IN NET ASSETS FROM OPERATIONS..... | \$108,514,145 |
| <hr style="border-top: 1px dashed black;"/> | |
| Adjustments to Reconcile the Change in Net Assets from Operations to Net Cash Used for Operating Activities: | |
| Increase in Investments at Value..... | (64,207,423) |
| Decrease in Interest and Fees Receivables..... | 568,861 |
| Increase in Receivable for Investments Sold..... | (14,465,380) |
| Increase in Other Assets..... | (93,970) |
| Increase in Investment Advisory Fee Payable..... | 64,026 |
| Increase in Administrative Fee Payable..... | 15,065 |
| Decrease in Distributor and Affiliates Payable..... | (211,060) |
| Increase in Payable for Investments Purchased..... | 18,807,082 |
| Increase in Accrued Expenses..... | 16,650 |
| Increase in Trustees' Deferred Compensation and Retirement Plans..... | 102,318 |
| <hr style="border-top: 1px dashed black;"/> | |
| Total Adjustments..... | (59,403,831) |
| <hr style="border-top: 1px dashed black;"/> | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES..... | 49,110,314 |
| <hr style="border-top: 1px dashed black;"/> | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Change in Bank Borrowings..... | 30,841,000 |
| Change in Intra-day Credit Line with Custodian Bank..... | 68,362 |
| Change in Accrued Interest Expense..... | (158,587) |
| Cash Dividends Paid..... | (79,888,289) |
| <hr style="border-top: 1px dashed black;"/> | |
| Net Cash Used for Financing Activities..... | (49,137,514) |
| <hr style="border-top: 1px dashed black;"/> | |
| Net Decrease in Cash..... | (27,200) |
| Cash at Beginning of the Period..... | 27,200 |
| <hr style="border-top: 1px dashed black;"/> | |
| CASH AT THE END OF THE PERIOD..... | \$ -0- |
| <hr style="border-top: 1px dashed black;"/> | |

See Notes to Financial Statements

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Financial Highlights

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

| | YEAR ENDED JULY 31, | | | | |
|--|---|----------|---------|----------|----------|
| | 2003 | 2002 (e) | 2001 | 2000 | 1999 |
| | <hr style="border-top: 1px dashed black;"/> | | | | |
| NET ASSET VALUE, BEGINNING OF THE PERIOD (a)..... | \$ 7.94 | \$ 8.51 | \$ 9.65 | \$ 10.08 | \$ 10.07 |
| | <hr style="border-top: 1px dashed black;"/> | | | | |
| Net Investment Income..... | .46 | .49 | .79 | .81 | .77 |
| Net Realized and Unrealized Gain/Loss..... | .14 | (.55) | (1.10) | (.42) | -0- |

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| | | | | | |
|--|---------|---------|---------|---------|----------|
| Total from Investment Operations..... | .60 | (.06) | (.31) | .39 | .77 |
| Less: | | | | | |
| Distributions from Net Investment Income..... | .44 | .51 | .83 | .81 | .76 |
| Distributions from Net Realized Gain..... | -0- | -0- | -0- | .01 | -0- |
| Total Distributions..... | .44 | .51 | .83 | .82 | .76 |
| NET ASSET VALUE, END OF THE PERIOD..... | \$ 8.10 | \$ 7.94 | \$ 8.51 | \$ 9.65 | \$ 10.08 |

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Common Share Market Price at End of the Period..... | \$ 7.84 | \$ 6.67 | \$ 7.79 | \$ 8.75 | \$ 9.5625 |
| Total Return (b)..... | 25.06% | -8.05% | -1.42% | .61% | 2.98% |
| Net Assets at End of the Period (In millions)..... | \$1,458.6 | \$1,430.0 | \$1,532.7 | \$1,736.5 | \$1,815.1 |
| Ratio of Operating Expenses to Average Net Assets excluding Borrowings*..... | 1.59% | 1.48% | 1.63% | 1.75% | 1.66% |
| Ratio of Interest Expense to Average Net Assets excluding Borrowings..... | .62% | .53% | 2.15% | 2.49% | 2.37% |
| Ratio of Gross Expense to Average Net Assets excluding Borrowings*..... | 2.21% | 2.01% | 3.78% | 4.24% | 4.03% |
| Ratio of Net Investment Income to Average Net Assets excluding Borrowings*..... | 5.98% | 6.02% | 8.90% | 8.19% | 7.72% |
| Portfolio Turnover (c)..... | 78% | 65% | 55% | 57% | 28% |

SUPPLEMENTAL RATIOS:

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Ratio of Operating Expenses to Average Net Assets including Borrowings*..... | 1.19% | 1.22% | 1.20% | 1.24% | 1.18% |
| Ratio of Interest Expense to Average Net Assets including Borrowings..... | .46% | .44% | 1.58% | 1.77% | 1.67% |
| Ratio of Gross Expense to Average Net Assets including Borrowings*..... | 1.65% | 1.66% | 2.78% | 3.01% | 2.85% |
| Ratio of Net Investment Income to Average Net Assets including Borrowings*..... | 4.47% | 4.95% | 6.55% | 5.83% | 5.46% |

SENIOR INDEBTEDNESS:

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Total Borrowing Outstanding (In thousands)..... | \$401,000 | \$370,159 | \$375,000 | \$700,000 | \$800,000 |
| Asset Coverage Per \$1,000 Unit of Senior Indebtedness (d)..... | 4,637 | 4,863 | 5,087 | 3,481 | 3,269 |

* If certain expenses had not been voluntarily assumed by Van Kampen, total return would have been lower and the Ratio of Operating Expenses to Average Net Assets and the Ratio of Net Investment Income to Average Net Assets would have been 1.21% and 6.90% for the period ended July 31, 1998.

