

EVERGREEN INCOME ADVANTAGE FUND  
Form N-CSRS  
January 04, 2008

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

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21269

Evergreen Income Advantage Fund

\_\_\_\_\_  
(Exact name of registrant as specified in charter)

200 Berkeley Street Boston, Massachusetts 02116

\_\_\_\_\_  
(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq. 200 Berkeley Street Boston, Massachusetts 02116

\_\_\_\_\_  
(Name and address of agent for service)

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

Date of fiscal year end: April 30, 2008

Date of reporting period: October 31, 2007

**Item 1 - Reports to Stockholders.**

**Evergreen Income Advantage Fund**

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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:

	MAY	
	LOSE	NOT BANK
NOT FDIC INSURED	VALUE	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.

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## LETTER TO SHAREHOLDERS

December 2007

**Dennis H. Ferro**

President and Chief  
Executive Officer

**Dear Shareholder:**

We are pleased to provide the Semiannual Report for Evergreen Income Advantage Fund for the six-month period ended October 31, 2007.

The U.S. fixed income market delivered modest, but positive, returns during the six-month period, despite widening concerns about credit quality stemming from weakness in U.S. housing and growing problems in the subprime mortgage market. The period saw a general flight to quality as investors sought out the highest quality debt, especially U.S. Treasuries. As prices of Treasuries and other high-grade securities rose, their yields trended

down, leading to outperformance by longer-maturity securities. At the same time, higher-yielding, lower-rated corporate bonds experienced some price erosion during the period after outperforming high-grade securities for several years.

Concerns about the credit markets prompted the U.S. Federal Reserve Board and other major central banks to intervene and inject additional liquidity into the capital markets. While these steps in the closing three months of the period restored some measure of confidence, investors continued to watch warily for signs of economic weakness. Stocks of U.S. companies produced generally healthy returns, despite increasing market volatility. Investors began to favor larger companies with more consistent earnings, while the growth style of investing led the market after several years of outperformance by value stocks.

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**LETTER TO SHAREHOLDERS** continued

Despite the problems in housing and subprime mortgages, the domestic economy maintained its growth trajectory. Solid increases in exports and in business investment helped offset declining residential values. At the same time, steadily rising employment levels and moderately improving wages increased prospects that healthy consumer spending patterns would be sustained. Substantially exceeding expectations, U.S. Gross Domestic Product grew at an annual rate of 4.9% in the third quarter of 2007, significantly higher than the brisk 3.8% rate of the previous quarter. However, some signs of emerging economic weakness began to appear. Operating earnings of companies in the S&P 500 Index declined in the third quarter, principally because of dramatic write-downs taken by major corporations, predominately in the financials sector. Moreover, surging prices for oil, gold and most commodities, combined with the declining U.S. dollar, suggested some increased potential for rising inflation.

During the six-month period, managers of Evergreen Income Advantage Fund maintained a relatively conservative positioning in their investments in lower-rated, higher-yielding corporate bonds. To enhance income, they also made selective use of the fund's ability to borrow funds at short-term rates and to invest the proceeds in higher-yielding corporate securities.

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**LETTER TO SHAREHOLDERS** continued

As always, we encourage investors to maintain diversified investment portfolios in pursuit of their long-term investment goals.

Please visit us at **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 Notice to Shareholders:**

Please visit our Web site at **EvergreenInvestments.com** for statements from President and Chief Executive Officer, Dennis Ferro, regarding the firm's recent settlement with the Securities and Exchange Commission (SEC) and prior settlement with the National Association of Securities Dealers (NASD).

**FINANCIAL HIGHLIGHTS**

(For a common share outstanding throughout each period)

	Six Months Ended October 31, 2007 (unaudited)	Year Ended April 30,				
		2007	2006	2005	2004	2003 <sup>1</sup>
<b>Net asset value, beginning of period</b>	\$ 14.26	\$ 14.06	\$ 14.41	\$ 15.62	\$ 14.92	\$ 14.33
<b>Income from investment operations</b>						
Net investment income (loss)	0.81 <sup>3</sup>	1.62 <sup>3</sup>	1.59 <sup>3</sup>	1.56	1.76	0.1
Net realized and unrealized gains or losses on investments	(0.70)	0.36	0.03	(0.65)	0.68	0.6
Distributions to preferred shareholders from <sup>3</sup>						
Net investment income	(0.20)	(0.37)	(0.26)	(0.14)	(0.09)	0
Net realized gains	0	0	(0.02)	(0.01)	0	
Total from investment operations	(0.09)	1.61	1.34	0.76	2.35	0.8
<b>Distributions to common shareholders from</b>						
Net investment income	(0.69)	(1.41)	(1.54)	(1.64)	(1.65)	(0.14)
Net realized gains	0	0	(0.15)	(0.33)	0	
Total distributions to common shareholders	(0.69)	(1.41)	(1.69)	(1.97)	(1.65)	(0.14)
<b>Offering costs charged to capital for</b>						
Common shares	0	0	0	0	0	(0.03)
Preferred shares	0	0	0	0	0	(0.08)
Total offering costs	0	0	0	0	0	(0.11)
<b>Net asset value, end of period</b>	\$ 13.48	\$ 14.26	\$ 14.06	\$ 14.41	\$ 15.62	\$ 14.9
<b>Market value, end of period</b>	\$ 12.39	\$ 14.70	\$ 14.17	\$ 14.24	\$ 14.44	\$ 15.1
<b>Total return based on market value<sup>5</sup></b>	11.21%	14.69%	11.91%	12.07%	6.55%	1.66%
<b>Ratios and supplemental data</b>						
Net assets of common shareholders, end of period (thousands)	\$929,382	\$980,054	\$953,102	\$966,835	\$1,035,766	\$979,90
Liquidation value of preferred shares, end of period (thousands)	\$490,000	\$490,000	\$490,000	\$490,000	\$ 490,000	\$490,00
Asset coverage ratio, end of period	289%	299%	294%	297%	311%	300%
<b>Ratios to average net assets applicable to common shareholders</b>						

