

BLACKROCK DEBT STRATEGIES FUND, INC.
Form N-CSR
May 01, 2015

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: 811-08603

Name of Fund: BlackRock Debt Strategies Fund, Inc. (DSU)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Debt Strategies Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 02/28/2015

Date of reporting period: 02/28/2015

Item 1 Report to Stockholders

ANNUAL REPORT

BlackRock Debt Strategies Fund, Inc. (DSU)

Not FDIC Insured May Lose Value No Bank Guarantee

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The Markets in Review

Dear Shareholder,

Market volatility, while remaining below the long-term average level, increased over the course of 2014 and into 2015, driven largely by higher valuations in risk assets (such as equities and high yield bonds), geopolitical risks, uneven global economic growth and uncertainty around policy moves from the world's largest central banks. As the U.S. Federal Reserve (the Fed) gradually reduced its bond buying program (which ultimately ended in October 2014), U.S. interest rates surprisingly trended lower during the period.

The first half of 2014 was generally a strong period for most asset classes; however, volatility ticked up in the summer as geopolitical tensions intensified in Ukraine and the Middle East and investors feared that better U.S. economic indicators may compel the Fed to increase short-term interest rates sooner than previously anticipated. Global credit markets tightened as the U.S. dollar strengthened versus other currencies, ultimately putting a strain on investor flows, and financial markets broadly weakened in the third quarter.

Several themes dominated the markets in the fourth quarter that resulted in the strong performance of U.S. markets versus other areas of the world. Economic growth strengthened considerably in the United States while the broader global economy showed signs of slowing. The European Central Bank and the Bank of Japan took aggressive measures to stimulate growth while the Fed moved toward tighter policy, causing further strengthening in the U.S. dollar. Fixed income investors piled into U.S. Treasuries where yields remained persistently low, but were comparatively higher than yields on international sovereign debt, while equity investors favored the relative stability of U.S.-based companies amid rising global risks.

Oil prices, which had been gradually declining since mid-summer, plummeted in the fourth quarter due to a global supply-and-demand imbalance. Energy-related assets sold off sharply and emerging markets struggled as many of those economies rely heavily on oil exports. Conversely, the consumer sectors benefited from lower oil prices as savings at the gas pumps freed up discretionary income for other goods and services.

These trends shifted in early 2015. U.S. equities underperformed international markets given high valuations and the anticipation of a rate hike from the Fed. Oil prices showed signs of stabilizing as suppliers became more disciplined in their exploration and production efforts. Markets in Europe and Japan rebounded, driven largely by central bank policy accommodation and improving economic data.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit blackrock.com for further insight about investing in today's markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of February 28, 2015

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	6.12%	15.51%
	5.70	5.63

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U.S. small cap equities (Russell 2000® Index)		
International equities (MSCI Europe, Australasia, Far East Index)	(1.26)	(0.03)
Emerging market equities (MSCI Emerging Markets Index)	(8.30)	5.01
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.01	0.03
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	4.14	8.66
U.S. investment-grade bonds (Barclays U.S. Aggregate Bond Index)	2.25	5.05
Tax-exempt municipal bonds (S&P Municipal Bond Index)	2.17	6.47
U.S. high yield bonds (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	(0.08)	2.81

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

THIS PAGE NOT PART OF YOUR FUND REPORT

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Fund Summary as of February 28, 2015

Fund Overview

BlackRock Debt Strategies Fund, Inc. s (DSU) (the Fund) primary investment objective is to provide current income by investing primarily in a diversified portfolio of U.S. companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or unrated debt instruments, which are in the judgment of the investment adviser of equivalent quality. The Fund s secondary objective is to provide capital appreciation. Corporate loans include senior and subordinated corporate loans, both secured and unsecured. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objectives will be achieved.

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended February 28, 2015, the Fund returned 0.66% based on market price and 4.15% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 0.83% based on market price and 2.14% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

The Fund generally invests about 50% of its assets in high yield bonds and about 50% in floating rate loan interests (bank loans). Both the high yield bond and loan sectors performed well early in the 12-month period, and then weakened in late 2014 before rebounding to end the period with modestly positive returns. The Fund s top 25 holdings, representing approximately 20% of assets, provided mainly positive returns. Top performers for the fund over the period included Geo Specialty Chemicals, Inc. (chemicals), First Data Corporation (technology), Level 3 Communications, Inc. (diversified telecommunication services), Ally Financial, Inc. (diversified financial services), and HD Supply, Inc. (industrial distribution), all within the top 25 holdings.