** Non-Annualized

(a) Net asset value on June 24, 1998 of \$10.00 is adjusted for common share offering costs of \$.013.

(b) Total return based on common share market price assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing

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common share market price at the end of the period indicated.

- (c) Calculation includes the proceeds from principal repayments and sales of variable rate senior loan interest.
- (d) Calculated by subtracting the Trust's total liabilities (not including the Borrowings) from the Trust's total assets and dividing by the total number of senior indebtedness units, where one unit equals \$1,000 of senior indebtedness.
- (e) As required, effective August 1, 2001, the Trust has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities. The effect of this change for the year ended July 31, 2002 was to decrease the ratio of net investment income to average net asset applicable to common shares by .01%. Net investment income per share and net realized and unrealized gains and losses per share were unaffected by the adjustments. Per share, ratios and supplemental data for the periods prior to July 31, 2002 have not been restated to reflect this change in presentation.

NA--Not Applicable

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See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

July 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen Senior Income Trust (the "Trust") is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended. The Trust's investment objective is to provide a high level of current income, consistent with preservation of capital. The Trust seeks to achieve its objective by investing primarily in a portfolio of interests in floating or variable rate senior loans to corporations, partnerships and other entities which operate in a variety of industries and geographical regions. The Trust borrows money for investment purposes which will create the opportunity for enhanced return, but also should be considered a speculative technique and may increase the Trust's volatility. The Trust commenced investment operations on June 24, 1998.

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

A. SECURITY VALUATION The Trust's Senior Loans are valued by the Trust following valuation guidelines established and periodically reviewed by the Trust's Board of Trustees. Under the valuation guidelines, Senior Loans for which reliable market quotes are readily available are valued at the mean of such bid and ask quotes. Where reliable market quotes are not readily available, Senior Loans are valued, where possible, using independent market indicators provided by independent pricing sources approved by the Board of Trustees. Other Senior Loans are valued by independent pricing sources approved by the Board of Trustees based upon pricing models developed, maintained and operated by those

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pricing sources or valued by Van Kampen Investment Advisory Corp. (the "Adviser") by considering a number of factors including consideration of market indicators, transactions in instruments which the Adviser believes may be comparable (including comparable credit quality, interest rate, interest rate redetermination period and maturity), the credit worthiness of the Borrower, the current interest rate, the period until next interest rate redetermination and the maturity of such Senior Loan. Consideration of comparable instruments may include commercial paper, negotiable certificates of deposit and short-term variable rate securities which have adjustment periods comparable to the Senior Loans in the Trust's portfolio. The fair value of Senior Loans are reviewed and approved by the Trust's Valuation Committee and the Board of Trustees.

Equity securities are valued on the basis of prices furnished by pricing services or as determined in good faith by the Adviser under the direction of the Board of Trustees.

Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value. Short-term loan participations are valued at cost in the absence of any indication of impairment.

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

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NOTES TO FINANCIAL STATEMENTS

July 31, 2003

security at a future time and specified price. Repurchase agreements are fully collateralized by the underlying debt security. The Trust will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of the custodian bank. The seller is required to maintain the value of the underlying security at not less than the repurchase proceeds due the Trust.

B. SECURITY TRANSACTIONS Investment transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis.

C. INVESTMENT INCOME Interest income is recorded on an accrual basis. Facility fees received are treated as market discounts. Market premiums are amortized and discounts are accreted over the stated life of each applicable senior loan, note, or other fixed income security. Other income is comprised primarily of amendment fees which are recorded when received. Amendment fees are earned as compensation for agreeing to changes in loan agreements.

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

The Trust intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At July 31, 2003, the Trust had an accumulated capital loss carryforward for tax purposes of \$179,582,840, which will expire between July 31, 2009 and 2011.

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At July 31, 2003, the cost and related gross unrealized appreciation and depreciation are as follows:

| | | |
|---|------------------|-------|
| Cost of investments for tax purposes..... | \$2,037,050,569 | ===== |
| Gross tax unrealized appreciation..... | \$ 13,246,616 | |
| Gross tax unrealized depreciation..... | (131,581,055) | |
| | | ----- |
| Net tax unrealized depreciation on investments..... | \$ (118,334,439) | ===== |

E. DISTRIBUTION OF INCOME AND GAINS The Trust intends to declare and pay monthly dividends from net investment income to common shareholders. Net realized gains, if any, are to be distributed at least annually to common shareholders. Distributions from net realized gains for book purposes may include short term capital gains, which are included as ordinary income for tax purposes.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2003

The tax character of distributions paid for the years ended July 31, 2003 and 2002 was as follows:

| | 2003 | 2002 |
|-----------------------------|--------------|--------------|
| Distributions paid from: | | |
| Ordinary income..... | \$79,888,289 | \$92,687,003 |
| Long-term capital gain..... | -0- | -0- |
| | ----- | ----- |
| | \$79,888,289 | \$92,687,003 |
| | ===== | ===== |

Due to inherent differences in the recognition of income, expenses and realized gains/ losses under accounting principles generally accepted in the United States of America and federal income tax purposes, permanent differences between book and tax basis reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. A permanent difference related to book to tax amortization differences totaling \$7,947,313 has been reclassified from accumulated undistributed net investment income to accumulated net realized loss.

