

EVERGREEN MULTI-SECTOR INCOME FUND
Form N-CSRS
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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 811-21331

Evergreen Multi-Sector Income 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: October 31

Date of reporting period: April 30, 2009

Item 1 - Reports to Stockholders.

Evergreen Multi-Sector Income 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 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 Wells Fargo & Company and is an affiliate of Wells Fargo & Company's other Broker Dealer subsidiaries.

LETTER TO SHAREHOLDERS

June 2009

W. Douglas Munn

President and Chief Executive Officer

Dear Shareholder:

We are pleased to provide the Semiannual Report for Evergreen Multi-Sector Income Fund for the six-month period ended April 30, 2009 (the period).

Volatility continued to dominate trading patterns through the end of 2008, as losses mounted within the equity markets. Weak economic data, falling profit forecasts, and uncertainty about the auto industry compounded worries about the credit crisis and led to increased selling, which spared few equity categories. In early 2009, layoff announcements accelerated; further pressuring personal consumption and business investment. The fixed income markets worried about deflation during the period, evidenced by investor willingness to accept virtually nothing for short-term loans to the government. Concerns about federal spending also increased, with yields climbing for longer-term U.S. Treasuries during the first quarter of 2009. International markets were hit hard as economies in both developed and emerging countries struggled. Equity markets were affected by the weakness in economic data and corporate profits, although during April 2009, stocks rallied off their March 2009 lows with international and small cap stocks leading the gains. However, given the still unresolved issues of credit availability, rising unemployment, declining home values, looming auto bankruptcies, and the possibility for more bank re-capitalizations, we believe investors need to prepare for a potential re-test of the March 2009 lows in the coming months.

The unprecedented economic and financial turmoil has been met with an unprecedented policy response, as the Federal Reserve Board, the U.S. Treasury, the Federal Deposit Insurance Corporation and the Federal Housing Administration have allocated more than \$11 trillion to combat the crisis. Perhaps most important, the Public-Private Investment Program (the PPIP) has been designed to help rid banks of toxic assets from their balance sheets. The measures taken to address this crisis have merely treated the symptoms, but the announcement of this program gets to the root cause: the distressed assets on (and off) bank balance sheets. The PPIP is designed to use government subsidies to attract private purchases of currently illiquid mortgage-related loans and securities held by banks. As a market returns for these assets, banks will be positioned to improve capital ratios, increase lending activity, and potentially buy their way out of the increasingly restrictive Troubled Asset Relief Program. We believe that the successful implementation of this program is critical for a sustainable expansion to ensue. As the lagged effects of the massive policy response take hold, we look for pent-up consumer demand to combine with government spending to help push Gross Domestic Product back into positive territory by the fourth quarter of 2009.

LETTER TO SHAREHOLDERS continued

During a volatile and challenging period in the capital markets, management of Evergreen Multi-Sector Income Fund maintained a strategy seeking a high level of income with limited exposure to the risks from changing interest rates. Assets of this closed-end fund were allocated among sleeves of U.S. high yield, corporate bonds, investment-grade foreign debt securities and U.S. adjustable-rate, mortgage-backed securities.

As we look back over the extraordinary series of events during the period, we believe it is important for all investors to keep perspective and remain focused on their long-term goals. We continue to urge investors to work with their financial advisors to pursue fully diversified strategies in order to participate in future market gains and limit the risks of potential losses. Investors should keep in mind that the economy and the financial markets have had long and successful histories of adaptability, recovery, innovation and growth. Proper asset allocation decisions can have significant impacts on the returns of long-term portfolios.

Please visit us at **EvergreenInvestments.com** for more information about our funds and other investment products available to you. From the Web site, you may also access details about daily fund prices, yields, dividend rates and fund facts about Evergreen closed-end funds. Thank you for doing business with Evergreen Investments.

Sincerely,

W. Douglas Munn

President and Chief Executive Officer

Evergreen Funds

LETTER TO SHAREHOLDERS continued

Notices to Shareholders:

Effective January 1, 2009, W. Douglas Munn became President and Chief Executive Officer of the Evergreen Funds.

On December 31, 2008, Wachovia Corporation merged with and into Wells Fargo & Company (Wells Fargo). As a result of the merger, Evergreen Investment Management Company, LLC (EIMC), Tattersall Advisory Group, Inc., First International Advisors, LLC, Metropolitan West Capital Management, LLC, Evergreen Investment Services, Inc. and Evergreen Service Company, LLC, are subsidiaries of Wells Fargo.

