

EVERGREEN UTILITIES & HIGH INCOME FUND  
Form N-CSR  
November 04, 2008

OMB APPROVAL  
OMB Number: 3235-0570

Expires: September 30, 2007

Estimated average burden hours per response: 19.4

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 811-21507

**Evergreen Utilities and High Income Fund**

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(Exact name of registrant as specified in charter)

200 Berkeley Street  
Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.  
200 Berkeley Street

Boston, Massachusetts 02116

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(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 210-3200

Date of fiscal year end: August 31, 2008

Date of reporting period: August 31, 2008

**Item 1 - Reports to Stockholders.**

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**Evergreen Utilities And High Income Fund**

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table of contents

- 1 LETTER TO SHAREHOLDERS**
- 4 FINANCIAL HIGHLIGHTS**
- 5 SCHEDULE OF INVESTMENTS**
- 21 STATEMENT OF ASSETS AND LIABILITIES**
- 22 STATEMENT OF OPERATIONS**
- 23 STATEMENTS OF CHANGES IN NET ASSETS**
- 24 STATEMENT OF CASH FLOWS**
- 25 NOTES TO FINANCIAL STATEMENTS**
- 37 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**
- 38 AUTOMATIC DIVIDEND REINVESTMENT PLAN**
- 39 ADDITIONAL INFORMATION**
- 40 TRUSTEES AND OFFICERS**

The fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q will be available on the SEC's Web site at <http://www.sec.gov>. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330.

A description of the fund's proxy voting policies and procedures, as well as information regarding how the fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by visiting our Web site at [EvergreenInvestments.com](http://EvergreenInvestments.com) or by visiting the SEC's Web site at <http://www.sec.gov>. The fund's proxy voting policies and procedures are also available without charge, upon request, by calling 800.343.2898.

Mutual Funds:

NOT FDIC INSURED    MAY LOSE VALUE    NOT BANK GUARANTEED

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Evergreen Investment Management Company, LLC is a subsidiary of Wachovia Corporation and is an affiliate of Wachovia Corporation's other Broker Dealer subsidiaries.

## LETTER TO SHAREHOLDERS

October 2008

**Dennis H. Ferro**

President and Chief Executive Officer

**Dear Shareholder:**

We are pleased to provide the Annual Report for Evergreen Utilities and High Income Fund for the twelve-month period ended August 31, 2008 (the period ).

Capital markets came under extreme pressure during the period as investors confronted a variety of challenges that ranged from faltering credit markets and deteriorating housing values to rapidly rising energy costs and intensifying inflationary pressures. All these factors contributed to growing fears that the domestic economy might be moving toward a significant slump that potentially could undermine the growth of the global economy. Against this backdrop, the stock prices of U.S. companies of all sizes and virtually all sectors fell. The declines over the period came even after a reversal of direction in August 2008, the final month of the period, when falling energy prices and the stabilizing U.S. dollar helped most equity benchmarks generate gains. In this environment, utilities stocks constituted one of the few stock groups to yield positive results over the period. Outside the United States, stocks in both industrial and emerging market nations slumped, reflecting concerns about the potentially contagious effects of problems in the United States. In the domestic fixed income market, widespread credit problems dragged down the prices of virtually all types of securities carrying credit risk. Treasuries and other high-quality securities held up relatively well for the period. In contrast, high yield corporate bonds underperformed most other sectors, even after high yield benchmarks produced positive returns in the final month of the fiscal year. In world bond markets, sovereign government securities in industrialized nations outperformed other groups, while emerging market debt and high yield corporate bonds underperformed.

Despite many warning signals, the U.S. economy appeared to defy expectations for recession. While the nation's real Gross Domestic Product grew at an annual rate of just 0.9% in the first quarter of 2008, growth accelerated to a 3.3% pace in the second quarter. The combination of a weak currency, which supported exports, and the injection of tax-rebate checks sustained the expansion, cushioning the impacts of weakening employment, slowing profit growth and rising inflation. Moreover, problems in the credit markets persisted, with major financial institutions continuing to report significant credit losses. In the face of these threats, the federal government intervened. The Federal Reserve Board (the Fed ) steadily relaxed monetary policy in an effort to inject new liquidity into the nation's financial system. The Fed slashed the key fed funds

**LETTER TO SHAREHOLDERS** continued

rate from 5.25% to 2.00% between August 2007 and April 2008. The central bank also initiated policy changes to make funds more available to financial institutions, including commercial and investment banks. In early September 2008, shortly after the fund's fiscal year end, the U.S. Treasury Department acted forcefully to take control over both Fannie Mae and Freddie Mac, the two giant mortgage institutions that had been seriously weakened by the upheaval in the mortgage market. The Treasury's actions were seen as major initiatives to instill confidence in the economy by supporting the mortgage market.

During a volatile and challenging period in the stock and bond markets, the investment managers of Evergreen Utilities and High Income Fund maintained their emphasis on the pursuit of a high level of current income and moderate capital growth for investors. The managers kept this closed-end fund well-diversified with exposures to common stocks and convertible securities of utilities companies and to high yield corporate bonds.