As of July 31, 2003, the components of distributable earnings on a tax basis were as follows:

| | |
|------------------------------------|-------------|
| Undistributed ordinary income..... | \$2,873,430 |
|------------------------------------|-------------|

Net realized gains and losses may differ for financial and tax reporting purposes primarily as a result of the deferral of losses resulting from wash

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sale transactions, other losses that were recognized for book purposes but not tax purposes at the end of the fiscal year and post October losses which are not realized for tax purposes until the first day of the following year.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory Agreement, the Adviser will provide investment advice and facilities to the Trust for an annual fee of .85% of the average daily managed assets. Managed assets are defined as the gross asset value of the Trust minus the sum of accrued liabilities, other than the aggregate amount of borrowings undertaken by the Trust. In addition, the Trust will pay a monthly administrative fee to Van Kampen Investments Inc., the Trust's Administrator, at an annual rate of .20% of the average daily managed assets of the Trust. The administrative services provided by the Administrator include monitoring the provisions of the loan agreements and any agreements with respect to participations and assignments, record keeping responsibilities with respect to interests in Variable Rate Senior Loans in the Trust's portfolio and providing certain services to the holders of the Trust's securities.

For the year ended July 31, 2003, the Trust recognized expenses of approximately \$366,600 representing legal services provided by Skadden, Arps, Slate, Meagher & Flom (Illinois), counsel to the Trust, of which a trustee of the Trust is an affiliated person.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2003

Under a Legal Services agreement, the Adviser provides legal services to the Trust. The Adviser allocates the cost of such services to each Trust. For the year ended July 31, 2003, the Trust recognized expenses of approximately \$44,400 representing Van Kampen Investments Inc.'s or its affiliates' (collectively "Van Kampen") cost of providing legal services to the Trust, which are reported as "Legal" expenses in the Statement of Operations.

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

The Trust provides deferred compensation and retirement plans for its trustees who are not officers of Van Kampen. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. Benefits under the retirement plan are payable upon retirement for a ten-year period and are based upon each trustee's years of service to the Trust. The maximum annual benefit per trustee under the plan is \$2,500.

During the period, the Trust owned shares of the following affiliated companies. Affiliated companies are defined by the Investment Company Act of 1940, as amended, as those companies in which a fund holds 5% or more of the outstanding voting securities.

| NAME | PAR/ SHARES* | REALIZED GAIN/(LOSS) | INTEREST/ DIVIDEND INCOME | MARKET VALUE 7/31/03 | COST |
|----------------------------|-----------------|-------------------------|---------------------------------|-------------------------|------|
| Imperial Home Decor Group, | | | | | |

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| | | | | | |
|-----------------------------|-----------|---|--------|----------|-----------|
| Inc., Term Loan..... | 1,422,288 | 0 | 42,945 | \$35,557 | \$1,367,8 |
| Imperial Home Decor Group, | | | | | |
| Inc., Common Stock..... | 512,023 | 0 | 0 | 0 | 522,2 |
| Imperial Home Decor Realty, | | | | | |
| Inc., Common Stock..... | 512,023 | 0 | 0 | 0 | |

* Shares were acquired through the restructuring of Senior loan interests.

At July 31, 2003, Van Kampen owned 10,000 common shares of the Trust.

3. INVESTMENT TRANSACTIONS

During the period, the costs of purchases and proceeds from investments sold and repaid, excluding short-term investments, were \$1,454,534,579 and \$1,439,851,690, respectively.

4. COMMITMENTS

Pursuant to the terms of certain of the Variable Rate Senior Loan agreements, the Trust had unfunded loan commitments of approximately \$32,633,732 as of July 31, 2003. The Trust intends to reserve against such contingent obligations by designating cash, liquid securities and liquid Senior Loans as a reserve.

5. SENIOR LOAN PARTICIPATION COMMITMENTS

The Trust invests primarily in participations, assignments, or acts as a party to the primary lending syndicate of a Senior Loan interest to corporations, partnerships, and other entities.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2003

When the Trust purchases a participation of a Senior Loan interest, the Trust typically enters into a contractual agreement with the lender or other third party selling the participation, but not with the borrower directly. As such, the Trust assumes the credit risk of the borrower, selling participant or other persons interpositioned between the Fund and the borrower.

At July 31, 2003, the following sets forth the selling participants with respect to interests in Senior Loans purchased by the Trust on a participation basis.

| SELLING PARTICIPANT | PRINCIPAL AMOUNT (000) | VALUE (000) |
|--|------------------------------|----------------|
| Goldman Sachs Credit Partners, L.P. | \$ 9,509 | \$9,343 |
| Credit Suisse First Boston..... | 598 | 596 |
| | ----- | ----- |
| Total..... | \$10,107 | \$9,939 |
| | ===== | ===== |

6. BORROWINGS

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In accordance with its investment policies, the Trust may borrow money for investment purposes in an amount up to approximately 33 1/3% of the Trust's total assets.

The Trust had entered into an \$500 million revolving credit agreement with VVR Funding LLC, a Delaware limited liability company whose sole purpose was the issuance of commercial paper, which was terminated on September 25, 2002. As of September 25, 2002, the Trust has entered into a \$700 million revolving credit and security agreement, which will terminate on September 23, 2003. Annual commitment fees of .13% are charged on the unused portion of the credit line. This revolving credit agreement is secured by the assets of the Trust. For the year ended July 31, 2003, the average daily balance of borrowings under the revolving credit agreement was \$472,686,578 with a weighted average interest rate of 1.35%.