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout each period)

| | Six Months Ended April 30, 2009 (unaudited) | Year Ended October 31, | | | | |
|--|---|------------------------|-------------------|-------------------|-------------------|---------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 |
| Net asset value, beginning of period | \$ 13.47 | \$18.74 | \$18.55 | \$18.91 | \$20.19 | \$19.38 |
| Income from investment operations | | | | | | |
| Net investment income (loss) | 0.65 | 1.68 | 1.73 ¹ | 1.60 ¹ | 1.49 ¹ | 1.62 |
| Net realized and unrealized gains or losses on investments | 0.66 | (5.35) | 0.29 | (0.06) | (1.06) | 0.94 |
| Distributions to preferred shareholders from ¹ | | | | | | |
| Net investment income | (0.02) | (0.30) | (0.51) | (0.45) | (0.28) | (0.13) |
| Net realized gains | 0 | 0 | 0 | 0 | 0 ² | 0 |
| Total from investment operations | 1.29 | (3.97) | 1.51 | 1.09 | 0.15 | 2.43 |
| Distributions to common shareholders from | | | | | | |
| Net investment income | (1.77) | (1.30) | (1.29) | (1.34) | (1.43) | (1.62) |
| Net realized gains | 0 | 0 | 0 | (0.01) | 0 | 0 |
| Tax basis return of capital | 0 | 0 | (0.03) | (0.10) | 0 | 0 |
| Total distributions to common shareholders | (1.77) | (1.30) | (1.32) | (1.45) | (1.43) | (1.62) |
| Offering costs charged to capital for | | | | | | |
| Preferred Shares | 0 | 0 | 0 | 0 | 0 ² | 0 |
| Net asset value, end of period | \$ 12.99 | \$13.47 | \$18.74 | \$18.55 | \$18.91 | \$20.19 |
| Market value, end of period | \$ 11.00 | \$11.68 | \$16.22 | \$17.07 | \$16.42 | \$18.49 |

| | | | | | | | | | | | | |
|---|-------|---|---------|---|------|---|-------|---|--------|---|-------|---|
| Total return based on market value³ | 10.56 | % | (21.43) | % | 2.64 | % | 13.46 | % | (3.77) | % | 11.23 | % |
|---|-------|---|---------|---|------|---|-------|---|--------|---|-------|---|

Ratios and supplemental data

| | | | | | | | | | | | | |
|---|------------|----------------|-----------|---|-----------|----------------|-----------|----------------|-----------|----------------|-----------|----------------|
| Net assets of common shareholders, end of period (thousands) | \$ 546,304 | | \$566,515 | | \$787,919 | | \$780,321 | | \$795,244 | | \$849,127 | |
| Liquidation value of Preferred Shares, end of period (thousands) | \$ 80,026 | | \$80,108 | | \$400,475 | | \$400,402 | | \$400,309 | | \$400,165 | |
| Asset coverage ratio, end of period | 337 | % | 249 | % | 296 | % | 299 | % | 299 | % | 312 | % |
| Ratios to average net assets applicable to common shareholders | | | | | | | | | | | | |
| Expenses including waivers/reimbursements and interest expense but excluding expense reductions | 2.68 | % ⁴ | 1.90 | % | 1.15 | % | 1.15 | % | 1.11 | % | 1.12 | % |
| Expenses including interest expense but excluding waivers/reimbursements and expense reductions | 4.09 | % ⁴ | 1.95 | % | 1.15 | % | 1.15 | % | 1.11 | % | 1.12 | % |
| Expenses including waivers/reimbursements but excluding expense reductions and interest expense | 1.76 | % ⁴ | 1.36 | % | 1.13 | % ⁵ | 1.14 | % ⁵ | 1.11 | % ⁵ | 1.12 | % ⁵ |
| Interest expense ⁶ | 0.92 | % ⁴ | 0.54 | % | 0.02 | % | 0.01 | % | 0.00 | % | 0.00 | % |
| Net investment income (loss) ⁷ | 10.55 | % ⁴ | 7.85 | % | 6.54 | % | 6.18 | % | 6.08 | % | 6.99 | % |
| Portfolio turnover rate | 48 | % | 92 | % | 95 | % | 62 | % | 80 | % | 78 | % |

1 Calculated based on average common shares outstanding during the period.

2 Amount represents less than \$0.005 per share.

3 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, if any, are assumed for 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.