Holdings in the oil sector detracted from performance as the price of crude oil declined from approximately \$100 to \$50 per barrel over the period, leading to significant price declines on both high yield bonds and loans in the sector. Holdings in metals and mining likewise detracted as that sector also endured negative returns.

Describe recent portfolio activity.

During the period, the Fund modestly reduced risk and increased liquidity in the portfolio in light of expectations for increased market volatility going forward.

Describe portfolio positioning at period end.

At period end the Fund held 54% of its total portfolio in floating rate loan interests and 43% in corporate bonds, with the remainder invested in asset-backed securities, common stocks and other interests. The Fund was 27% leveraged. It was also broadly diversified in approximately 500 issuers, consistent with a more mature market cycle where pricing differentials among various issuers have become compressed.

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The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange (NYSE)	DSU
Initial Offering Date	March 27, 1998
Current Distribution Rate on Closing Market Price as of February 28, 2015 (\$3.81) ¹	7.56%
Current Monthly Distribution per Common Share ²	\$0.024
Current Annualized Distribution per Common Share ²	\$0.288
Economic Leverage as of February 28, 2015 ³	27%

¹ Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

² The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

³ Represents bank borrowings outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 7.

Market Price and Net Asset Value Per Share Summary

	2/28/15	2/28/14	Change	High	Low
Market Price	\$3.81	\$4.08	(6.62)%	\$4.19	\$3.52
Net Asset Value	\$4.29	\$4.44	(3.38)%	\$4.47	\$4.12

Market Price and Net Asset Value History For the Past Five Years

Overview of the Fund's Total Investments

Portfolio Composition	2/28/15	2/28/14
Floating Rate Loan Interests	54%	52%
Corporate Bonds	43	44
Asset-Backed Securities	2	1
Common Stocks	1	1
Other Interests	1	1
Short-Term Securities		1
Other	2	3

¹ Representing less than 1% of the Fund's total investments.

² Includes a less than 1% holding in each of the following investment types: Non-Agency Mortgage-Backed Securities, Options Purchased, Preferred Securities and Warrants.

³ Includes a less than 1% holding in each of the following investment types: Non-Agency Mortgage-Backed Securities, Options Purchased, Options Written, Preferred Securities and Warrants.

Credit Quality Allocation^{4,5}	2/28/15	2/28/14⁶
BBB/Baa	7%	5%
BB/Ba	41	39
B	43	45
CCC/Caa	5	6
N/R	4	5

⁴ For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's or Moody's Investors Service. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

⁵ Excludes short-term securities.

⁶ Information has been revised to conform to current year presentation.

The Benefits and Risks of Leveraging

The Fund may utilize leverage to seek to enhance the yield and net asset value (NAV) of its common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by a Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume a Fund's capitalization is \$100 million and it utilizes leverage for an additional \$30 million, creating a total value of \$130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund's financing costs on the \$30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Fund's financing cost of leverage is significantly lower than the income earned on the Fund's longer-term investments acquired from such leverage proceeds, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

However, in order to benefit shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Fund's return on assets purchased with leverage proceeds, income to shareholders is lower than if the Fund had not used leverage. Furthermore, the value of the Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Fund's obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that a Fund's intended leveraging strategy will be successful.

Leverage also generally causes greater changes in the Fund's NAVs, market prices and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the net asset value and market price of a Fund's shares than if the Fund were not leveraged. In addition, the Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Fund to incur losses. The use of leverage may limit the Fund's ability to invest in certain types of securities or use certain types of hedging strategies. The Fund incurs expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income to the shares.

The Fund may utilize leverage through a credit facility as described in the Notes to Consolidated Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund is permitted to issue debt up to 33% of their total managed assets. A Fund may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Fund may also be subject to certain asset coverage, leverage or portfolio composition requirements imposed by its credit facility, which may be more stringent than those imposed by the 1940 Act.

Derivative Financial Instruments

The Fund may invest in various derivative financial instruments. Derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage. Derivative financial instruments also involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Fund's ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may limit the amount

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of appreciation a Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Fund's investments in these instruments are discussed in detail in the Notes to Consolidated Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.