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Trustees of
Van Kampen Senior Income Trust

We have audited the accompanying statement of assets and liabilities of Van Kampen Senior Income Trust (the "Trust"), including the portfolio of investments, as of July 31, 2003, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for the two years then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The Trust's financial highlights for the periods ended prior to July 31, 2000 were audited by other auditors whose report, dated September 14, 1999, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2003, by correspondence with the Trust's custodian, brokers, and selling or agent banks; where replies were not received, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Van Kampen Senior Income Trust as of July 31, 2003, the results of its operations, cash flows, the changes in its net assets and the financial highlights for the respective stated periods, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Chicago, Illinois
September 4, 2003

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DIVIDEND REINVESTMENT PLAN

The Trust offers a Dividend Reinvestment Plan (the "Plan") pursuant to which Common Shareholders who are participants in the Plan may have all distributions of dividends and capital gains automatically reinvested in Common Shares of the Trust. Common Shareholders who elect not to participate in the Plan will receive all distributions of dividends and capital gains in cash paid by check mailed directly to the Common Shareholder by the Trust's dividend disbursing agent.

HOW THE PLAN WORKS

State Street Bank and Trust Company, as your Plan Agent, serves as agent for the Common Shareholders in administering the Plan. After the Trust declares a dividend or determines to make a capital gains distribution, the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Common Shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. The Trust will not issue any new Common Shares in connection with the Plan. All reinvestments are in full and fractional Common Shares, carried to three decimal places.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to all Common Shareholders of the Trust at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent, with the written consent of the Trust, by providing at least 90 days written notice to all Participants in the Plan.

COSTS OF THE PLAN

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. No other charges will be made to participants for reinvesting dividends or capital gains distributions, except for certain brokerage commissions, as described above.

TAX IMPLICATIONS

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax which may be payable on dividends or distributions.

RIGHT TO WITHDRAW

You may withdraw from the Plan at any time by calling 1-800-341-2929 or by writing State Street Bank and Trust Company. If you withdraw, you will receive, without charge, a share certificate issued in your name for all full Common Shares credited to your account under the Plan, and a cash payment will be made for any fractional Common Share credited to your account under the Plan. You may again elect to participate in the Plan at any time by calling 1-800-341-2929 or writing to the Trust at:

2800 Post Oak Blvd.

Attn: Closed-End Funds

Houston, TX 77056

BOARD OF TRUSTEES AND IMPORTANT ADDRESSES
VAN KAMPEN SENIOR INCOME TRUST

BOARD OF TRUSTEES

DAVID C. ARCH
ROD DAMMEYER
HOWARD J KERR
THEODORE A. MYERS
RICHARD F. POWERS, III* - Chairman
HUGO F. SONNENSCHNEIN
WAYNE W. WHALEN*

INVESTMENT ADVISER

VAN KAMPEN INVESTMENT ADVISORY CORP.
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, IL 60181-5555

CUSTODIAN AND TRANSFER AGENT

STATE STREET BANK
AND TRUST COMPANY
c/o EquiServe
P.O. Box 43011
Providence, Rhode Island 02940-3011

LEGAL COUNSEL

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

INDEPENDENT AUDITORS

DELOITTE & TOUCHE LLP
180 North Stetson Avenue
Chicago, Illinois 60601

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

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RESULTS OF
SHAREHOLDER VOTES

The Annual Meeting of Shareholders of the Trust was held on June 24, 2003, where
shareholders voted on the election of trustees.

With regards to the election of the following trustees by the shareholders of
the Trust:

OF SHARES

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| | IN FAVOR | WITHHELD |
|----------------------|-------------|-----------|
| Rod Dammeyer..... | 170,916,332 | 3,045,612 |
| Wayne W. Whalen..... | 170,237,280 | 3,724,664 |

The other trustees of the Trust whose terms did not expire in 2003 are David C. Arch, Howard J Kerr, Theodore A. Myers, Richard F. Powers III and Hugo F. Sonnenschein.

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TRUSTEES AND OFFICERS

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

INDEPENDENT TRUSTEES

| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|-----------------------------|--|--|---|----------------|
| David C. Arch (58) Blistex Inc. 1800 Swift Drive Oak Brook, IL 60523 | Trustee | Trustee since 1998 | Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer. Former Director of the World Presidents Organization-Chicago Chapter. Director of the Heartland Alliance, a nonprofit organization serving human needs based in Chicago. | 91 | Tr Ge in |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|-----------------------------------|--|---|--|--|
| Rod Dammeyer (62) CAC, llc. 4350 LaJolla Village Drive Suite 980 San Diego, CA 92122-6223 | Trustee | Trustee since 1998 | President of CAC, llc., a private company offering capital investment and management advisory services. Prior to July 2000, Managing Partner of Equity Group Corporate Investment (EGI), a company that makes private investments in other companies. | 91 | Tr Ge in Di Ho St Th Co In Un Ho Sy 20 Pe Pr Vi Di In IM Ju Al Co Ma Tr In an (G 19 Ma |
| Howard J Kerr (67) 736 North Western Avenue P.O. Box 317 Lake Forest, IL 60045 | Trustee | Trustee since 1998 | Prior to 1998, President and Chief Executive Officer of Pocklington Corporation, Inc., an investment holding company. Director of the Marrow Foundation | 91 | Tr Ge in Di Fo |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|-----------------------------------|--|--|--|----------|
|---|-----------------------------------|--|--|--|----------|