4 Annualized

5 Ratio is adjusted for interest expense associated with borrowings and/or leverage transactions which is not considered material to previously issued financial statements.

6 Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.

7 The net investment income (loss) ratio reflects distributions paid to preferred shareholders.

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|------------------------|
| AGENCY MORTGAGE-BACKED COLLATERALIZED MORTGAGE OBLIGATIONS 3.9% | | |
| FIXED-RATE 0.4% | | |
| FHLMC, Ser. 1650, Class J, 6.50%, 06/15/2023 | \$5,943 | \$5,943 |
| FNMA: | | |
| Ser. 2001-25, Class Z, 6.00%, 06/25/2031 | 1,157,393 | 1,211,698 |
| Ser. 2001-51, Class P, 6.00%, 08/25/2030 | 475,178 | 481,061 |
| Ser. 2002-77, Class FH, 4.68%, 12/18/2032 | 328,395 | 323,319 |
| | | <hr/> 2,022,021 <hr/> |
| FLOATING-RATE 3.5% | | |
| FHLMC: | | |
| Ser. 0196, Class A, 2.24%, 12/15/2021 | 144,632 | 145,024 |
| Ser. 2390, Class FD, 1.87%, 12/15/2031 | 136,851 | 134,983 |
| Ser. 2411, Class F, 1.97%, 02/15/2032 | 176,495 | 174,221 |
| Ser. 2431, Class F, 1.92%, 03/15/2032 μ | 6,408,889 | 6,347,236 |
| Ser. 2567, Class FH, 1.82%, 02/15/2033 | 350,669 | 343,182 |
| Ser. T-67, Class 2A1C, 5.53%, 03/25/2036 | 1,606,601 | 1,595,006 |
| FNMA: | | |
| Ser. 1996-46, Class FA, 1.94%, 08/25/2021 | 85,115 | 83,389 |
| Ser. 2001-35, Class F, 2.00%, 07/25/2031 | 57,173 | 56,758 |
| Ser. 2001-57, Class F, 1.90%, 06/25/2031 | 57,560 | 57,049 |
| Ser. 2002-95, Class FK, 1.90%, 01/25/2033 μ | 8,621,046 | 8,509,920 |
| Ser. 2002-97, Class FR, 1.95%, 01/25/2033 | 132,331 | 129,670 |
| Ser. 2003-W8, Class 3F2, 1.75%, 05/25/2042 | 1,651,900 | 1,493,759 |
| Ser. G91-16, Class F, 1.89%, 06/25/2021 | 97,684 | 97,036 |
| Ser. G92-17, Class F, 2.49%, 03/25/2022 | 172,965 | 175,098 |
| GNMA, Ser. 2001-61, Class FA, 1.95%, 09/20/2030 | 89,684 | 89,500 |
| | | <hr/> 19,431,831 <hr/> |
| <i>Total Agency Mortgage-Backed Collateralized Mortgage Obligations (cost \$21,998,576)</i> | | <hr/> 21,453,852 <hr/> |
| AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES 28.2% | | |
| FIXED-RATE 2.2% | | |
| FHLMC: | | |
| 5.875%, 02/01/2037 μ | 4,895,668 | 5,106,598 |
| 8.50%, 04/01/2015-07/01/2028 | 383,727 | 412,751 |

FNMA:

| | | |
|-----------------------------------|-----------|-----------|
| 5.18%, 07/01/2038 | 305,112 | 305,844 |
| 5.53%, 07/01/2038 | 3,569,306 | 3,633,925 |
| 6.00%, 04/01/2033 | 436,872 | 455,430 |
| 6.50%, 11/01/2032 | 69,976 | 74,118 |
| 7.50%, 07/01/2017-07/01/2032 | 811,189 | 875,117 |
| 8.00%, 12/01/2024-06/01/2030 | 244,022 | 265,850 |
| 12.00%, 01/01/2016 | 42,865 | 46,036 |
| See Notes to Financial Statements | | |