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Expenses including waivers/reimbursements but excluding expense reductions	1.19% <sup>6</sup>	1.19%	1.19%	1.15%	1.15%	0.77%
Expenses excluding waivers/reimbursements and expense reductions	1.19% <sup>6</sup>	1.19%	1.19%	1.15%	1.15%	0.77%
Net investment income (loss) <sup>7</sup>	11.81% <sup>6</sup>	8.98%	9.17%	10.03%	10.56%	6.66%
Portfolio turnover rate	56%	45%	49%	63%	49%	29%

<sup>1</sup> For the period from February 28, 2003 (commencement of class operations), to April 30, 2003.

<sup>2</sup> Initial public offering price of \$15.00 per share less underwriting discount of \$0.67 per share.

<sup>3</sup> Calculated based on average common shares outstanding during the period.

<sup>4</sup> Amount represents less than \$0.005 per share.

<sup>5</sup> 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.

<sup>6</sup> Annualized

<sup>7</sup> The net investment income (loss) ratio reflects distributions paid to preferred shareholders. See Notes to Financial Statements

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### SCHEDULE OF INVESTMENTS

October 31, 2007 (unaudited)

	Principal Amount	Value
<b>CORPORATE BONDS 139.0%</b>		
<b>CONSUMER DISCRETIONARY 36.9%</b>		
<b>Auto Components 3.7%</b>		
Cooper Tire & Rubber Co., 7.625%, 03/15/2027	\$ 6,935,000	\$ 6,414,875
Goodyear Tire & Rubber Co.:		
9.00%, 07/01/2015 (p)	8,320,000	9,141,600
11.25%, 03/01/2011	4,900,000	5,267,500
Metaldyne Corp.:		
10.00%, 11/01/2013	4,740,000	4,431,900
11.00%, 06/15/2012 (p)	10,782,000	9,272,520
		34,528,395

**Automobiles 2.2%**

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Ford Motor Co.:

7.45%, 07/16/2031 (p)	2,575,000	2,047,125
7.70%, 05/15/2097	4,530,000	3,374,850

General Motors Corp.:

7.20%, 01/15/2011 (p)	10,310,000	9,897,600
8.25%, 07/15/2023 (p)	3,350,000	3,040,125
8.375%, 07/15/2033 (p)	1,670,000	1,528,050

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19,887,750

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**Diversified Consumer Services 0.6%**

Carriage Services, Inc., 7.875%, 01/15/2015	2,290,000	2,295,725
Education Management, LLC, 8.75%, 06/01/2014	2,355,000	2,443,313
Service Corporation International, 6.75%, 04/01/2015	900,000	902,250

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5,641,288

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**Hotels, Restaurants & Leisure 9.9%**

Caesars Entertainment, Inc.:

7.875%, 03/15/2010	4,169,000	4,335,760
8.125%, 05/15/2011	1,350,000	1,377,000

Fontainebleau Las Vegas Holdings, LLC, 10.25%, 06/15/2015 144A (p) 10,668,000 10,027,920

Indianapolis Downs, LLC, 11.00%, 11/01/2012 144A 935,000 944,350

Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010 10,450,000 11,077,000

Isle of Capri Casinos, Inc., 7.00%, 03/01/2014 18,743,000 16,728,127

Outback Steakhouse, Inc., 10.00%, 06/15/2015 144A (p) 1,315,000 1,137,475

Pokagon Gaming Authority, 10.375%, 06/15/2014 144A 5,320,000 5,905,200

Seneca Gaming Corp., 7.25%, 05/01/2012 2,320,000 2,349,000

Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A 6,470,000 6,534,700

Six Flags, Inc.:

8.875%, 02/01/2010 1,670,000 1,432,025

9.625%, 06/01/2014 (p) 5,880,000 4,637,850

Trump Entertainment Resorts, Inc., 8.50%, 06/01/2015 (p) 11,240,000 9,582,100

Universal City Development Partners, Ltd., 11.75%, 04/01/2010 12,170,000 12,808,925