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| | | | | | |
|--|---------|-----------------------|---|----|----------------------------------|
| Theodore A. Myers (73) 550 Washington Avenue Glencoe, IL 60022 | Trustee | Trustee since 1998 | Financial consultant, Trustee or Managing General Partner of other funds in the Closed-End Fund Complex. Prior to 1998, Senior Financial Advisor (and, prior to 1997, an Executive Vice President, Chief Financial Officer and Director) of Qualitech Steel Corporation, a producer of high quality engineered steels for automotive, transportation and capital goods industries. Prior to 1997, member of the Arthur Andersen Chief Financial Officers' Advisory Committee. | 36 | Di In as In 19 St |
|--|---------|-----------------------|---|----|----------------------------------|

| | | | | | |
|---|---------|-----------------------|---|----|----------------------------|
| Hugo F. Sonnenschein (62) 1126 E. 59th Street Chicago, IL 60637 | Trustee | Trustee since 1998 | President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago. Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences. | 91 | Tr Ge in Di La |
|---|---------|-----------------------|---|----|----------------------------|

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INTERESTED TRUSTEES*

| NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|---|-----------------------------------|--|--|--|----------------|
| Richard F. Powers, III* (57) 1 Parkview Plaza P.O. Box 5555 | Trustee | Trustee since 1999 | Advisory Director of Morgan Stanley. Prior to December 2002, Chairman, | 91 | Tr Ge in |

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Oakbrook Terrace, IL 60181

Director, President, Chief Executive Officer and Managing Director of Van Kampen Investments and its investment advisory, distribution and other subsidiaries. Prior to December 2002, President and Chief Executive Officer of funds in the Fund Complex. Prior to May 1998, Executive Vice President and Director of Marketing at Morgan Stanley and Director of Dean Witter, Discover & Co. and Dean Witter Realty. Prior to 1996, Director of Dean Witter Reynolds Inc.

Wayne W. Whalen* (64)
333 West Wacker Drive
Chicago, IL 60606

Trustee

Trustee since 1998

Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to funds in the Fund Complex.

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

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OFFICERS

| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--|-----------------------------|--|---|
| Stephen L. Boyd (62) 2800 Post Oak Blvd. 45th Floor Houston, TX 77056 | Vice President | Officer since 1998 | Managing Director of Global Res Vice President of funds in the December 2002, Chief Investment Investments and President and C the Advisers and Van Kampen Adv Executive Vice President and Ch funds in the Fund Complex. Prio Director and Chief Investment O Investments, and Managing Direc Advisers and Van Kampen Advisor 2000, Executive Vice President |

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of Van Kampen Investments, and Officer of the Advisers. Prior President and Chief Investment Investments of the Advisers. Prior President and Senior Portfolio Management, Inc. Prior to Febru President and Portfolio Manager Capital Asset Management, Inc., Investment Advisory Corp. and V Management, Inc.

| | | | |
|--|--|-------------------------------|---|
| <p>Stefanie V. Chang (36) 1221 Avenue of the Americas New York, NY 10020</p> | <p>Vice President</p> | <p>Officer since 2003</p> | <p>Executive Director of Morgan St Vice President of funds in the</p> |
| <p>Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY 10020</p> | <p>Executive Vice President and Chief Investment Officer</p> | <p>Officer since 2002</p> | <p>Managing Director and Chief Inv Stanley Investment Advisors Inc Management Inc. and Morgan Stan Director of Morgan Stanley Trus Vice President and Chief Invest Fund Complex. Managing Director of Van Kampen Investments, the Advisors Inc. since December 20</p> |
| <p>John R. Reynoldson (50) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181</p> | <p>Vice President</p> | <p>Officer since 2000</p> | <p>Executive Director and Portfoli and Van Kampen Advisors Inc. Vi Fund Complex. Prior to July 200 the Fixed Income Department of Advisors Inc. Prior to December of the Advisers and Van Kampen 2000, Senior Vice President of group for the Advisers. Prior t President of the government sec Management.</p> |

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| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--|---|--|--|
| <p>Ronald E. Robison (64) 1221 Avenue of the Americas New York, NY 10020</p> | <p>Executive Vice President and Principal Executive Officer</p> | <p>Officer since 2003</p> | <p>Chief Executive Officer and Cha Executive Vice President and Pr funds in the Fund Complex. Chie and Managing Director of Morgan Management Inc. Managing Direct Managing Director and Director Advisors Inc. and Morgan Stanle Executive Officer and Director President of the Morgan Stanley</p> |
| <p>A. Thomas Smith III (46) 1221 Avenue of the Americas New York, NY 10020</p> | <p>Vice President and Secretary</p> | <p>Officer since 1999</p> | <p>Managing Director of Morgan Sta Director of Van Kampen Investme Advisers, Van Kampen Advisors I Investor Services and certain o</p> |

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Kampen Investments. Managing Director and Counsel-Mutual Funds of Morgan Stanley Inc. Vice President and Secretary of the Complex. Prior to July 2001, Managing Counsel, Secretary and Director of the Advisers, the Distributor, and certain other subsidiaries of Van Kampen from January to December 2000, Executive Vice President, Secretary and Director of Van Kampen Advisors, Van Kampen Advisors I, Investor Services and certain other subsidiaries of Van Kampen Investments. Prior to January 2000, Associate General Counsel of the Company ("New York Life"), and Associate General Counsel of New York Life Insurance Corporation. Prior to August 1999, Director of Farr & Gallagher. Prior to January 1999, Director of the Securities and Exchange Commission, Office of Investment Management, Office of

John L. Sullivan (48)
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, IL 60181

Vice President, Chief
Financial Officer and
Treasurer

Officer
since 1998

Director and Managing Director of the Advisers, Van Kampen Advisors I, and certain other subsidiaries of Van Kampen Investments. Chief Financial Officer and Treasurer of the Complex. Head of Fund Accounting and Investment Management. Prior to January 2000, Director of Van Kampen Investments, Van Kampen Advisors Inc.