At the same time, Evergreen Investments was able to resolve the challenge to the fund that emanated from the loss of liquidity in the credit markets. As we discussed in our letter to you six months ago, the liquidity crisis affected the general market for Auction Market Preferred Shares (AMPS), which the fund had used to create leverage in pursuit of its income objective. As a consequence, holders of these preferred shares temporarily were not able to sell them at auction. In addition to depriving these holders of liquidity, this situation also disadvantaged the fund by increasing its borrowing costs. Fortunately, Evergreen successfully obtained debt financing that was used to redeem the fund's outstanding AMPS in May and resolve the situation.

We believe the changing conditions in the investment environment over the period have underscored the value of a well-diversified, long-term investment strategy to help soften the effects of volatility in any one market or asset class. As always, we encourage investors to maintain diversified investment portfolios in pursuit of their long-term investment goals.

**LETTER TO SHAREHOLDERS** continued

Please visit us at [EvergreenInvestments.com](http://EvergreenInvestments.com) for more information about our funds and other investment products available to you. Thank you for your continued support of Evergreen Investments.

Sincerely,

**Dennis H. Ferro**

President and Chief Executive Officer  
Evergreen Investment Company, Inc.

**Special Notices to Shareholders:**

NYSE Euronext (NYX) completed its acquisition of the American Stock Exchange (Amex). Amex became a subsidiary of NYSE Euronext under the new name NYSE Alternext US LLC. In December 2008, it is anticipated that the Fund, along with more than 500 Amex-listed companies, will trade on NYSE Euronext.

Dennis Ferro, President and Chief Executive Officer (CEO) of Evergreen Investments, will retire at the end of 2008 and Peter Cieszko, current President of Global Distribution, will succeed Mr. Ferro as President and CEO at that time. Additionally, David Germany has been named the new Chief Investment Officer (CIO). Please visit our Web site at [EvergreenInvestments.com](http://EvergreenInvestments.com) for additional information regarding these announcements.

On October 3, 2008, Wachovia Corporation, parent company of Evergreen Investments, and Wells Fargo & Company announced a definitive agreement whereby Wells Fargo will acquire Wachovia in a stock-for-stock transaction. Please visit [Wachovia.com](http://Wachovia.com) for additional information regarding this announcement.

**FINANCIAL HIGHLIGHTS**

(For a share outstanding throughout each period)

	<b>Year Ended August 31,</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004<sup>1</sup></b>
<b>Net asset value, beginning of period</b>	\$24.05	\$23.16	\$25.43	\$19.76	\$19.10 <sup>2</sup>
<b>Income from investment operations</b>					
Net investment income (loss)	2.49 <sup>3</sup>	2.81 <sup>3</sup>	4.07 <sup>3</sup>	1.80	0.77
Net realized and unrealized gains or losses on investments	(4.18)	2.37	(0.51)	5.64	0.34
Distributions to preferred shareholders from <sup>3</sup>					
Net investment income	(0.33)	(0.30)	(0.39)	(0.15)	(0.02)
Net realized gains	0	(0.20)	(0.02)	(0.04)	0
<b>Total from investment operations</b>	<b>(2.02)</b>	<b>4.68</b>	<b>3.15</b>	<b>7.25</b>	<b>1.09</b>
<b>Distributions to common shareholders from</b>					
Net investment income	(2.76)	(3.79)	(2.76)	(1.58)	(0.30)
Net realized gains	(1.77)	0	(2.67)	0	0
<b>Total distributions to common shareholders</b>	<b>(4.53)</b>	<b>(3.79)</b>	<b>(5.43)</b>	<b>(1.58)</b>	<b>(0.30)</b>
<b>Offering costs charged to capital for</b>					
Common shares	0	0	0	0	(0.04)
Preferred shares	0	0	0.01 <sup>3,4</sup>	0	(0.09)
<b>Total offering costs</b>	<b>0</b>	<b>0</b>	<b>0.01</b>	<b>0</b>	<b>(0.13)</b>
<b>Net asset value, end of period</b>	<b>\$17.50</b>	<b>\$24.05</b>	<b>\$23.16</b>	<b>\$25.43</b>	<b>\$19.76</b>
<b>Market value, end of period</b>	<b>\$21.02</b>	<b>\$27.30</b>	<b>\$23.50</b>	<b>\$22.21</b>	<b>\$18.29</b>
<b>Total return based on market value<sup>5</sup></b>	<b>(7.86%)</b>	<b>34.05%</b>	<b>35.89%</b>	<b>31.00%</b>	<b>(7.05)%</b>
<b>Ratios and supplemental data</b>					
Net assets of common shareholders, end of period (thousands)	\$156,384	\$209,066	\$195,955	\$250,826	\$227,328
Liquidation value of preferred shares, end of period (thousands)	N/A	\$80,000	\$80,000	\$80,000	\$80,000
Asset coverage ratio, end of period	N/A	360%	341%	406%	284%
<b>Ratios to average net assets</b>					
Expenses including waivers/reimbursements and interest expense but excluding expense reductions	1.89%	1.42%	1.70%	1.49%	1.31% <sup>6</sup>