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SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|------------|
| AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES continued | | |
| FIXED-RATE continued | | |
| GNMA: | | |
| 6.50%, 06/15/2028 | \$96,671 | \$102,047 |
| 7.25%, 07/15/2017-05/15/2018 | 865,679 | 920,619 |
| | | <hr/> |
| | | 12,198,335 |
| | | <hr/> |
| FLOATING-RATE 26.0% | | |
| FHLB: | | |
| 5.20%, 07/01/2033 | 307,473 | 314,813 |
| 5.23%, 12/01/2034 μ | 10,089,796 | 10,285,699 |
| 5.47%, 11/01/2030 | 607,346 | 620,185 |
| 5.52%, 06/01/2035 | 4,446,507 | 4,555,960 |
| FHLMC: | | |
| 4.16%, 10/01/2030 | 24,692 | 24,975 |
| 4.60%, 04/01/2034 μ | 19,588,188 | 19,975,936 |
| 4.92%, 12/01/2026 | 111,504 | 112,552 |
| 5.02%, 10/01/2037 | 4,129,651 | 4,250,959 |
| 5.07%, 05/01/2019-07/01/2035 | 1,473,102 | 1,511,386 |
| 5.29%, 06/01/2033 | 384,407 | 393,864 |
| 5.46%, 09/01/2032 | 693,821 | 705,290 |
| 5.50%, 10/01/2022-10/01/2024 | 170,405 | 175,473 |
| 5.57%, 10/01/2030 | 447,533 | 455,526 |
| 5.72%, 10/01/2033 | 244,664 | 249,087 |
| 5.74%, 08/01/2030 | 554,133 | 567,638 |
| 6.23%, 06/01/2018 | 68,403 | 71,407 |
| 6.96%, 01/01/2027 | 274,592 | 285,919 |
| 8.50%, 03/01/2030 | 121,947 | 132,967 |
| FNMA: | | |
| 3.17%, 04/01/2034 | 6,449,726 | 6,511,379 |
| 3.94%, 12/01/2017 | 960,031 | 965,839 |
| 4.02%, 04/01/2017-01/01/2038 | 7,797,847 | 7,820,498 |
| 4.04%, 02/01/2017 | 2,218,330 | 2,234,321 |
| 4.13%, 02/01/2035 | 1,292,640 | 1,291,750 |
| 4.42%, 10/01/2035 | 3,920,075 | 3,955,031 |
| 4.43%, 12/01/2035 | 5,361,652 | 5,415,339 |
| 4.52%, 03/01/2034 | 31,211 | 32,139 |
| 4.57%, 01/01/2030 | 78,487 | 81,100 |
| 4.68%, 02/01/2035 μ | 7,991,632 | 8,304,425 |
| 4.72%, 12/01/2026 | 128,140 | 130,078 |

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| | | |
|-----------------------------------|------------|------------|
| 4.74%, 08/01/2036 | 6,769,325 | 6,926,218 |
| 4.84%, 10/01/2034 μ | 15,950,635 | 16,229,778 |
| 4.85%, 12/01/2009-06/01/2031 | 675,548 | 678,598 |
| 4.86%, 03/01/2034 | 888,694 | 904,315 |
| 4.875%, 04/01/2019 | 66,138 | 66,268 |
| 4.92%, 04/01/2036 | 4,984,440 | 5,011,007 |
| See Notes to Financial Statements | | |