Wheeling Island Gaming, Inc., 10.125%, 12/15/2009 2,735,000 2,741,838

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91,619,270

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See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Principal Amount	Value
<b>CORPORATE BONDS continued</b>		
<b>CONSUMER DISCRETIONARY continued</b>		
<b>Household Durables 1.9%</b>		
Hovnanian Enterprises, Inc.:		
6.00%, 01/15/2010	\$ 1,145,000	\$ 881,650
6.50%, 01/15/2014	2,730,000	2,156,700
Libbey, Inc., FRN, 12.38%, 06/01/2011	4,960,000	5,418,800
Meritage Homes Corp.:		
6.25%, 03/15/2015	1,570,000	1,248,150
7.00%, 05/01/2014	3,895,000	3,193,900
Pulte Homes, Inc., 4.875%, 07/15/2009	1,825,000	1,710,937
Standard Pacific Corp.:		
5.125%, 04/01/2009	2,130,000	1,778,550
6.50%, 08/15/2010	994,000	760,410
		17,149,097
<b>Media 13.3%</b>		
Cablevision Systems Corp., Ser. B, 8.00%, 04/15/2012	7,210,000	7,083,825
CCH I, LLC, 11.00%, 10/01/2015 (p)	10,670,000	10,396,375
CSC Holdings, Inc., 7.625%, 04/01/2011	2,535,000	2,541,338
Dex Media East, LLC:		
9.875%, 11/15/2009	11,500,000	11,816,250
12.125%, 11/15/2012	7,000,000	7,463,750
Lamar Media Corp.:		
6.625%, 08/15/2015	5,030,000	4,853,950
Ser. B, 6.625%, 08/15/2015	9,040,000	8,723,600
Ser. C, 6.625%, 08/15/2015 144A	1,820,000	1,751,750
Mediacom Broadband, LLC, 8.50%, 10/15/2015	900,000	891,000
Mediacom Communications Corp., 9.50%, 01/15/2013 (p)	12,785,000	12,848,925
Paxson Communications Corp., FRN, 11.49%, 01/15/2013 144A (p)	9,720,000	9,914,400
R.H. Donnelley Corp., 8.875%, 10/15/2017 144A (p)	11,980,000	11,980,000
Sinclair Broadcast Group, Inc., Class A, 8.00%, 03/15/2012 (p)	5,525,000	5,704,563
Sirius Satellite Radio, Inc., 9.625%, 08/01/2013 (p)	6,200,000	6,192,250
Visant Corp., 7.625%, 10/01/2012 (p)	7,465,000	7,707,612
XM Satellite Radio Holdings, Inc., 9.75%, 05/01/2014 (p)	5,065,000	5,140,975
Young Broadcasting, Inc., 8.75%, 01/15/2014	10,185,000	8,835,487
		123,846,050
<b>Multi-line Retail 0.6%</b>		
Neiman Marcus Group, Inc., 9.00%, 10/15/2015	5,565,000	5,898,900
<b>Specialty Retail 2.0%</b>		

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American Achievement Corp., 8.25%, 04/01/2012 (p)	6,155,000	6,185,775
Home Depot, Inc., 5.875%, 12/16/2036	956,000	837,372
Michaels Stores, Inc., 10.00%, 11/01/2014 (p)	3,480,000	3,523,500
Payless ShoeSource, Inc., 8.25%, 08/01/2013	8,380,000	8,327,625
		18,874,272
		18,874,272

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS continued</b>		
<b>CONSUMER DISCRETIONARY continued</b>		
<b>Textiles, Apparel &amp; Luxury Goods 2.7%</b>		
Norcross Safety Products, LLC, Ser. B, 9.875%, 08/15/2011	\$ 2,750,000	\$ 2,860,000
Oxford Industries, Inc., 8.875%, 06/01/2011	12,000,000	12,060,000
Unifi, Inc., 11.50%, 05/15/2014 (p)	2,207,000	2,091,132
Warnaco Group, Inc., 8.875%, 06/15/2013	7,980,000	8,438,850
		25,449,982
<b>CONSUMER STAPLES 3.8%</b>		
<b>Food &amp; Staples Retailing 0.8%</b>		
Ingles Markets, Inc., 8.875%, 12/01/2011	7,000,000	7,192,500
SUPERVALU, Inc., 7.50%, 11/15/2014	460,000	474,950
		7,667,450
<b>Food Products 1.7%</b>		
Del Monte Foods Co.:		
6.75%, 02/15/2015	115,000	112,412
8.625%, 12/15/2012	10,870,000	11,141,750
Pilgrim's Pride Corp., 8.375%, 05/01/2017 (p)	3,430,000	3,472,875
Smithfield Foods, Inc., 7.75%, 07/01/2017 (p)	910,000	941,850
		15,668,887
<b>Household Products 0.5%</b>		