Expenses including interest expense but excluding waivers/reimbursements and expense reductions	1.92%	1.42%	1.70%	1.54%	1.31% <sup>6</sup>
Interest expense	0.52%	0.22%	0.31%	0.30%	0.29% <sup>6</sup>
Net investment income (loss) <sup>7</sup>	10.33%	9.41%	16.00%	8.50%	12.05% <sup>6</sup>
Portfolio turnover rate	153%	117%	122%	126%	55%

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- 1 For the period from April 30, 2004 (commencement of operations), to August 31, 2004.
  - 2 Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.
  - 3 Calculated based on average common shares outstanding during the period.
  - 4 Amount represents a refund of certain preferred share offering expenses.
  - 5 Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.
  - 6 Annualized
  - 7 The net investment income (loss) ratio reflects distributions paid to preferred shareholders.
- See Notes to Financial Statements



**SCHEDULE OF INVESTMENTS**

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS 38.6%</b>		
<b>CONSUMER DISCRETIONARY 7.1%</b>		
<b>Auto Components 0.5%</b>		
Cooper Standard Automotive, Inc., 7.00%, 12/15/2012	\$45,000	\$36,675
Cooper Tire & Rubber Co., 7.625%, 03/15/2027	530,000	397,500
Goodyear Tire & Rubber Co., 9.00%, 07/01/2015	245,000	252,963
		<u>687,138</u>
<b>Automobiles 0.0%</b>		
General Motors Corp., 6.75%, 12/01/2014	60,000	32,613
<b>Diversified Consumer Services 0.1%</b>		
Carriage Services, Inc., 7.875%, 01/15/2015	20,000	18,300
Service Corporation International, 6.75%, 04/01/2015	10,000	9,375
Sotheby s, 7.75%, 06/15/2015 144A	160,000	154,632
		<u>182,307</u>
<b>Hotels, Restaurants &amp; Leisure 1.7%</b>		
Boyd Gaming Corp., 7.75%, 12/15/2012	155,000	140,663
Caesars Entertainment, Inc.:		
7.875%, 03/15/2010	315,000	270,112
8.125%, 05/15/2011	135,000	95,175
Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010	360,000	258,300
Isle of Capri Casinos, Inc., 7.00%, 03/01/2014	811,000	583,920
MGM MIRAGE, 8.50%, 09/15/2010	75,000	72,938
Pinnacle Entertainment, Inc., 8.75%, 10/01/2013	30,000	29,775
Pokagon Gaming Authority, 10.375%, 06/15/2014 144A	300,000	314,250
Seneca Gaming Corp., 7.25%, 05/01/2012	205,000	183,987
Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A	450,000	367,875
Universal City Development Partners, Ltd., 11.75%, 04/01/2010	265,000	268,975
		<u>2,585,970</u>
<b>Household Durables 1.4%</b>		
Centex Corp., 5.80%, 09/15/2009	285,000	277,875
D.R. Horton, Inc.:		
4.875%, 01/15/2010	125,000	117,500
5.00%, 01/15/2009	245,000	243,775
8.00%, 02/01/2009	165,000	165,825

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9.75%, 09/15/2010	155,000	152,675
Hovnanian Enterprises, Inc.:		
6.00%, 01/15/2010	90,000	76,050
6.50%, 01/15/2014	61,000	38,735
11.50%, 05/01/2013 144A	30,000	30,788
KB Home, 8.625%, 12/15/2008	90,000	91,012
Lennar Corp.:		
5.125%, 10/01/2010	340,000	292,400
7.625%, 03/01/2009	110,000	107,250
Libbey, Inc., FRN, 9.93%, 06/01/2011	390,000	390,975
See Notes to Financial Statements		