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SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|--------------|
| AGENCY MORTGAGE-BACKED PASS THROUGH SECURITIES continued | | |
| FLOATING-RATE continued | | |
| FNMA: | | |
| 4.93%, 10/01/2029 | \$138,563 | \$139,680 |
| 4.95%, 01/01/2034-04/01/2034 | 4,950,255 | 4,993,854 |
| 4.98%, 03/01/2033 | 171,800 | 176,183 |
| 5.08%, 01/01/2036 | 3,922,724 | 3,966,200 |
| 5.11%, 12/01/2022 | 15,185 | 16,204 |
| 5.12%, 12/01/2031 | 90,372 | 91,637 |
| 5.13%, 12/01/2036 | 61,991 | 64,875 |
| 5.15%, 01/01/2015 | 43,967 | 44,732 |
| 5.23%, 04/01/2028 | 115,674 | 110,330 |
| 5.25%, 01/01/2017 | 87,053 | 88,140 |
| 5.26%, 02/01/2035 | 502,787 | 512,392 |
| 5.29%, 07/01/2038 | 3,424,746 | 3,469,508 |
| 5.30%, 07/01/2030-02/01/2038 | 558,639 | 570,345 |
| 5.32%, 12/01/2034 | 1,685,210 | 1,703,656 |
| 5.37%, 06/01/2024 | 200,067 | 202,728 |
| 5.39%, 12/01/2029 | 74,192 | 75,500 |
| 5.45%, 07/01/2026 | 42,453 | 43,226 |
| 5.52%, 12/01/2028 | 53,290 | 54,094 |
| 5.56%, 01/01/2026 | 428,375 | 435,482 |
| 5.57%, 10/01/2034 | 305,439 | 299,969 |
| 5.62%, 08/01/2028 | 80,082 | 81,751 |
| 5.73%, 09/01/2032 | 212,548 | 217,408 |
| 5.75%, 12/01/2016 | 11,373 | 11,580 |
| 5.83%, 09/01/2027 | 280,181 | 286,485 |
| 5.86%, 04/01/2031 | 746,564 | 762,363 |
| 5.91%, 08/01/2030 | 283,553 | 289,502 |
| 5.92%, 07/01/2033 | 259,509 | 266,178 |
| 5.93%, 09/01/2024-08/01/2027 | 343,022 | 350,712 |
| 5.99%, 05/01/2021 | 7,701 | 8,044 |
| 6.00%, 08/01/2021 | 10,856 | 11,782 |
| 6.07%, 04/01/2033 | 181,473 | 187,794 |
| 6.10%, 12/01/2013 | 445,492 | 467,767 |
| 6.14%, 12/01/2020 | 126,615 | 137,695 |
| 6.29%, 06/01/2029 | 391,483 | 398,698 |
| 6.36%, 04/01/2025 | 146,727 | 150,536 |
| 6.45%, 05/01/2030 | 255,017 | 260,679 |
| 6.47%, 11/01/2024 | 318,357 | 323,657 |
| 6.58%, 09/01/2037 | 4,309,621 | 4,512,755 |

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| | | |
|--|-----------|--------------------|
| 6.67%, 09/01/2032 | 4,845,763 | <u>5,054,737</u> |
| | | <u>142,086,577</u> |
| <i>Total Agency Mortgage-Backed Pass Through Securities (cost \$150,544,766)</i> | | <u>154,284,912</u> |

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|---------------------|-----------|
| AGENCY REPERFORMING MORTGAGE-BACKED PASS THROUGH SECURITIES 0.1% | | |
| FIXED-RATE 0.1% | | |
| FNMA, Ser. 2001-T10, Class A2, 7.50%, 12/25/2041 (cost \$372,002) | \$341,874 | \$368,525 |
| COMMERCIAL MORTGAGE-BACKED SECURITIES 0.9% | | |
| FIXED-RATE 0.0% | | |
| Greenwich Capital Comml. Funding Corp., Ser. 2007-GG9, Class AM, 5.48%, 03/10/2039 | 185,000 | 81,123 |
| FLOATING-RATE 0.9% | | |
| Citigroup Comml. Mtge. Trust, Ser. 2007-C6, Class A4, 5.70%, 12/10/2049 | 1,875,000 | 1,458,128 |
| GE Comml. Mtge. Trust, Ser. 2007-C9, Class A4, 5.82%, 12/10/2049 | 1,400,000 | 1,127,356 |
| Goldman Sachs Mtge. Securities Corp., Ser. 2007-GG10, Class A4, 5.80%, 08/10/2045 | 2,785,000 | 2,111,449 |
| Morgan Stanley Capital I Trust, Ser. 2006-IQ11, Class AM, 5.95%, 10/15/2042 | 240,000 | 114,605 |
| | | 4,811,538 |
| <i>Total Commercial Mortgage-Backed Securities (cost \$3,825,258)</i> | | 4,892,661 |
| CORPORATE BONDS 53.1% | | |
| CONSUMER DISCRETIONARY 7.0% | | |
| Auto Components 1.0% | | |
| Cooper Standard Automotive, Inc.: 7.00%, 12/15/2012 | 300,000 | 43,500 |
| 8.375%, 12/15/2014 | 670,000 | 56,950 |
| Cooper Tire & Rubber Co., 7.625%, 03/15/2027 | 5,220,000 | 2,531,700 |
| Goodyear Tire & Rubber Co.: 6.32%, 12/01/2009 | 1,005,000 | 996,206 |
| 7.86%, 08/15/2011 | 1,180,000 | 1,103,300 |
| 9.00%, 07/01/2015 | 490,000 | 448,350 |
| | | 5,180,006 |
| Diversified Consumer Services 0.1% | | |
| Carriage Services, Inc., 7.875%, 01/15/2015 | 850,000 | 692,750 |
| Service Corporation International, 6.75%, 04/01/2015 | 45,000 | 41,513 |