FEBRUARY 28, 2015

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Consolidated Schedule of Investments February 28, 2015

Common Stocks	(Percentages shown are based on Net Assets)	
	Shares	Value
Chemicals 0.1%		
GEO Specialty Chemicals, Inc. (a)	481,806	\$ 419,171
LyondellBasell Industries NV, Class A	26	2,234
		421,405
Diversified Consumer Services 0.5%		
Cengage Thomson Learning (a)	49,549	1,068,425
Houghton Mifflin Harcourt Co. (a)	147,998	2,927,400
		3,995,825
Diversified Financial Services 0.1%		
Kcad Holdings I Ltd. (a)	756,012,055	756,012
Diversified Telecommunication Services 0.0%		
Broadview Networks Holdings, Inc. (a)	5,037	9,067
Electrical Equipment 0.0%		
Medis Technologies Ltd. (a)	286,757	3
Media 0.0%		
Adelphia Recovery Trust (a)	396,568	1,150
Adept Communications Corp., Class A	400,000	3,000
		4,150
Paper & Forest Products 0.5%		
Ainsworth Lumber Co. Ltd. (a)	803,254	2,131,601
Ainsworth Lumber Co. Ltd. (a)(b)	695,930	1,876,077
		4,007,678
Semiconductors & Semiconductor Equipment 0.0%		
SunPower Corp. (a)	1,707	55,751
Total Common Stocks 1.2%		9,249,891

	Par	
Asset-Backed Securities (b)	(000)	
ACAS CLO, Ltd., Series 2014-2A, Class D, 4.13%, 1/15/27 (c)	USD	2,500
Adams Mill CLO Ltd., Series 2014-1A, Class D1, 3.75%, 7/15/26 (c)		450
ALM Loan Funding, Series 2013-7RA (c):		
Class C, 3.71%, 4/24/24		1,310
Class D, 5.26%, 4/24/24		1,150
ALM XIV Ltd., Series 2014-14A, Class C, 3.71%, 7/28/26 (c)		713
Atlas Senior Loan Fund Ltd., Series 2014-6A, Class D, 3.96%, 10/15/26 (c)		1,240
Atrium CDO Corp., Series 9A, Class D, 3.76%, 2/28/24 (c)		1,300
Benefit Street Partners CLO II Ltd., Series 2013-IIA, Class C, 3.75%, 7/15/24 (c)		900
	Par	
Asset-Backed Securities (b)	(000)	Value
Carlyle Global Market Strategies CLO Ltd. (c):		
Series 2012-4A, Class D, 4.76%, 1/20/25	USD	900
Series 2013-1A, Class C, 4.26%, 2/14/25		250
Cent CLO 22, Ltd., Series 2014-22A, Class C, 3.98%, 11/07/26 (c)		625
CFIP CLO Ltd., Series 2013-1A, Class D, 4.01%, 4/20/24 (c)		1,500
CIFC Funding Ltd., Series 2014-3A, Class D, 3.66%, 7/22/26 (c)		250
Fraser Sullivan CLO VII Ltd., Series 2012-7A, Class C, 4.26%, 4/20/23 (c)		1,170
Galaxy CLO Ltd., Series 2014-18A, Class C1, 3.26%, 10/15/26 (c)		625
Madison Park Funding XI Ltd., Series 2013-11A, Class D, 3.76%, 10/23/25 (c)		555
Neuberger Berman CLO XVIII Ltd., Series 2014-18A, Class C, 3.98%, 11/14/25 (c)		1,000
Octagon Investment Partners XX Ltd., Series 2014-1A, Class D, 3.91%, 8/12/26 (c)		350
		909,862
		247,242
		593,375
		1,412,771
		235,676
		1,157,016
		616,944
		524,251
		953,770
		337,750

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OZLM Funding Ltd., Series 2012-2A, Class C, 4.60%, 10/30/23 (c)	500	501,333
OZLM IX, Ltd., Series 2014-9A, Class C, 3.85%, 1/20/27 (c)	1,000	954,204
OZLM VII Ltd., Series 2014-7A, Class C, 3.86%, 7/17/26 (c)	500	477,210
Regatta Funding LP, Series 2013-2A, Class C, 4.25%, 1/15/25 (c)	750	725,627
Symphony CLO Ltd., Series 2012-10A, Class D, 5.51%, 7/23/23 (c)	650	650,598
Voya CLO, Ltd., Series 2014-4A, Class SUB, 0.00%, 10/14/26	1,000	940,700
Total Asset-Backed Securities 2.5%		20,373,973