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Church & Dwight Co., 6.00%, 12/15/2012 (p)	4,445,000	4,350,544
<hr/>		
<b>Personal Products 0.8%</b>		
Central Garden & Pet Co., 9.125%, 02/01/2013 (p)	7,860,000	7,545,600
<hr/>		
<b>ENERGY 18.3%</b>		
<b>Electric Utilities 2.6%</b>		
Energy Future Holdings Corp.:		
10.875%, 11/01/2017 144A	8,005,000	8,135,081
11.25%, 11/01/2017 144A	5,340,000	5,433,450
Texas Competitive Electric Holdings Co., LLC, 10.25%, 11/01/2015 144A	10,675,000	10,781,750
<hr/>		
		24,350,281
<hr/>		
<b>Energy Equipment &amp; Services 3.0%</b>		
Bristow Group, Inc.:		
6.125%, 06/15/2013	380,000	373,350
7.50%, 09/15/2017 144A	2,500,000	2,587,500
Dresser-Rand Group, Inc., 7.375%, 11/01/2014 (p)	5,616,000	5,679,180
GulfMark Offshore, Inc., 7.75%, 07/15/2014	4,100,000	4,141,000
Hornbeck Offshore Services, Inc., Ser. B, 6.125%, 12/01/2014	6,335,000	6,065,763
Parker Drilling Co., 9.625%, 10/01/2013	5,560,000	5,963,100
PHI, Inc., 7.125%, 04/15/2013	2,660,000	2,593,500
<hr/>		
		27,403,393
<hr/>		
<b>Oil, Gas &amp; Consumable Fuels 12.7%</b>		
Chesapeake Energy Corp.:		
7.50%, 09/15/2013 (p)	7,000,000	7,227,500
7.75%, 01/15/2015 (p)	5,500,000	5,665,000

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Principal Amount	Value
<hr/>		
<b>CORPORATE BONDS continued</b>		
<b>ENERGY continued</b>		
<b>Oil, Gas &amp; Consumable Fuels continued</b>		
Cimarex Energy Co., 7.125%, 05/01/2017 (p)	\$ 920,000	\$ 923,450

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Clayton Williams Energy, Inc., 7.75%, 08/01/2013	945,000	890,663
Delta Petroleum Corp., 7.00%, 04/01/2015	4,810,000	4,184,700
El Paso Corp., 7.00%, 06/15/2017 (p)	2,580,000	2,598,168
Encore Acquisition Co.:		
6.00%, 07/15/2015	3,385,000	3,080,350
6.25%, 04/15/2014	1,710,000	1,598,850
Energy Partners, Ltd., 9.75%, 04/15/2014 144A	1,577,000	1,569,115
Exco Resources, Inc., 7.25%, 01/15/2011	6,730,000	6,679,525
Forest Oil Corp.:		
7.25%, 06/15/2019 144A (p)	3,010,000	3,025,050
7.75%, 05/01/2014	200,000	203,000
Frontier Oil Corp., 6.625%, 10/01/2011 (p)	1,215,000	1,215,000
Griffin Coal Mining Co., Ltd., 9.50%, 12/01/2016 144A	11,250,000	11,193,750
Mariner Energy, Inc., 8.00%, 05/15/2017	1,343,000	1,332,928
Overseas Shipholding Group, Inc., 8.25%, 03/15/2013	11,615,000	12,050,562
Peabody Energy Corp.:		
5.875%, 04/15/2016	1,695,000	1,622,963
6.875%, 03/15/2013	1,655,000	1,671,550
Plains Exploration & Production Co., 7.75%, 06/15/2015	2,150,000	2,150,000
Regency Energy Partners, LP, 8.375%, 12/15/2013	7,473,000	7,902,697
Sabine Pass LNG, LP:		
7.25%, 11/30/2013	890,000	876,650
7.50%, 11/30/2016	9,490,000	9,347,650
Targa Resources, Inc., 8.50%, 11/01/2013 144A	6,880,000	6,983,200
Tesoro Corp., Ser. B:		
6.50%, 06/01/2017 144A	5,250,000	5,210,625
6.625%, 11/01/2015	1,840,000	1,835,400
W&T Offshore, Inc., 8.25%, 06/15/2014 144A	1,510,000	1,472,250
Williams Cos.:		
7.50%, 01/15/2031	5,520,000	5,851,200
8.125%, 03/15/2012	9,285,000	10,051,012
		118,412,808

**FINANCIALS 18.4%**

**Capital Markets 0.3%**

Nuveen Investments, Inc., 10.50%, 11/15/2015	2,685,000	2,685,000
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**Consumer Finance 11.9%**

CCH II Capital Corp.:		
10.25%, 09/15/2010 (p)	2,095,000	2,142,138
10.25%, 09/15/2010	19,855,000	20,351,375
Ford Motor Credit Co., LLC:		
7.375%, 10/28/2009	14,815,000	14,294,801
9.75%, 09/15/2010	24,137,000	24,050,541