5

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**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>CONSUMER DISCRETIONARY</b> continued		
<b>Household Durables</b> continued		
Meritage Homes Corp., 7.00%, 05/01/2014	\$185,000	\$148,000
Pulte Homes, Inc.:		
7.875%, 08/01/2011	35,000	34,300
8.125%, 03/01/2011	65,000	64,350
		<hr/> 2,231,510 <hr/>
<b>Internet &amp; Catalog Retail 0.1%</b>		
Ticketmaster, 10.75%, 08/01/2016 144A	80,000	82,400
<b>Media 1.7%</b>		
Charter Communications, Inc.:		
8.00%, 04/30/2012 144A	90,000	87,300
10.875%, 09/15/2014 144A	720,000	759,600
CSC Holdings, Inc., 7.625%, 04/01/2011	345,000	348,450
DIRECTV Holdings, LLC, 7.625%, 05/15/2016 144A	10,000	10,025
Idearc, Inc., 8.00%, 11/15/2016	690,000	315,675
Lamar Media Corp.:		
6.625%, 08/15/2015	545,000	486,412
7.25%, 01/01/2013	35,000	33,425
Mediacom Broadband, LLC, 8.50%, 10/15/2015	5,000	4,588
Mediacom, LLC, 7.875%, 02/15/2011	105,000	100,012
R.H. Donnelley Corp., 11.75%, 05/15/2015 144A	405,000	299,700
Sinclair Broadcast Group, Inc., 8.00%, 03/15/2012	170,000	166,600
		<hr/> 2,611,787 <hr/>
<b>Multi-line Retail 0.2%</b>		
Macy's, Inc., 7.875%, 07/15/2015	85,000	85,771
Neiman Marcus Group, Inc., 9.00%, 10/15/2015	145,000	141,738
		<hr/> 227,509 <hr/>
<b>Specialty Retail 0.8%</b>		
American Achievement Corp., 8.25%, 04/01/2012 144A	550,000	541,750
AutoZone, Inc., 6.50%, 01/15/2014	55,000	55,756
Best Buy Co., Inc., 6.75%, 07/15/2013 144A	55,000	56,371
Home Depot, Inc., 5.875%, 12/16/2036	135,000	106,825

Payless ShoeSource, Inc., 8.25%, 08/01/2013 $\mu$	445,000	407,175
		<hr/>
		1,167,877
		<hr/>
<b>Textiles, Apparel &amp; Luxury Goods 0.6%</b>		
Oxford Industries, Inc., 8.875%, 06/01/2011 $\mu$	953,000	931,557
		<hr/>
<b>CONSUMER STAPLES 0.8%</b>		
<b>Beverages 0.0%</b>		
Constellation Brands, Inc., 8.375%, 12/15/2014	10,000	10,375
		<hr/>
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>CONSUMER STAPLES</b> continued		
<b>Food &amp; Staples Retailing</b> 0.2%		
Ingles Markets, Inc., 8.875%, 12/01/2011	\$170,000	\$173,400
Rite Aid Corp., 10.375%, 07/15/2016	95,000	90,725
		<hr/> 264,125 <hr/>
<b>Food Products</b> 0.4%		
Dean Foods Co., 6.625%, 05/15/2009	40,000	39,900
Del Monte Foods Co.:		
6.75%, 02/15/2015	145,000	137,025
8.625%, 12/15/2012	280,000	284,200
Pilgrim s Pride Corp.:		
7.625%, 05/01/2015	190,000	169,100
8.375%, 05/01/2017	45,000	36,675
Smithfield Foods, Inc., 7.75%, 07/01/2017	40,000	36,000
		<hr/> 702,900 <hr/>
<b>Household Products</b> 0.0%		
Church & Dwight Co., 6.00%, 12/15/2012	50,000	49,000
<b>Personal Products</b> 0.2%		
Central Garden & Pet Co., 9.125%, 02/01/2013	380,000	317,300
<b>ENERGY</b> 5.4%		
<b>Energy Equipment &amp; Services</b> 1.2%		
Bristow Group, Inc., 7.50%, 09/15/2017	240,000	231,600
GulfMark Offshore, Inc., 7.75%, 07/15/2014	225,000	222,750
Hornbeck Offshore Services, Inc., Ser. B, 6.125%, 12/01/2014 μ	625,000	584,375
Parker Drilling Co., 9.625%, 10/01/2013	395,000	414,750
PHI, Inc., 7.125%, 04/15/2013 μ	505,000	477,856
		<hr/> 1,931,331 <hr/>
<b>Oil, Gas &amp; Consumable Fuels</b> 4.2%		
Chesapeake Energy Corp.:		
6.875%, 01/15/2016 μ	970,000	936,050
7.25%, 12/15/2018	15,000	14,700
El Paso Corp.:		

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7.00%, 06/15/2017	50,000	49,238
7.75%, 01/15/2032	15,000	14,806
Encore Acquisition Co.:		
6.00%, 07/15/2015	305,000	267,638
6.25%, 04/15/2014	70,000	63,000
Exco Resources, Inc., 7.25%, 01/15/2011 $\mu$	450,000	447,750
Ferrellgas Partners, LP, 6.75%, 05/01/2014 144A	310,000	268,925
See Notes to Financial Statements		