Howard Tiffen (55)
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, IL 60181

Vice President

Officer
since 2000

Managing Director of the Advisers, Van Kampen Advisors Inc. Vice President of the senior Adviser. Prior to 1999, senior Vice President of Investments. Associate of the Council on Economic Priorities and a member of the Economic Council of the United States.

Van Kampen
Privacy Notice

The Van Kampen companies and investment products* respect your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain nonpublic personal information about you. This is information we collect from you on applications or other forms, and from the transactions you conduct with us, our affiliates, or third parties. We may also collect information you provide when using our Web site, and text files (also known as "cookies") may be placed on your computer to help us to recognize you and to facilitate transactions you initiate. We do not disclose any nonpublic personal information about you or any of our former customers to anyone, except as permitted by law. For instance, so that we may continue to offer you Van Kampen investment products and services that meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect to companies that perform services on our behalf, such as printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. To protect your nonpublic personal information internally, we permit access to it only by

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authorized employees, and maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

* Includes Van Kampen Investments Inc., Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., Van Kampen Advisors Inc., Van Kampen Management Inc., Van Kampen Funds Inc., Van Kampen Investor Services Inc., Van Kampen System Inc. and Van Kampen Exchange Corp., as well as the many Van Kampen mutual funds and Van Kampen unit investment trusts.

Van Kampen Funds Inc.
1 Parkview Plaza, P.O. Box 5555
Oakbrook Terrace, IL 60181-5555
www.vankampen.com

(VAN KAMPEN INVESTMENTS LOGO)

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Item 2. Code of Ethics.

(a) The Trust has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust or a third party.

(b) No information need be disclosed pursuant to this paragraph.

(c) The Trust has amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto

(d) The Trust has granted a waiver or an implicit waiver from a provision of its Code of Ethics.

(e) Not applicable.

(f)

(1) The Trust's Code of Ethics is attached hereto as Exhibit 10A.

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Trust's Board of Trustees has determined that it has one "audit committee financial expert" serving on its audit committee, each of whom is "independent" Trustee: Theodore A. Myers. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

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Item 4. Principal Accountant Fees and Services.

Applicable only for reports covering fiscal years ending on or after December 15, 2003.

Item 5. Audit Committee of Listed Registrants.

Applicable only for reports covering periods ending on or after the earlier of (i) the first annual shareholder meeting after January 15, 2004 or (ii) October 31, 2004.

Item 6. [Reserved.]

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Trust's and its investment advisor's Proxy Voting Policies and Procedures are as follows:

MORGAN STANLEY INVESTMENT MANAGEMENT PROXY VOTING POLICY AND PROCEDURES

I. POLICY STATEMENT

Introduction - Morgan Stanley Investment Management's ("MSIM") policies and procedures for voting proxies with respect to securities held in the accounts of clients applies to those MSIM entities that provide discretionary Investment Management services and for which a MSIM entity has the authority to vote their proxies. The policies and procedures and general guidelines in this section will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. The MSIM entities covered by these policies and procedures currently include the following: Morgan Stanley Investment Advisors Inc., Morgan Stanley Alternative Investment Partners, L.P., Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Investment Group Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management Company, Morgan Stanley Asset & Investment Trust Management Co., Limited, Morgan Stanley Investment Management Private Limited, Morgan Stanley Investments LP, Morgan Stanley Hedge Fund Partners GP LP, Morgan Stanley Hedge Fund Partners LP, Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., and Van Kampen Advisors Inc. (each a "MSIM Affiliate" and collectively referred to as the "MSIM Affiliates").

Each MSIM Affiliate will vote proxies as part of its authority to manage, acquire and dispose of account assets. With respect to the MSIM registered management investment companies (Van Kampen, Institutional and Advisor Funds) (collectively referred to as the "MSIM Funds"), each MSIM Fund will vote proxies pursuant to authority granted under its applicable investment advisory agreement or, in the absence of such authority, as authorized by its Board of Directors or Trustees. A MSIM Affiliate will not vote proxies if the "named fiduciary" for an ERISA account has reserved the authority for itself, or in the case of an account not governed by ERISA, the Investment Management Agreement does not authorize the MSIM Affiliate to vote proxies. MSIM Affiliates will, in a prudent and diligent manner, vote proxies in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, a client or its fiduciary may provide a MSIM Affiliate with a statement of proxy voting policy. In these situations, the MSIM Affiliate will comply with the client's policy unless to do so would be inconsistent with applicable laws or regulations

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or the MSIM Affiliate's fiduciary responsibility.

Proxy Research Services - To assist the MSIM Affiliates in their responsibility for voting proxies and the overall global proxy voting process, Institutional Shareholder Services ("ISS") and the Investor Responsibility Research Center ("IRRC") have been retained as

experts in the proxy voting and corporate governance area. ISS and IRRC are independent advisers that specialize in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to MSIM Affiliates include in-depth research, global issuer analysis, and voting recommendations. In addition to research, ISS provides vote execution, reporting, and recordkeeping. MSIM's Proxy Review Committee (see Section IV.A. below) will carefully monitor and supervise the services provided by the proxy research services.