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS continued</b>		
<b>FINANCIALS continued</b>		
<b>Consumer Finance continued</b>		
General Motors Acceptance Corp., LLC:		
5.625%, 05/15/2009	\$ 1,910,000	\$ 1,820,274
6.81%, 05/15/2009	6,105,000	5,746,148
6.875%, 09/15/2011	29,800,000	27,486,596
6.875%, 08/28/2012	1,020,000	920,433
7.75%, 01/19/2010	4,020,000	3,893,137
8.00%, 11/01/2031	6,315,000	5,851,852
Qwest Capital Funding, Inc., 6.50%, 11/15/2018	4,375,000	3,904,687
		<u>110,461,982</u>
<b>Diversified Financial Services 1.2%</b>		
Leucadia National Corp., 8.125%, 09/15/2015	10,635,000	10,781,231
<b>Insurance 0.4%</b>		
Crum & Forster Holdings Corp., 7.75%, 05/01/2017	4,190,000	4,179,525
<b>Real Estate Investment Trusts 2.4%</b>		
Host Marriott Corp.:		
7.125%, 11/01/2013 (p)	6,200,000	6,324,000
Ser. O, 6.375%, 03/15/2015	1,780,000	1,766,650
Ser. Q, 6.75%, 06/01/2016	7,955,000	7,994,775
Omega Healthcare Investors, Inc.:		
7.00%, 04/01/2014 (p)	1,925,000	1,949,062
7.00%, 01/15/2016	1,690,000	1,702,675
Thornburg Mortgage, Inc., 8.00%, 05/15/2013 (p)	1,665,000	1,456,875
Ventas, Inc., 7.125%, 06/01/2015	1,385,000	1,419,625
		<u>22,613,662</u>
<b>Real Estate Management &amp; Development 0.1%</b>		
Realogy Corp.:		
10.50%, 04/15/2014 144A (p)	280,000	233,450
12.375%, 04/15/2015 144A (p)	555,000	406,538

		639,988
<b>Thriffs &amp; Mortgage Finance 2.1%</b>		
Residential Capital, LLC:		
7.125%, 11/21/2008	2,735,000	2,304,763
7.375%, 06/30/2010	23,040,000	17,001,331
		19,306,094
<b>HEALTH CARE 5.9%</b>		
<b>Health Care Equipment &amp; Supplies 0.6%</b>		
Bausch & Lomb, Inc., 9.875%, 11/01/2015 144A (p)	1,670,000	1,724,275
Universal Hospital Services, Inc., 8.50%, 06/01/2015 144A	3,763,000	3,847,668
		5,571,943

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Principal Amount	Value
<b>CORPORATE BONDS continued</b>		
<b>HEALTH CARE continued</b>		
<b>Health Care Providers &amp; Services 5.3%</b>		
HCA, Inc.:		
6.375%, 01/15/2015	\$ 4,700,000	\$ 4,036,125
6.50%, 02/15/2016	5,880,000	5,049,450
8.75%, 09/01/2010	7,635,000	7,806,787
9.25%, 11/15/2016	20,535,000	21,664,425
HealthSouth Corp., 10.75%, 06/15/2016 (p)	1,920,000	2,035,200
Omnicare, Inc.:		
6.125%, 06/01/2013	4,120,000	3,893,400
6.875%, 12/15/2015	5,165,000	4,984,225
		49,469,612

**INDUSTRIALS 9.9%****Aerospace & Defense 5.9%**

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Alliant Techsystems, Inc., 6.75%, 04/01/2016	1,475,000	1,475,000
DRS Technologies, Inc.:		
6.625%, 02/01/2016	3,765,000	3,746,175
7.625%, 02/01/2018 (p)	3,415,000	3,508,912
Hexcel Corp., 6.75%, 02/01/2015	1,585,000	1,565,188
L-3 Communications Holdings, Inc.:		
5.875%, 01/15/2015	25,965,000	25,445,700
6.125%, 01/15/2014	3,520,000	3,502,400
6.375%, 10/15/2015	13,471,000	13,538,355
Vought Aircraft Industries, Inc., 8.00%, 07/15/2011	1,720,000	1,717,850

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54,499,580

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**Commercial Services & Supplies 1.6%**

Browning-Ferris Industries, Inc.:		
7.40%, 09/15/2035	8,200,000	7,749,000
9.25%, 05/01/2021	3,715,000	3,993,625
Corrections Corporation of America, 6.25%, 03/15/2013	695,000	694,166
Geo Group, Inc., 8.25%, 07/15/2013	480,000	488,400
Mobile Mini, Inc., 6.875%, 05/01/2015	1,745,000	1,666,475

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14,591,666

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**Machinery 1.2%**

Commercial Vehicle Group, Inc., 8.00%, 07/01/2013 (p)	7,680,000	7,411,200
Manitowoc Co., 7.125%, 11/01/2013	4,025,000	4,025,000