7

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**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>ENERGY</b> continued		
<b>Oil, Gas &amp; Consumable Fuels</b> continued		
Forest Oil Corp.:		
7.25%, 06/15/2019	\$125,000	\$115,625
7.25%, 06/15/2019 144A	150,000	138,750
Frontier Oil Corp., 6.625%, 10/01/2011	170,000	166,175
Newfield Exploration Co.:		
6.625%, 04/15/2016	240,000	224,700
7.125%, 05/15/2018	115,000	108,963
Peabody Energy Corp.:		
5.875%, 04/15/2016	665,000	638,400
7.875%, 11/01/2026	105,000	105,000
Petrohawk Energy Corp., 7.875%, 06/01/2015 144A	530,000	496,875
Plains Exploration & Production Co.:		
7.625%, 06/01/2018	140,000	132,650
7.75%, 06/15/2015	180,000	172,350
Quicksilver Resources, Inc., 7.75%, 08/01/2015	160,000	155,600
Range Resources Corp., 7.25%, 05/01/2018	15,000	14,625
Sabine Pass LNG, LP:		
7.25%, 11/30/2013	875,000	778,750
7.50%, 11/30/2016	25,000	22,000
SandRidge Energy, Inc., 8.00%, 06/01/2018 144A	55,000	51,838
Southwestern Energy Co., 7.50%, 02/01/2018 144A	110,000	113,025
Tesoro Corp.:		
6.50%, 06/01/2017	515,000	433,887
6.625%, 11/01/2015	10,000	8,725
Williams Cos.:		
7.125%, 09/01/2011	560,000	579,990
8.125%, 03/15/2012	95,000	101,413
		6,621,448
<b>FINANCIALS</b> 6.5%		
<b>Capital Markets</b> 0.2%		
E*TRADE Financial Corp.:		
7.375%, 06/15/2011	5,000	4,300
8.00%, 09/15/2013	5,000	4,550
12.50%, 11/30/2017	30,000	32,250
12.50%, 11/30/2017 144A	210,000	225,750
Lehman Brothers Holdings, Inc., 6.875%, 05/02/2018	95,000	88,599

		355,449
<b>Consumer Finance 3.7%</b>		
American Express Credit Co., 7.30%, 08/20/2013	230,000	233,885
Ford Motor Credit Co., LLC: 5.70%, 01/15/2010	1,780,000	1,553,571
5.80%, 01/12/2009	415,000	407,244
See Notes to Financial Statements		

8

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**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>FINANCIALS</b> continued		
<b>Consumer Finance</b> continued		
Ford Motor Credit Co., LLC:		
7.375%, 10/28/2009	\$70,000	\$65,077
9.75%, 09/15/2010	300,000	261,476
General Motors Acceptance Corp., LLC:		
6.875%, 09/15/2011	325,000	201,797
6.875%, 08/28/2012	1,865,000	1,094,925
7.75%, 01/19/2010	405,000	323,281
8.00%, 11/01/2031	840,000	453,822
FRN, 4.05%, 05/15/2009	830,000	730,533
Sprint Capital Corp., 6.875%, 11/15/2028	575,000	489,978
		<hr/> 5,815,589 <hr/>
<b>Diversified Financial Services 0.9%</b>		
Citigroup, Inc., 6.50%, 08/19/2013	245,000	245,524
JPMorgan Chase & Co., FRN, 7.90%, 12/31/2049	275,000	250,558
Leucadia National Corp.:		
7.125%, 03/15/2017	70,000	66,238
8.125%, 09/15/2015 $\mu$	825,000	834,281
		<hr/> 1,396,601 <hr/>
<b>Real Estate Investment Trusts 1.4%</b>		
Host Marriott Corp.:		
7.125%, 11/01/2013	535,000	506,912
Ser. O, 6.375%, 03/15/2015	30,000	26,250
Ser. Q, 6.75%, 06/01/2016	545,000	471,425
Omega Healthcare Investors, Inc., 7.00%, 04/01/2014 $\mu$	890,000	856,625
Ventas, Inc., 7.125%, 06/01/2015	275,000	274,313
		<hr/> 2,135,525 <hr/>
<b>Thriffs &amp; Mortgage Finance 0.3%</b>		
Residential Capital, LLC:		
8.50%, 05/15/2010 144A	120,000	83,400
9.625%, 05/15/2015 144A	352,000	117,920
Step Bond:		
8.125%, 11/21/2008	95,000	85,500

8.375%, 06/30/2010	840,000	222,600
		<hr/>
		509,420
		<hr/>
<b>HEALTH CARE 1.7%</b>		
<b>Health Care Equipment &amp; Supplies 0.0%</b>		
Universal Hospital Services, Inc., 8.50%, 06/01/2015	12,000	12,000
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>HEALTH CARE</b> continued		
<b>Health Care Providers &amp; Services</b> 1.7%		
HCA, Inc., 9.25%, 11/15/2016 $\mu$	\$1,415,000	\$1,459,219
Humana, Inc., 7.20%, 06/15/2018	275,000	270,508
Omnicare, Inc.:		
6.125%, 06/01/2013 $\mu$	710,000	660,300
6.875%, 12/15/2015	350,000	330,750
		<hr/> 2,720,777 <hr/>
<b>INDUSTRIALS</b> 4.3%		
<b>Aerospace &amp; Defense</b> 2.2%		
Alliant Techsystems, Inc., 6.75%, 04/01/2016	175,000	171,062
DRS Technologies, Inc.:		
6.625%, 02/01/2016	265,000	274,275
7.625%, 02/01/2018	60,000	63,450
L-3 Communications Holdings, Inc.:		
5.875%, 01/15/2015 $\mu$	2,170,000	2,056,075
6.375%, 10/15/2015 $\mu$	930,000	895,125
		<hr/> 3,459,987 <hr/>
<b>Building Products</b> 0.1%		
Ply Gem Industries, Inc., 11.75%, 06/15/2013 144A	130,000	118,950
<b>Commercial Services &amp; Supplies</b> 1.1%		
Allied Waste North America, Inc., 6.875%, 06/01/2017	5,000	4,950
Browning-Ferris Industries, Inc.:		
7.40%, 09/15/2035	470,000	430,050
9.25%, 05/01/2021	315,000	332,325
Corrections Corporation of America, 6.25%, 03/15/2013	10,000	9,850
Geo Group, Inc., 8.25%, 07/15/2013	30,000	30,450
Iron Mountain, Inc., 8.00%, 06/15/2020	5,000	4,888
Mobile Mini, Inc., 6.875%, 05/01/2015	300,000	257,250
Toll Corp.:		
8.25%, 02/01/2011	540,000	521,100
8.25%, 12/01/2011	65,000	62,725
		<hr/> 1,653,588 <hr/>