 734,263

Hotels, Restaurants & Leisure 1.0%

| | | |
|--|-----------|---------|
| Boyd Gaming Corp.: | | |
| 7.125%, 02/01/2016 | 375,000 | 275,625 |
| 7.75%, 12/15/2012 | 95,000 | 92,625 |
| Caesars Entertainment, Inc., 7.875%, 03/15/2010 | 1,570,000 | 934,150 |
| Fontainebleau Las Vegas Holdings, LLC, 10.25%, 06/15/2015 144A | 926,000 | 37,040 |
| Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010 | 1,050,000 | 225,750 |
| MGM MIRAGE, 8.50%, 09/15/2010 | 380,000 | 276,450 |
| Pinnacle Entertainment, Inc., 8.75%, 10/01/2013 | 60,000 | 58,200 |
| Pokagon Gaming Authority, 10.375%, 06/15/2014 144A | 226,000 | 210,180 |
| Seneca Gaming Corp., 7.25%, 05/01/2012 | 585,000 | 415,350 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|---------------------|------------------------|
| CORPORATE BONDS continued | | |
| CONSUMER DISCRETIONARY continued | | |
| Hotels, Restaurants & Leisure continued | | |
| Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A | \$1,330,000 | \$698,250 |
| Six Flags, Inc.: | | |
| 8.875%, 02/01/2010 | 355,000 | 53,250 |
| 12.25%, 07/15/2016 144A | 147,000 | 103,635 |
| Trump Entertainment Resorts, Inc., 8.50%, 06/01/2015 | 7,551,000 | 585,203 |
| Universal City Development Partners, Ltd., 11.75%, 04/01/2010 | 1,610,000 | 1,529,500 |
| | | <hr/> 5,495,208 <hr/> |
| Household Durables 2.2% | | |
| D.R. Horton, Inc.: | | |
| 4.875%, 01/15/2010 | 700,000 | 693,000 |
| 6.00%, 04/15/2011 | 150,000 | 145,500 |
| 9.75%, 09/15/2010 | 1,950,000 | 1,962,187 |
| Hovnanian Enterprises, Inc.: | | |
| 8.00%, 04/01/2012 | 240,000 | 109,200 |
| 11.50%, 05/01/2013 | 190,000 | 164,350 |
| Lennar Corp.: | | |
| 5.125%, 10/01/2010 | 2,385,000 | 2,235,937 |
| 5.60%, 05/31/2015 | 245,000 | 190,488 |
| 12.25%, 06/01/2017 144A | 235,000 | 239,700 |
| Libbey, Inc., FRN, 9.57%, 06/01/2011 | 1,995,000 | 1,087,275 |
| Meritage Homes Corp.: | | |
| 6.25%, 03/15/2015 | 910,000 | 668,850 |
| 7.00%, 05/01/2014 | 1,155,000 | 883,575 |
| Newell Rubbermaid, Inc., 10.60%, 04/15/2019 | 395,000 | 431,955 |
| Pulte Homes, Inc.: | | |
| 7.875%, 08/01/2011 | 1,295,000 | 1,298,237 |
| 8.125%, 03/01/2011 | 770,000 | 773,850 |
| Whirlpool Corp., 8.60%, 05/01/2014 | 1,010,000 | 1,035,927 |
| | | <hr/> 11,920,031 <hr/> |
| Internet & Catalog Retail 0.1% | | |
| Ticketmaster Entertainment, Inc., 10.75%, 08/01/2016 144A | 930,000 | 639,375 |
| Media 1.5% | | |
| Charter Communications, Inc.: | | |