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11,436,200

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**Road & Rail 0.9%**

Avis Car Rental, LLC:		
7.625%, 05/15/2014	790,000	786,050
7.75%, 05/15/2016	5,525,000	5,469,750
Hertz Global Holdings, Inc.:		
8.875%, 01/01/2014	1,905,000	1,971,675
10.50%, 01/01/2016 (p)	250,000	270,000

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8,497,475

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See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Principal Amount	Value
<b>CORPORATE BONDS continued</b>		
<b>INDUSTRIALS continued</b>		
<b>Trading Companies &amp; Distributors 0.3%</b>		
United Rentals, Inc., 6.50%, 02/15/2012	\$ 2,260,000	\$ 2,350,400
Neff Corp., 10.00%, 06/01/2015 (p)	525,000	380,625
		<u>2,731,025</u>
<b>INFORMATION TECHNOLOGY 4.2%</b>		
<b>Electronic Equipment &amp; Instruments 1.3%</b>		
Da-Lite Screen Co., Inc., 9.50%, 05/15/2011	7,710,000	8,105,137
Sanmina-SCI Corp., FRN:		
8.44%, 06/15/2010 144A (p)	2,320,000	2,331,600
8.44%, 06/15/2014 144A	1,455,000	1,418,625
		<u>11,855,362</u>
<b>IT Services 1.5%</b>		
First Data Corp., 9.875%, 09/24/2015 144A (p)	3,345,000	3,207,019
ipayment, Inc., 9.75%, 05/15/2014	4,720,000	4,554,800
SunGard Data Systems, Inc., 4.875%, 01/15/2014 (p)	3,735,000	3,314,812
Unisys Corp., 7.875%, 04/01/2008	2,530,000	2,520,513
		<u>13,597,144</u>
<b>Semiconductors &amp; Semiconductor Equipment 0.4%</b>		
Freescale Semiconductor, Inc., 8.875%, 12/15/2014	4,075,000	3,876,344
<b>Software 0.4%</b>		
Activant Solutions, Inc., 9.50%, 05/01/2016 (p)	3,465,000	3,179,138
Harland Clarke Holdings Corp., 9.50%, 05/15/2015	833,000	762,195
		<u>3,941,333</u>
<b>MATERIALS 19.8%</b>		
<b>Chemicals 9.1%</b>		
ARCO Chemical Co.:		
9.80%, 02/01/2020	2,490,000	2,452,650
10.25%, 11/01/2010	460,000	487,600
Equistar Chemicals, LP, 10.625%, 05/01/2011 (p)	8,001,000	8,401,050
Huntsman Advanced Materials, LLC, 11.625%, 10/15/2010	7,000,000	7,437,500
Koppers Holdings, Inc.:		
9.875%, 10/15/2013	575,000	610,938

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Sr. Disc. Note, Step Bond, 9.875%, 11/15/2014 □	5,104,000	4,402,200
Lyondell Chemical Co.:		
6.875%, 06/15/2017 (p)	7,510,000	8,298,550
10.50%, 06/01/2013	11,565,000	12,519,112
MacDermid, Inc., 9.50%, 04/15/2017 144A (p)	8,181,000	7,853,760
Millenium America, Inc., 7.625%, 11/15/2026	4,325,000	3,741,125
Momentive Performance Materials, Inc.:		
9.75%, 12/01/2014 144A	6,925,000	6,786,500
10.125%, 12/01/2014 144A	920,000	892,400

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS continued</b>		
<b>MATERIALS continued</b>		
<b>Chemicals continued</b>		
Mosaic Co.:		
7.30%, 01/15/2028	\$ 3,385,000	\$ 3,368,075
7.625%, 12/01/2016 144A (p)	4,665,000	5,049,863
Tronox Worldwide, LLC, 9.50%, 12/01/2012	12,150,000	11,785,500
		<u>84,086,823</u>
<b>Construction Materials 0.9%</b>		
CPG International, Inc., 10.50%, 07/01/2013	7,905,000	7,944,525
<b>Containers &amp; Packaging 4.2%</b>		
Berry Plastics Holding Corp., 8.875%, 09/15/2014 (p)	2,741,000	2,823,230
Exopack Holding Corp., 11.25%, 02/01/2014	7,210,000	7,336,175
Graham Packaging Co., 9.875%, 10/15/2014 (p)	5,575,000	5,547,125
Graphic Packaging International, Inc.:		
8.50%, 08/15/2011 (p)	4,440,000	4,528,800
9.50%, 08/15/2013 (p)	8,720,000	9,199,600
Smurfit-Stone Container Corp., 8.375%, 07/01/2012 (p)	9,220,000	9,266,100
		<u>38,701,030</u>