**Machinery 0.6%**

Commercial Vehicle Group, Inc., 8.00%, 07/01/2013	1,125,000	978,750
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**Road & Rail 0.2%**

Avis Budget Car Rental, LLC, 7.75%, 05/15/2016	145,000	99,687
Hertz Global Holdings, Inc.:		
8.875%, 01/01/2014	95,000	89,419
10.50%, 01/01/2016	15,000	13,313
Kansas City Southern, 7.50%, 06/15/2009	170,000	172,762

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375,181

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See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>INDUSTRIALS</b> continued		
<b>Trading Companies &amp; Distributors 0.1%</b>		
United Rentals, Inc., 6.50%, 02/15/2012	\$140,000	\$125,650
<b>INFORMATION TECHNOLOGY 1.6%</b>		
<b>Communications Equipment 0.1%</b>		
EchoStar Corp.:		
7.125%, 02/01/2016	50,000	46,250
7.75%, 05/31/2015	100,000	96,000
		142,250
<b>Electronic Equipment &amp; Instruments 0.9%</b>		
Da-Lite Screen Co., Inc., 9.50%, 05/15/2011	480,000	463,200
Jabil Circuit, Inc., 8.25%, 03/15/2018 μ	920,000	922,300
Sanmina-SCI Corp., 8.125%, 03/01/2016	105,000	95,287
		1,480,787
<b>IT Services 0.4%</b>		
First Data Corp., 9.875%, 09/24/2015 144A	165,000	142,519
Lender Processing Services, Inc., 8.125%, 07/01/2016 144A	175,000	178,719
SunGard Data Systems, Inc., 4.875%, 01/15/2014	95,000	83,956
Unisys Corp., 6.875%, 03/15/2010	240,000	229,800
		634,994
<b>Semiconductors &amp; Semiconductor Equipment 0.2%</b>		
Freescale Semiconductor, Inc., 9.125%, 12/15/2014	65,000	51,025
Spansion, Inc., FRN, 5.81%, 06/01/2013 144A	350,000	245,000
		296,025
<b>MATERIALS 4.7%</b>		
<b>Chemicals 1.8%</b>		
Airgas, Inc., 7.125%, 10/01/2018 144A	20,000	20,250
ARCO Chemical Co.:		
9.80%, 02/01/2020	345,000	251,850
10.25%, 11/01/2010	30,000	30,150
Huntsman, LLC:		

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7.375%, 01/01/2015	65,000	59,800
11.625%, 10/15/2010	375,000	389,062
Koppers Holdings, Inc.:		
9.875%, 10/15/2013	45,000	47,475
Sr. Disc. Note, Step Bond, 0.00%, 11/15/2014 μ	440,000	393,800
Millenium America, Inc., 7.625%, 11/15/2026	400,000	234,000
Momentive Performance Materials, Inc.:		
9.75%, 12/01/2014	115,000	104,363
10.125%, 12/01/2014	490,000	431,200
See Notes to Financial Statements		

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS</b> continued		
<b>MATERIALS</b> continued		
<b>Chemicals</b> continued		
Mosaic Co.:		
7.30%, 01/15/2028	\$260,000	\$251,791
7.875%, 12/01/2016 144A	333,000	350,729
Tronox Worldwide, LLC, 9.50%, 12/01/2012 $\mu$	400,000	196,000
		<u>2,760,470</u>
 <b>Construction Materials</b> 0.6%		
CPG International, Inc.:		
10.50%, 07/01/2013	705,000	546,375
FRN, 9.90%, 07/01/2012	125,000	95,625
CRH America, Inc., 8.125%, 07/15/2018	100,000	102,163
Texas Industries, Inc., 7.25%, 07/15/2013 144A	140,000	132,650
		<u>876,813</u>
 <b>Containers &amp; Packaging</b> 0.9%		
Berry Plastics Holdings Corp., 8.875%, 09/15/2014		
	105,000	87,675
Exopack Holding Corp., 11.25%, 02/01/2014		
	615,000	542,737
Graphic Packaging International, Inc.:		
8.50%, 08/15/2011 $\mu$	380,000	376,200
9.50%, 08/15/2013	180,000	170,100
Smurfit-Stone Container Corp., 8.375%, 07/01/2012	330,000	291,225
		<u>1,467,937</u>
 <b>Metals &amp; Mining</b> 0.5%		
Freeport-McMoRan Copper & Gold, Inc.:		
8.25%, 04/01/2015	55,000	57,823
8.375%, 04/01/2017	625,000	663,518
		<u>721,341</u>
 <b>Paper &amp; Forest Products</b> 0.9%		
Georgia Pacific Corp.:		
8.125%, 05/15/2011	240,000	241,200
8.875%, 05/15/2031	200,000	190,500
International Paper Co., 7.95%, 06/15/2018	500,000	508,878