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| | | |
|---|-----------|-----------|
| 8.00%, 04/30/2012 144A | 810,000 | 765,450 |
| 10.875%, 09/15/2014 144A | 3,315,000 | 3,315,000 |
| CSC Holdings, Inc., 7.625%, 04/01/2011 | 830,000 | 834,150 |
| DirectTV Holdings, LLC, 7.625%, 05/15/2016 | 40,000 | 39,800 |
| Ion Media Networks, Inc., FRN, 8.38%, 01/15/2013 144A | 2,308,265 | 23,082 |
| Lamar Media Corp.: | | |
| 6.625%, 08/15/2015 | 115,000 | 90,850 |
| 7.25%, 01/01/2013 | 180,000 | 162,000 |
| Mediacom, LLC, 7.875%, 02/15/2011 | 590,000 | 587,050 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|-----------------------------|-----------------------|
| CORPORATE BONDS continued | | |
| CONSUMER DISCRETIONARY continued | | |
| Media continued | | |
| R.H. Donnelley Corp., 11.75%, 05/15/2015 144A | \$661,000 | \$132,200 |
| Sinclair Broadcast Group, Inc., 8.00%, 03/15/2012 | 242,000 | 136,125 |
| Sirius Satellite Radio, Inc., 9.625%, 08/01/2013 | 455,000 | 275,275 |
| Time Warner, Inc., 8.25%, 04/01/2019 | 1,330,000 | 1,472,390 |
| XM Satellite Radio Holdings, Inc., 13.00%, 08/01/2013 144A | 570,000 | 373,350 |
| Young Broadcasting, Inc.: | | |
| 8.75%, 01/15/2014 | 2,121,000 | 10,605 |
| 10.00%, 03/01/2011 | 1,540,000 | 7,700 |
| | | <hr/> 8,225,027 <hr/> |
| Multiline Retail 0.0% | | |
| Neiman Marcus Group, Inc., 9.00%, 10/15/2015 | 266,337 | 147,817 |
| Specialty Retail 0.4% | | |
| American Achievement Corp., 8.25%, 04/01/2012 144A | 2,740,000 | 2,178,300 |
| American Achievement Corp., Step Bond, 10.25%, 10/01/2012 | 445,000 | 251,425 |
| | | <hr/> 2,429,725 <hr/> |
| Textiles, Apparel & Luxury Goods 0.7% | | |
| Oxford Industries, Inc., 8.875%, 06/01/2011 | 2,561,000 | 2,138,435 |
| Visant Corp., 7.625%, 10/01/2012 | 1,495,000 | 1,457,625 |
| | | <hr/> 3,596,060 <hr/> |
| CONSUMER STAPLES 1.0% | | |
| Beverages 0.2% | | |
| Anheuser-Busch InBev, 7.75%, 01/15/2019 144A | 895,000 | 938,638 |
| Food Products 0.4% | | |
| Dean Foods Co., 6.625%, 05/15/2009 | 25,000 | 25,027 |
| Del Monte Foods Co.: | | |
| 6.75%, 02/15/2015 | 285,000 | 275,025 |
| 8.625%, 12/15/2012 | 1,119,000 | 1,146,975 |
| Tyson Foods, Inc.: | | |
| 7.85%, 04/01/2016 | 690,000 | 629,242 |
| 10.50%, 03/01/2014 144A | 165,000 | 173,250 |