**Metals & Mining 1.8%**

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Dayton Superior Corp.:		
10.75%, 09/15/2008	1,380,000	1,404,150
13.00%, 06/15/2009	1,795,000	1,786,025
Freeport-McMoRan Copper & Gold, Inc.:		
6.875%, 02/01/2014	2,300,000	2,380,500
8.375%, 04/01/2017	6,530,000	7,166,675
Indalex Holdings Corp., 11.50%, 02/01/2014	4,735,000	4,427,225
		17,164,575
<b>Paper &amp; Forest Products 3.8%</b>		
Bowater, Inc., 9.375%, 12/15/2021 (p)	3,740,000	3,141,600
Buckeye Technologies, Inc., 8.50%, 10/01/2013	7,500,000	7,762,500
Georgia Pacific Corp.:		
8.00%, 01/15/2024 (p)	4,170,000	4,128,300
8.125%, 05/15/2011 (p)	5,000,000	5,125,000
8.875%, 05/15/2031	390,000	391,950
Glatfelter, 7.125%, 05/01/2016	8,250,000	8,208,750
Verso Paper Holdings, LLC, 11.375%, 08/01/2016	6,535,000	6,959,775
		35,717,875

**TELECOMMUNICATION SERVICES 10.2%**

**Diversified Telecommunication Services 4.3%**

Citizens Communications Co.:		
7.875%, 01/15/2027	1,120,000	1,106,000
9.25%, 05/15/2011	6,680,000	7,331,300
Consolidated Communications, Inc., 9.75%, 04/01/2012	7,800,000	8,014,500
Insight Midwest, LP, 9.75%, 10/01/2009	4,156,000	4,171,585

See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Principal Amount	Value
<b>CORPORATE BONDS</b> continued		
<b>TELECOMMUNICATION SERVICES</b> continued		
<b>Diversified Telecommunication Services</b> continued		
Qwest Communications International, Inc.:		
8.875%, 03/15/2012	\$ 11,660,000	\$ 12,826,000



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7.875%, 09/01/2011	65,000	68,900
West Corp., 11.00%, 10/15/2016	6,400,000	6,736,000
		40,254,285

**Wireless Telecommunication Services 5.9%**

American Cellular Corp., 10.00%, 08/01/2011 (p)	906,000	955,830
Centennial Communications Corp.:		
8.125%, 02/01/2014	5,685,000	5,827,125
10.125%, 06/15/2013	7,830,000	8,358,525
Cricket Communications, Inc.:		
9.375%, 11/01/2014 (p)	3,000,000	2,992,500
9.375%, 11/01/2014 144A	3,580,000	3,571,050
Dobson Cellular Systems, Inc.:		
8.375%, 11/01/2011	4,890,000	5,207,850
9.875%, 11/01/2012	4,550,000	4,948,125
MetroPCS Wireless, Inc., 9.25%, 11/01/2014 144A	8,840,000	8,817,900
Rural Cellular Corp., 8.25%, 03/15/2012	13,500,000	14,141,250
		54,820,155

**UTILITIES 11.6%**

**Electric Utilities 9.8%**

Allegheny Energy Supply Co., 8.25%, 04/15/2012 144A	10,305,000	11,232,450
Aquila, Inc., 11.875%, 07/01/2012	14,026,000	17,742,890
CMS Energy Corp.:		
6.55%, 07/17/2017	755,000	736,637
8.50%, 04/15/2011	1,355,000	1,459,668
Edison Mission Energy:		
7.00%, 05/15/2017 144A	2,940,000	2,888,550
7.20%, 05/15/2019 144A	3,115,000	3,060,487
Mirant Americas Generation, LLC:		
8.30%, 05/01/2011	1,675,000	1,702,219
8.50%, 10/01/2021	7,000,000	6,912,500
Mirant North America, LLC, 7.375%, 12/31/2013 (p)	13,195,000	13,442,406
NRG Energy, Inc., 7.375%, 02/01/2016	11,440,000	11,440,000
Orion Power Holdings, Inc., 12.00%, 05/01/2010	4,494,000	4,988,340
PSEG Energy Holdings, LLC, 10.00%, 10/01/2009	1,360,000	1,455,154
Reliant Energy, Inc.:		
6.75%, 12/15/2014	13,358,000	13,658,555
7.875%, 06/15/2017 (p)	230,000	233,163
		90,953,019

**Gas Utilities 0.3%**

SEMCO Energy, Inc., 7.75%, 05/15/2013	2,800,000	2,963,251
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See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	<b>Principal Amount</b>	<b>Value</b>
<b>CORPORATE BONDS continued</b>		
<b>UTILITIES continued</b>		
<b>Independent Power Producers &amp; Energy Traders 1.5%</b>		
AES Corp., 8.00%, 10/15/2017 144A	\$ 7,505,000	\$ 7,608,194
Dynegy, Inc., 7.50%, 06/01/2015 144A (p)	6,990,000	6,710,400
		<hr/>
		14,318,594
		<hr/>
<i>Total Corporate Bonds (cost \$1,288,666,311)</i>		1,285,953,265
		<hr/>
<b>YANKEE OBLIGATIONS - CORPORATE 6.4%</b>		
<b>ENERGY 0.3%</b>		
<b>Oil, Gas &amp; Consumable Fuels 0.3%</b>		
OPTI Canada, Inc., 8.25%, 12/15/2014 144A	2,500,000	2,518,750
		<hr/>
<b>FINANCIALS 1.7%</b>		
<b>Consumer Finance 0.6%</b>		
Virgin Media Finance plc, 9.125%, 08/15/2016 (p)	5,113,000	5,419,780
		<hr/>
<b>Diversified Financial Services 1.1%</b>		
Preferred Term Securities XII, Ltd., FRN, 10.00%, 12/24/2033	1,540,000	1,166,920
Ship Finance International, Ltd., 8.50%, 12/15/2013 (p)	8,890,000	9,134,475
		<hr/>
		10,301,395
		<hr/>
<b>INFORMATION TECHNOLOGY 1.3%</b>		
<b>Communications Equipment 1.3%</b>		