Verso Paper Holdings, LLC, 9.125%, 08/01/2014 $\mu$	555,000	524,475
		<hr/>
		1,465,053
		<hr/>
<b>TELECOMMUNICATION SERVICES 2.1%</b>		
<b>Diversified Telecommunication Services 0.9%</b>		
Citizens Communications Co., 7.875%, 01/15/2027	210,000	181,650
FairPoint Communications, Inc., 13.125%, 04/01/2018 144A	115,000	114,425
Qwest Corp.:		
6.50%, 06/01/2017	260,000	221,000
7.50%, 06/15/2023	125,000	105,000
See Notes to Financial Statements		



**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	Principal Amount	Value
<b>CORPORATE BONDS</b> continued		
<b>TELECOMMUNICATION SERVICES</b> continued		
<b>Diversified Telecommunication Services</b> continued		
Qwest Corp.:		
7.875%, 09/01/2011	\$590,000	\$588,525
8.875%, 03/15/2012	265,000	268,312
		<hr/> 1,478,912 <hr/>
<b>Wireless Telecommunication Services</b> 1.2%		
Centennial Communications Corp., 8.125%, 02/01/2014	185,000	188,700
Cricket Communications, Inc., 9.375%, 11/01/2014	290,000	288,913
Rural Cellular Corp., 8.25%, 03/15/2012	595,000	622,519
Sprint Nextel Corp.:		
6.90%, 05/01/2019	200,000	185,839
Ser. D, 7.375%, 08/01/2015	555,000	451,214
Ser. F, 5.95%, 03/15/2014	175,000	140,156
		<hr/> 1,877,341 <hr/>
<b>UTILITIES</b> 4.4%		
<b>Electric Utilities</b> 4.3%		
Allegheny Energy Supply Co., 8.25%, 04/15/2012 144A	670,000	706,850
Aquila, Inc., Step Bond, 11.875%, 07/01/2012 μ	1,220,000	1,416,310
CMS Energy Corp., 8.50%, 04/15/2011	65,000	68,680
Edison Mission Energy, 7.00%, 05/15/2017	75,000	72,188
Energy Future Holdings Corp.:		
10.875%, 11/01/2017 144A	490,000	504,087
11.25%, 11/01/2017 144A	260,000	258,050
Mirant Mid-Atlantic, LLC, Ser. C, 10.06%, 12/30/2028	180,244	203,226
Mirant North America, LLC, 7.375%, 12/31/2013	885,000	882,787
NRG Energy, Inc., 7.375%, 02/01/2016	640,000	633,600
Orion Power Holdings, Inc., 12.00%, 05/01/2010	927,000	1,005,795
PNM Resources, Inc., 9.25%, 05/15/2015	60,000	60,900
Public Service Company of New Mexico, 13.00%, 04/01/2015	80,000	79,247
Reliant Energy, Inc.:		
6.75%, 12/15/2014	840,000	850,500
7.875%, 06/15/2017	15,000	14,550
		<hr/> 6,756,770 <hr/>