Voting Proxies for certain Non-US Companies - While the proxy voting process is well established in the United States and other developed markets with a number of tools and services available to assist an investment manager, voting proxies of non-US companies located in certain jurisdictions, particularly emerging markets, may involve a number of problems that may restrict or prevent a MSIM Affiliate's ability to vote such proxies. These problems include, but are not limited to: (i) proxy statements and ballots being written in a language other than English; (ii) untimely and/or inadequate notice of shareholder meetings; (iii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes; (iv) requirements to vote proxies in person, (v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; and (vi) requirements to provide local agents with power of attorney to facilitate the MSIM Affiliate's voting instructions. As a result, clients' non-U.S. proxies will be voted on a best efforts basis only, consistent with the Client Proxy Standard. ISS has been retained to provide assistance to the MSIM Affiliates in connection with voting their clients' non-US proxies.

II. GENERAL PROXY VOTING GUIDELINES

To ensure consistency in voting proxies on behalf of its clients, MSIM Affiliates will follow (subject to any exception set forth herein) these Proxy Voting Policies and Procedures, including the guidelines set forth below. These guidelines address a broad range of issues, including board size and composition, executive compensation, anti-takeover proposals, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. The MSIM Affiliates, however, may vote in a manner that is contrary to the following general guidelines, pursuant to the procedures set forth in Section IV. below, provided the vote is consistent with the Client Proxy Standard.

III. GUIDELINES

A. MANAGEMENT PROPOSALS

1. When voting on routine ballot items the following proposals are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.
 - Selection or ratification of auditors.
 - Approval of financial statements, director and auditor

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reports.

- Election of Directors.
- Limiting Directors' liability and broadening indemnification of Directors.
- Requirement that a certain percentage (up to 66 2/3%) of its Board's members be comprised of independent and unaffiliated Directors.
- Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
- Recommendations to set retirement ages or require specific levels of stock ownership by Directors.
- General updating/corrective amendments to the charter.
- Elimination of cumulative voting.
- Elimination of preemptive rights.
- Provisions for confidential voting and independent tabulation of voting results.
- Proposals related to the conduct of the annual meeting except those proposals that relate to the "transaction of such other business which may come before the meeting."

2. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on a shareholder, are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.

Capitalization changes

- Capitalization changes that eliminate other classes of stock and voting rights.
- Proposals to increase the authorization of existing classes of common stock (or securities convertible into common stock) if: (i) a clear and legitimate business purpose is stated; (ii) the number of shares requested is reasonable in relation to the purpose for which authorization is requested; and (iii) the authorization does not exceed 100% of shares currently authorized and at least 30% of the new authorization will be outstanding.
- Proposals to create a new class of preferred stock or for issuances of preferred stock up to 50% of issued capital.

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- Proposals for share repurchase plans.
- Proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock.
- Proposals to effect stock splits.
- Proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount will generally be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases.

Compensation

- Director fees, provided the amounts are not excessive relative to other companies in the country or industry.
- Employee stock purchase plans that permit discounts up to 15%, but only for grants that are part of a broad based employee plan, including all non-executive employees.
- Establishment of Employee Stock Option Plans and other employee ownership plans.

Anti-Takeover Matters

- Modify or rescind existing supermajority vote requirements to amend the charters or bylaws.
- Adoption of anti-greenmail provisions provided that the proposal: (i) defines greenmail; (ii) prohibits buyback offers to large block holders not made to all shareholders or not approved by disinterested shareholders; and (iii) contains no anti-takeover measures or other provisions restricting the rights of shareholders.

3. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on the shareholder, are generally voted against (notwithstanding management support), subject to the review and approval of the Proxy Review Committee, as appropriate.

- Capitalization changes that add classes of stock which substantially dilute the voting interests of existing shareholders.
- Proposals to increase the authorized number of shares of existing classes of stock that carry preemptive rights or supervoting rights.
- Creation of "blank check" preferred stock.
- Changes in capitalization by 100% or more.

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- Compensation proposals that allow for discounted stock options that have not been offered to employees in general.
- Amendments to bylaws that would require a supermajority shareholder vote to pass or repeal certain provisions.
- Proposals to indemnify auditors.

4. The following types of non-routine proposals, which potentially may have a potential financial or best interest impact on an issuer, are voted as determined by the Proxy Review Committee.

Corporate Transactions

- Mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) will be examined on a case-by-case basis. In all cases, ISS and IRRC research and analysis will be used along with MSIM Affiliates' research and analysis, based on, among other things, MSIM internal company-specific knowledge.
- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered.
- Shareholders rights plans that allow appropriate offers to shareholders to be blocked by the board or trigger provisions that prevent legitimate offers from proceeding.
- Executive/Director stock option plans. Generally, stock option plans should meet the following criteria:
 - (i) Whether the stock option plan is incentive based;
 - (ii) For mature companies, should be no more than 5% of the issued capital at the time of approval;
 - (iii) For growth companies, should be no more than 10% of the issued capital at the time of approval.

Anti-Takeover Provisions

- Proposals requiring shareholder ratification of poison pills.
- Anti-takeover and related provisions that serve to prevent the majority of shareholders from exercising their rights or effectively deter the appropriate tender offers and other offers.