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Nortel Networks Corp., 10.125%, 07/15/2013 144A (p)	11,390,000	11,674,750
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**Semiconductors &**

**Semiconductor Equipment 0.0%**

Sensata Technologies, Inc., 8.00%, 05/01/2014	460,000	453,675
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**MATERIALS 2.4%**

**Metals & Mining 2.0%**

Novelis, Inc., 7.25%, 02/15/2015	19,130,000	18,460,450
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**Paper & Forest Products 0.4%**

Corporacion Durango SAB de CV, 10.50%, 10/05/2017 144A (p)	3,680,000	3,569,600
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**TELECOMMUNICATION SERVICES**

**0.7%**

**Wireless Telecommunication**

**Services 0.7%**

Intelsat, Ltd.:

9.25%, 06/15/2016 (p)	2,385,000	2,486,362
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11.25%, 06/15/2016 (p)	4,170,000	4,503,600
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6,989,962

*Total Yankee Obligations -  
Corporate (cost \$59,889,328)*

59,388,362

	Shares	Value
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**COMMON STOCKS 0.3%**

**INDUSTRIALS 0.1%**

**Airlines 0.1%**

Delta Air Lines, Inc *	31,822	661,897
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See Notes to Financial Statements

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

	Shares	Value
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**COMMON STOCKS continued****MATERIALS 0.1%****Chemicals 0.1%**

Tronox, Inc. Class A (p)	76,300	\$	649,313
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**UTILITIES 0.1%****Gas Utilities 0.1%**

SEMCO Energy, Inc. * (p)	11,039		89,637
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<i>Total Common Stocks (cost \$1,542,754)</i>			1,400,847
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	<b>Principal Amount</b>		<b>Value</b>
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**LOANS 2.6%****CONSUMER DISCRETIONARY****0.1%**

Catalina Marketing Corp. Loan, FRN, 8.07%, 10/11/2014	\$ 485,000		476,993
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**ENERGY 1.7%**

Blue Grass Energy Corp. Loan, FRN, 10.13%, 12/30/2013	15,300,000		15,293,574
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Saint Acquisition Corp. Loan, FRN, 8.61%, 06/05/2014	1,600,000		1,432,784
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			16,726,358
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**INDUSTRIALS 0.2%**

Neff Corp. FRN, 9.19%, 11/30/2014	1,580,000		1,418,919
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**INFORMATION TECHNOLOGY****0.6%**

First Data Corp.:			
7.97%, 09/24/2014	980,000		942,985

7.98%, 09/24/2014	4,745,000		4,560,989
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			5,503,974
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<i>Total Loans (cost \$24,136,318)</i>			24,126,244
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**INVESTMENTS OF CASH****COLLATERAL FROM SECURITIES****LOANED 19.6%**

**CORPORATE BONDS 1.5%****Commercial Banks 1.5%**

First Tennessee Bank, 5.05%, 08/15/2008	6,000,002	6,000,002
Metropolitan Life Global Funding, 4.99%, 08/21/2008	8,000,000	8,000,000
		14,000,002

**REPURCHASE AGREEMENTS ^****18.1%**

Bank of America Securities LLC, 4.93%, dated 10/31/2007, maturing 11/01/2007, maturity value \$25,003,424	50,000,000	50,000,000
Barclays Capital plc, 4.92% dated 10/31/2007 maturing 11/01/2007 maturity value \$25,003,417	25,000,000	25,000,000
Citigroup Global Markets Inc., 4.95%, dated 10/31/2007, maturing 11/01/2007, maturity value \$25,003,438	25,000,000	25,000,000
Credit Suisse First Boston Corp., 4.94%, dated 10/31/2007, maturing 11/01/2007, maturity value \$25,003,431	25,000,000	25,000,000
Fimat USA, Inc., 4.90%, dated 10/31/2007, maturing 11/01/2007, maturity value \$25,003,403	25,000,000	25,000,000

See Notes to Financial Statements

**15****SCHEDULE OF INVESTMENTS** continued

October 31, 2007 (unaudited)

**Principal  
Amount**

**Value**

**INVESTMENTS OF CASH COLLATERAL FROM  
SECURITIES LOANED** continued