**Independent Power Producers & Energy Traders 0.1%**

AES Corp.:		
8.00%, 10/15/2017	20,000	19,800
8.00%, 06/01/2020 144A	115,000	110,688
Dynegy Holdings, Inc., 7.50%, 06/01/2015	10,000	9,450
		<hr/>
		139,938
		<hr/>
<i>Total Corporate Bonds (cost \$64,667,648)</i>		60,393,245
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	Principal Amount	Value
<b>YANKEE OBLIGATIONS CORPORATE 6.6%</b>		
<b>CONSUMER DISCRETIONARY 0.0%</b>		
<b>Media 0.0%</b>		
Videotron, Ltd., 9.125%, 04/15/2018 144A	\$15,000	\$15,844
<b>ENERGY 2.1%</b>		
<b>Energy Equipment &amp; Services 0.5%</b>		
Forbes Energy Services, 11.00%, 02/15/2015	655,000	658,275
TransCanada Pipelines, Ltd., 6.50%, 08/15/2018	100,000	101,170
		759,445
<b>Oil, Gas &amp; Consumable Fuels 1.6%</b>		
Connacher Oil & Gas, Ltd., 10.25%, 12/15/2015 144A	245,000	254,187
Griffin Coal Mining Co., Ltd., 9.50%, 12/01/2016 144A	1,585,000	1,260,075
OPTI Canada, Inc., 7.875%, 12/15/2014	1,085,000	1,078,219
		2,592,481
<b>FINANCIALS 1.3%</b>		
<b>Consumer Finance 0.4%</b>		
Avago Technologies Finance, Ltd., FRN, 8.18%, 06/01/2013	140,000	140,700
NXP Funding, LLC:		
5.54%, 10/15/2013	15,000	11,719
7.875%, 10/15/2014	195,000	160,875
9.50%, 10/15/2015	205,000	139,400
Petroplus Finance, Ltd., 6.75%, 05/01/2014 144A	120,000	109,200
Virgin Media Finance plc, 8.75%, 04/15/2014	60,000	57,600
		619,494
<b>Diversified Financial Services 0.9%</b>		
FMG Finance Property, Ltd., 10.625%, 09/01/2016 144A	780,000	877,500
Ship Finance International, Ltd., 8.50%, 12/15/2013	465,000	462,675
		1,340,175
<b>INDUSTRIALS 0.9%</b>		
<b>Road &amp; Rail 0.9%</b>		
Kansas City Southern de Mexico:		
7.375%, 06/01/2014	705,000	690,900

9.375%, 05/01/2012	650,000	682,500
		<hr/>
		1,373,400
		<hr/>
<b>INFORMATION TECHNOLOGY 0.3%</b>		
<b>Communications Equipment 0.3%</b>		
Nortel Networks Corp.:		
10.125%, 07/15/2013 μ	610,000	570,350
10.75%, 07/15/2016 144A	10,000	9,300
		<hr/>
		579,650
		<hr/>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	Principal Amount	Value
<b>YANKEE OBLIGATIONS CORPORATE continued</b>		
<b>MATERIALS 1.3%</b>		
<b>Metals &amp; Mining 1.1%</b>		
Evrax Group SA:		
8.875%, 04/24/2013 144A	\$25,000	\$24,375
9.50%, 04/24/2018 144A	400,000	390,000
Novelis, Inc., 7.25%, 02/15/2015 $\mu$	1,075,000	1,002,437
Vedanta Resource plc, 9.50%, 07/18/2018 144A	285,000	280,725
		<hr/> 1,697,537 <hr/>
<b>Paper &amp; Forest Products 0.2%</b>		
Cascades, Inc., 7.25%, 02/15/2013	165,000	140,250
Corporacion Durango SAB de CV, 10.50%, 10/05/2017 144A	260,000	117,000
		<hr/> 257,250 <hr/>
<b>TELECOMMUNICATION SERVICES 0.7%</b>		
<b>Wireless Telecommunication Services 0.7%</b>		
Intelsat, Ltd.:		
8.50%, 04/15/2013 144A	390,000	388,050
8.875%, 01/15/2015 144A	290,000	288,188
Vimpel Communications:		
8.375%, 04/30/2013 144A	5,000	4,837
9.125%, 04/30/2018 144A	405,000	383,540
		<hr/> 1,064,615 <hr/>
<b>UTILITIES 0.0%</b>		
<b>Electric Utilities 0.0%</b>		
InterGen NV, 9.00%, 06/30/2017 144A	30,000	30,750
		<hr/> 10,330,641 <hr/>
<i>Total Yankee Obligations Corporate (cost \$10,946,819)</i>		
<b>CONVERTIBLE DEBENTURES 0.1%</b>		
<b>INFORMATION TECHNOLOGY 0.1%</b>		
<b>Communications Equipment 0.1%</b>		
Nortel Networks Corp., 2.125%, 04/15/2014 (cost \$158,030)	240,000	148,800
		<hr/> 148,800 <hr/>

	<b>Shares</b>	<b>Value</b>
<b>CONVERTIBLE PREFERRED STOCKS 3.5%</b>		
<b>ENERGY 3.5%</b>		
<b>Oil, Gas &amp; Consumable Fuels 3.5%</b>		
El Paso Corp., 4.99%, 12/31/2049 144A (cost \$4,534,688)	4,000	5,446,000

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

August 31, 2008

	Shares	Value
<b>COMMON STOCKS 77.0%</b>		
<b>ENERGY 2.5%</b>		
<b>Oil, Gas &amp; Consumable Fuels 2.5%</b>		
El Paso Corp.	75,000	\$ 1,257,000
Southwestern Energy Co. *	30,000	1,151,100
Williams Cos.	50,000	1,544,500
		<hr/> 3,952,600 <hr/>
<b>INFORMATION TECHNOLOGY 0.2%</b>		
<b>Communications Equipment 0.2%</b>		
Neutral Tandem, Inc.	14,248	292,084
		<hr/>
<b>TELECOMMUNICATION SERVICES 13.8%</b>		
<b>Diversified Telecommunication Services 10.6%</b>		
Cbeyond, Inc.	20,000	