Corporate Bonds

Aerospace & Defense 0.9%		
Bombardier, Inc., 7.50%, 3/15/25 (b)(d)	205	205,000
DigitalGlobe, Inc., 5.25%, 2/01/21 (b)	1,017	986,490
Huntington Ingalls Industries, Inc., 5.00%, 12/15/21 (b)	307	321,966
Meccanica Holdings USA, Inc., 6.25%, 7/15/19 (b)	347	388,640
TransDigm, Inc.:		
5.50%, 10/15/20	2,250	2,227,500
6.00%, 7/15/22	2,205	2,232,563
6.50%, 7/15/24	1,030	1,053,175
		7,415,334

Portfolio Abbreviations

CAD	Canadian Dollar
CLO	Collateralized Loan Obligation
DIP	Debtor-In-Possession
EUR	Euro
GBP	British Pound
MSCI	Morgan Stanley Capital International
PIK	Payment-In-Kind
USD	U.S. Dollar

See Notes to Consolidated Financial Statements.

Consolidated Schedule of Investments (continued)

		(Percentages shown are based on Net Assets)	
		Par	
		(000)	Value
Corporate Bonds			
Airlines 1.4%			
Air Canada Pass-Through Trust, Series 2013-1, Class C, 6.63%, 5/15/18 (b)	USD	712	\$ 745,072
American Airlines Group, Inc., 4.63%, 3/01/20 (b)		542	542,678
American Airlines Pass-Through Trust, Series 2013-2, Class C, 6.00%, 1/15/17 (b)		3,195	3,226,950
Continental Airlines Pass-Through Trust, Series 2012-3, Class C, 6.13%, 4/29/18		2,390	2,533,400
Delta Air Lines Pass-Through Trust, Series 2009-1, Class B, 9.75%, 6/17/18		245	276,623
US Airways Pass-Through Trust, Series 2013-1, Class B, 5.38%, 5/15/23		2,300	2,391,774
Virgin Australia Trust, Series 2013-1, Class C, 7.13%, 10/23/18 (b)		1,093	1,111,707
			10,828,204
Auto Components 1.8%			
Affinia Group, Inc., 7.75%, 5/01/21		1,200	1,248,000
Autodis SA, 6.50%, 2/01/19	EUR	100	117,621
Dana Holding Corp., 6.75%, 2/15/21	USD	180	190,800
Delphi Corp., 6.13%, 5/15/21		380	414,137
Icahn Enterprises LP/Icahn Enterprises Finance Corp.: 3.50%, 3/15/17		145	146,812
4.88%, 3/15/19		4,609	4,741,739
Jaguar Land Rover Automotive PLC: 8.25%, 3/15/20	GBP	569	977,279
5.63%, 2/01/23 (b)	USD	425	456,875
Pittsburgh Glass Works LLC, 8.00%, 11/15/18 (b)		194	206,367
Schaeffler Holding Finance BV (e): (5.75% Cash or 6.50% PIK), 5.75%, 11/15/21	EUR	145	175,649
(6.25% Cash or 0.00% PIK), 6.25%, 11/15/19 (b)	USD	738	782,280
(6.75% Cash or 0.00% PIK), 6.75%, 11/15/22 (b)		3,522	3,856,590
(6.88% Cash), 6.88%, 8/15/18	EUR	385	453,453
Titan International, Inc., 6.88%, 10/01/20	USD	300	273,000
Venture Holdings Co. LLC: 12.00%, 7/01/49		5,150	1
Series B, 9.50%, 7/01/05 (a)(f)		5,125	1
			14,040,604
Automobiles 0.5%			
Chrysler Group LLC/CG Co-Issuer, Inc., 8.00%, 6/15/19		1,341	1,416,659
General Motors Co.: 4.88%, 10/02/23		495	539,236
6.25%, 10/02/43		1,345	1,668,910
5.20%, 4/01/45		680	752,849
			4,377,654
Banks 0.8%			
Banco Espirito Santo SA: 2.63%, 5/08/17	EUR	100	109,756
4.75%, 1/15/18		200	233,322
4.00%, 1/21/19		100	115,111
	Par		
Corporate Bonds			
Banks (concluded)			
CIT Group, Inc.: 5.00%, 5/15/17	USD	950	\$ 988,000
5.25%, 3/15/18		1,434	1,514,304
6.63%, 4/01/18 (b)		295	321,919
5.50%, 2/15/19 (b)		3,099	3,311,901
5.00%, 8/01/23		130	137,150
Lloyds Bank PLC, 11.88%, 12/16/21 (c)	EUR	12	16,007