B. SHAREHOLDER PROPOSALS

1. The following shareholder proposals are generally supported, subject to the review and approval of the Proxy Review Committee, as appropriate:

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- Requiring auditors to attend the annual meeting of shareholders.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
 - Requirement that a certain percentage of its Board's members be comprised of independent and unaffiliated Directors.
 - Confidential voting.
 - Reduction or elimination of supermajority vote requirements.
2. The following shareholder proposals will be voted as determined by the Proxy Review Committee.
- Proposals that limit tenure of directors.
 - Proposals to limit golden parachutes.
 - Proposals requiring directors to own large amounts of stock to be eligible for election.
 - Restoring cumulative voting in the election of directors.
 - Proposals that request or require disclosure of executive compensation in addition to the disclosure required by the Securities and Exchange Commission ("SEC") regulations.
 - Proposals that limit retirement benefits or executive compensation.
 - Requiring shareholder approval for bylaw or charter amendments.
-
- Requiring shareholder approval for shareholder rights plan or poison pill.
 - Requiring shareholder approval of golden parachutes.
 - Elimination of certain anti-takeover related provisions.
 - Prohibit payment of greenmail.
3. The following shareholder proposals are generally not supported, subject to the review and approval of the Committee, as appropriate.
- Requirements that the issuer prepare reports that are costly to provide or that would require duplicative efforts or expenditures that are of a non-business nature or would provide no pertinent information from the perspective of institutional shareholders.
 - Restrictions related to social, political or special interest

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issues that impact the ability of the company to do business or be competitive and that have a significant financial or best interest impact to the shareholders.

- Proposals that require inappropriate endorsements or corporate actions.

IV. ADMINISTRATION OF PROXY POLICIES AND PROCEDURES

A. PROXY REVIEW COMMITTEE

1. The MSIM Proxy Review Committee ("Committee") is responsible for creating and implementing MSIM's Proxy Voting Policy and Procedures and, in this regard, has expressly adopted them. Following are some of the functions and responsibilities of the Committee.

- (a) The Committee, which will consist of members designated by MSIM's Chief Investment Officer, is responsible for establishing MSIM's proxy voting policies and guidelines and determining how MSIM will vote proxies on an ongoing basis.
- (b) The Committee will periodically review and have the authority to amend as necessary MSIM's proxy voting policies and guidelines (as expressed in these Proxy Voting Policy and Procedures) and establish and direct voting positions consistent with the Client Proxy Standard.
- (c) The Committee will meet at least monthly to (among other matters): (1) address any outstanding issues relating to MSIM's Proxy Voting Policy and Procedures; and (2) generally review proposals at upcoming shareholder meetings of MSIM portfolio

companies in accordance with this Policy and Procedures including, as appropriate, the voting results of prior shareholder meetings of the same issuer where a similar proposal was presented to shareholders. The Committee, or its designee, will timely communicate to ISS MSIM's Proxy Voting Policy and Procedures (and any amendments to them and/or any additional guidelines or procedures it may adopt).

- (d) The Committee will meet on an ad hoc basis to (among other matters): (1) authorize "split voting" (i.e., allowing certain shares of the same issuer that are the subject of the same proxy solicitation and held by one or more MSIM portfolios to be voted differently than other shares) and/or "override voting" (i.e., voting all MSIM portfolio shares in a manner contrary to the Procedures); (2) review and approve upcoming votes, as appropriate, for matters for which specific direction has been provided in Sections I, II, and III above; and (3) determine how to vote matters for which specific direction has not been provided in Sections I, II and III above. Split votes will generally not be approved within a single Global Investor Group team. The Committee may take into account ISS recommendations and the research

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provided by IRRIC as well as any other relevant information they may request or receive.

- (e) In addition to the procedures discussed above, if the Committee determines that an issue raises a potential material conflict of interest, or gives rise to the appearance of a potential material conflict of interest, the Committee will designate a special committee to review, and recommend a course of action with respect to, the conflict(s) in question ("Special Committee"). The Special Committee may request the assistance of the Law and Compliance Departments and will have sole discretion to cast a vote. In addition to the research provided by ISS and IRRIC, the Special Committee may request analysis from MSIM Affiliate investment professionals and outside sources to the extent it deems appropriate.
- (f) The Committee and the Special Committee, or their designee(s), will document in writing all of their decisions and actions, which documentation will be maintained by the Committee and the Special Committee, or their designee(s) for a period of at least 6 years. To the extent these decisions relate to a security held by a MSIM U.S. registered investment company, the Committee and Special Committee, or their designee(s), will report their decisions to each applicable Board of Trustees/Directors of those investment companies at each Board's next regularly Scheduled Board meeting. The report will contain information concerning decisions made by the Committee and Special Committee during the most

recently ended calendar quarter immediately preceding the Board meeting.

- (g) The Committee and Special Committee, or their designee(s), will timely communicate to applicable PMs, the Compliance Departments and, as necessary to ISS, decisions of the Committee and Special Committee so that, among other things, ISS will vote proxies consistent with their decisions.

Item 8. [Reserved.]

Item 9. Controls and Procedures

(a) The Trust's principal executive officer and principal financial officer have concluded that the Trust's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 10. Exhibits

- (a) The Code of Ethics for Principal Executive and Senior Financial Officers is attached hereto.
- (b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.

SIGNATURES

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

(Registrant) Van Kampen Senior Income Trust

By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: September 22, 2003

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

By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: September 22, 2003

By: /s/ John L. Sullivan

Name: John L. Sullivan
Title: Principal Financial Officer
Date: September 22, 2003