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			6,747,470
Beverages 0.1%			
Constellation Brands, Inc.:			
7.25%, 5/15/17	USD	87	96,788
3.88%, 11/15/19		362	375,575
			472,363
Building Products 0.8%			
American Builders & Contractors Supply Co., Inc., 5.63%, 4/15/21 (b)			
		210	214,200
BMBG Bond Finance SCA, 5.07%, 10/15/20 (c)	EUR	245	275,857
Builders FirstSource, Inc., 7.63%, 6/01/21 (b)	USD	464	469,800
Building Materials Corp. of America, 6.75%, 5/01/21 (b)		920	989,000
Cemex SAB de CV:			
5.88%, 3/25/19 (b)		260	269,165
4.38%, 3/05/23	EUR	100	111,905
5.70%, 1/11/25 (b)	USD	825	808,912
CPG Merger Sub LLC, 8.00%, 10/01/21 (b)		740	747,400
Ply Gem Industries, Inc., 6.50%, 2/01/22		1,755	1,702,350
USG Corp., 9.75%, 1/15/18		980	1,128,245
			6,716,834
Capital Markets 0.7%			
American Capital Ltd., 6.50%, 9/15/18 (b)			
		1,070	1,116,813
Blackstone CQP Holdco LP, 9.30%, 3/18/19		1,332	1,318,822
E*Trade Financial Corp.:			
0.00%, 8/31/19 (b)(g)(h)		593	1,495,119
5.38%, 11/15/22		773	815,515
Series A, 0.00%, 8/31/19 (g)(h)		100	252,128
Orange SA, 4.00% (c)(i)	EUR	250	304,499
			5,302,896
Chemicals 2.8%			
Ashland, Inc., 3.88%, 4/15/18			
	USD	730	759,200
Axalta Coating Systems US Holdings, Inc./Axalta Coating Systems Dutch Holding BV:			
5.75%, 2/01/21	EUR	100	118,619
7.38%, 5/01/21 (b)	USD	151	163,458
Axiall Corp., 4.88%, 5/15/23		39	39,683
Celanese US Holdings LLC, 5.88%, 6/15/21		324	352,350
Chemtura Corp., 5.75%, 7/15/21		221	219,342
GEO Specialty Chemicals, Inc., 7.50%, 3/31/15		6,039	13,769,855
Huntsman International LLC:			
4.88%, 11/15/20		40	41,150
8.63%, 3/15/21		1,195	1,286,621
5.13%, 4/15/21	EUR	428	507,691
5.13%, 11/15/22 (b)	USD	4,000	4,110,000
INEOS Group Holdings SA:			
6.13%, 8/15/18 (b)		342	347,130
6.50%, 8/15/18	EUR	124	144,139
5.75%, 2/15/19		151	175,440
LSB Industries, Inc., 7.75%, 8/01/19	USD	183	190,777

See Notes to Consolidated Financial Statements.

Consolidated Schedule of Investments (continued)

		(Percentages shown are based on Net Assets)	
		Par	
		(000)	Value
Corporate Bonds			
Chemicals (concluded)			
Nexeo Solutions LLC/Nexeo Solutions Finance Corp., 8.38%, 3/01/18	USD	30	\$ 27,975
			22,253,430
Commercial Services & Supplies 1.6%			
Abengoa Greenfield SA, 6.50%, 10/01/19 (b)		742	706,755
ADS Waste Holdings, Inc., 8.25%, 10/01/20		267	277,680
ARAMARK Corp., 5.75%, 3/15/20		1,599	1,670,955
Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 2.98%, 12/01/17 (c)		190	190,950
Brand Energy & Infrastructure Services, Inc., 8.50%, 12/01/21 (b)		164	155,800
Covanta Holding Corp., 6.38%, 10/01/22		1,305	1,406,137
Mobile Mini, Inc., 7.88%, 12/01/20		1,110	1,173,825
Modular Space Corp., 10.25%, 1/31/19 (b)		1,955	1,466,250
Silk Bidco, 7.50%, 2/01/22	EUR	150	174,152
United Rentals North America, Inc.:			
5.75%, 7/15/18	USD	1,389	1,441,956
7.38%, 5/15/20		760	824,600
8.25%, 2/01/21		165	179,025
7.63%, 4/15/22		3,143	3,491,276
			13,159,361
Communications Equipment 0.9%			
Alcatel-Lucent USA, Inc. (b):			
4.63%, 7/01/17		645	665,962
6.75%, 11/15/20		1,920	2,054,400
Avaya, Inc., 7.00%, 4/01/19 (b)		719	726,190
CommScope, Inc. (b):			
5.00%, 6/15/21		265	268,313
5.50%, 6/15/24		272	275,400
Zayo Group LLC/Zayo Capital, Inc.:			
8.13%, 1/01/20		2,419	2,564,140
10.13%, 7/01/20		785	887,050
			7,441,455
Construction & Engineering 0.6%			
AECOM Technology Corp. (b):			
5.75%, 10/15/22		1,490	1,560,775
5.88%, 10/15/24		862	915,875
BlueLine Rental Finance Corp.,			
7.00%, 2/01/19 (b)		205	212,688
Safway Group Holding LLC/Safway Finance Corp., 7.00%, 5/15/18 (b)		1,925	1,944,250
Weekley Homes LLC/Weekley Finance Corp., 6.00%, 2/01/23		350	332,062
			4,965,650
Construction Materials 0.8%			
Allegion US Holding Co., Inc., 5.75%, 10/01/21		117	122,850
HD Supply, Inc.:			
11.00%, 4/15/20		786	899,970
7.50%, 7/15/20		3,069	3,283,830
5.25%, 12/15/21 (b)		2,250	2,337,187
			6,643,837
Containers & Packaging 0.7%			
Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc.:			
6.00%, 6/30/21 (b)		465	452,794
4.25%, 1/15/22	EUR	370	420,259
Ball Corp., 6.75%, 9/15/20	USD	635	657,225
	Par		
	(000)		Value
Corporate Bonds			
Containers & Packaging (concluded)			

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Beverage Packaging Holdings Luxembourg II SA, 6.00%, 6/15/17 (b)	USD	727	\$ 734,270
Crown Americas LLC / Crown Americas Capital Corp. IV, 4.50%, 1/15/23		1,575	1,610,438
Crown Americas LLC/Crown Americas Capital Corp. III, 6.25%, 2/01/21		715	757,900
Crown European Holdings SA, 4.00%, 7/15/22	EUR	320	390,325
Sealed Air Corp. (b):			
6.50%, 12/01/20	USD	120	135,924
8.38%, 9/15/21		60	67,875
SGD Group SAS, 5.63%, 5/15/19	EUR	100	113,863
Smurfit Kappa Acquisitions, 4.88%, 9/15/18 (b)	USD	200	208,500
			5,549,373
Distributors 0.1%			
VWR Funding, Inc., 7.25%, 9/15/17		938	982,555
Diversified Consumer Services 0.1%			
Laureate Education, Inc., 10.00%, 9/01/19 (b)		427	407,785
Service Corp. International, 4.50%, 11/15/20		307	310,838
			718,623
Diversified Financial Services 2.7%			
Ally Financial, Inc.:			
6.25%, 12/01/17		30	32,400
5.13%, 9/30/24		2,730	2,883,562
8.00%, 11/01/31		5,281	6,827,753
Bank of America Corp.:			
4.50%, 4/01/15		375	376,131
6.05%, 5/16/16		325	342,679
6.50%, 8/01/16		410	439,630
5.63%, 10/14/16		100	106,708
CE Energy AS, 7.00%, 2/01/21	EUR	175	199,016
General Motors Financial Co., Inc.:			
4.38%, 9/25/21	USD	650	690,625
4.25%, 5/15/23		101	105,798
HSH Nordbank AG, 0.89%, 2/14/17 (c)	EUR	179	172,817
Jefferies Finance LLC/JFIN Co-Issuer Corp. (b):			
7.38%, 4/01/20	USD	825	816,750
6.88%, 4/15/22		716	690,940
MSCI, Inc., 5.25%, 11/15/24 (b)		385	401,363
Onex Wizard Acquisition Co. II SCA, 7.75%, 2/15/23	EUR	126	148,050
Reynolds Group Issuer, Inc.:			
9.00%, 4/15/19	USD	969	1,015,027
7.88%, 8/15/19		180	190,980
9.88%, 8/15/19		1,032	1,105,530
5.75%, 10/15/20		4,215	4,378,331
6.88%, 2/15/21		266	281,295
UBS Group AG (c)(i):			
5.75%	EUR	200	233,322
7.00%	USD	200	208,748
			21,647,455
Diversified Telecommunication Services 2.1%			
CenturyLink, Inc.:			
6.45%, 6/15/21		240	263,400
Series V, 5.63%, 4/01/20		1,153	1,233,710
Frontier Communications Corp.:			
8.50%, 4/15/20		70	79,100
6.25%, 9/15/21		505	518,887

See Notes to Consolidated Financial Statements.

Consolidated Schedule of Investments (continued)

(Percentages shown are based on Net Assets)