| | | |
|--|-----------|-----------|
| | | 2,249,519 |
| Tobacco 0.4% | | |
| Altria Group, Inc., 10.20%, 02/06/2039 | 1,820,000 | 2,008,710 |
| ENERGY 10.2% | | |
| Energy Equipment & Services 2.0% | | |
| Bristow Group, Inc., 7.50%, 09/15/2017 | 1,245,000 | 1,014,675 |
| Forbes Energy Services, Ltd., 11.00%, 02/15/2015 | 4,095,000 | 2,825,550 |
| GulfMark Offshore, Inc., 7.75%, 07/15/2014 | 1,305,000 | 1,102,725 |
| Hornbeck Offshore Services, Inc., Ser. B, 6.125%, 12/01/2014 | 3,090,000 | 2,564,700 |
| Parker Drilling Co., 9.625%, 10/01/2013 | 884,000 | 696,150 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|------------------------|
| CORPORATE BONDS continued | | |
| ENERGY continued | | |
| Energy Equipment & Services continued | | |
| PHI, Inc., 7.125%, 04/15/2013 | \$2,260,000 | \$1,649,800 |
| Smith International, Inc., 9.75%, 03/15/2019 | 935,000 | 989,754 |
| | | <hr/> 10,843,354 <hr/> |
| Oil, Gas & Consumable Fuels 8.2% | | |
| Chesapeake Energy Corp.: | | |
| 6.875%, 01/15/2016 | 4,930,000 | 4,406,187 |
| 9.50%, 02/15/2015 | 1,470,000 | 1,492,050 |
| Delta Petroleum Corp., 7.00%, 04/01/2015 | 1,135,000 | 374,550 |
| El Paso Corp.: | | |
| 7.42%, 02/15/2037 | 1,670,000 | 1,177,848 |
| 12.00%, 12/12/2013 | 445,000 | 482,825 |
| Encore Acquisition Co.: | | |
| 6.00%, 07/15/2015 | 1,760,000 | 1,443,200 |
| 9.50%, 05/01/2016 | 265,000 | 256,388 |
| Energy Transfer Partners, LP, 9.00%, 04/15/2019 | 330,000 | 360,704 |
| Exco Resources, Inc., 7.25%, 01/15/2011 | 2,970,000 | 2,524,500 |
| Ferrellgas Partners, LP, 8.75%, 06/15/2012 | 450,000 | 414,000 |
| Florida Gas Transmission Co., LLC, 7.90%, 05/15/2019 144A # | 665,000 | 662,978 |
| Forest Oil Corp.: | | |
| 7.25%, 06/15/2019 | 1,425,000 | 1,193,437 |
| 7.25%, 06/15/2019 144A | 1,045,000 | 875,187 |
| 8.50%, 02/15/2014 144A | 660,000 | 643,500 |
| Frontier Oil Corp., 6.625%, 10/01/2011 | 885,000 | 876,150 |
| Newfield Exploration Co.: | | |
| 6.625%, 04/15/2016 | 240,000 | 218,400 |
| 7.125%, 05/15/2018 | 680,000 | 618,800 |
| Nustar Logistics, LP, 7.65%, 04/15/2018 | 2,245,000 | 1,986,524 |
| Peabody Energy Corp.: | | |
| 5.875%, 04/15/2016 | 2,800,000 | 2,534,000 |
| 7.875%, 11/01/2026 | 1,600,000 | 1,472,000 |
| Petrohawk Energy Corp.: | | |
| 7.875%, 06/01/2015 144A | 2,455,000 | 2,313,837 |
| 10.50%, 08/01/2014 144A | 495,000 | 499,950 |
| Plains Exploration & Production Co.: | | |
| 7.625%, 06/01/2018 | 2,615,000 | 2,281,587 |
| 8.75%, 05/01/2019 | 490,000 | 503,211 |
| Sabine Pass LNG, LP: | | |

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|--|-----------|-----------|
| 7.25%, 11/30/2013 | 1,735,000 | 1,457,400 |
| 7.50%, 11/30/2016 | 2,650,000 | 2,106,750 |
| SandRidge Energy, Inc., 8.00%, 06/01/2018 144A | 350,000 | 308,000 |
| Southwestern Energy Co., 7.50%, 02/01/2018 144A | 315,000 | 307,913 |
| Stallion Oilfield Services, Ltd., 9.75%, 02/01/2015 144A | 865,000 | 173,000 |
| Sunoco, Inc., 9.625%, 04/15/2015 | 115,000 | 123,829 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|-----------------------------|--------------|
| CORPORATE BONDS continued | | |
| ENERGY continued | | |
| Oil, Gas & Consumable Fuels continued | | |
| Tennessee Gas Pipeline, 8.00%, 02/01/2016 144A | \$860,000 | \$881,500 |
| Tesoro Corp., 6.50%, 06/01/2017 | 1,675,000 | 1,369,312 |
| Valero Energy Corp.: | | |
| 6.875%, 07/15/2012 | 1,060,000 | 1,032,159 |
| 9.375%, 03/15/2019 | 360,000 | 402,735 |
| 10.50%, 03/15/2039 | 895,000 | 990,358 |
| Williams Cos.: | | |
| 7.50%, 01/15/2031 | 2,080,000 | 1,725,335 |
| 8.125%, 03/15/2012 | 3,560,000 | 3,649,000 |
| 8.75%, 01/15/2020 144A | 685,000 | 705,057 |
| | | <hr/> |
| | | 44,844,161 |
| | | <hr/> |
| FINANCIALS 11.2% | | |
| Capital Markets 0.4% | | |
| E*TRADE Financial Corp.: | | |
| 8.00%, 06/15/2011 | 380,000 | 212,800 |
| 12.50%, 11/30/2017 144A | 1,190,000 | 597,975 |
| 12.50%, 11/30/2017 | 827,000 | 415,568 |
| Goldman Sachs Group, Inc., 6.15%, 04/01/2018 | 463,000 | 437,446 |
| Lehman Brothers Holdings, Inc., 6.875%, 05/02/2018 | 215,000 | 33,056 |
| Morgan Stanley: | | |
| 6.625%, 04/01/2018 | 325,000 | 309,797 |
| FRN, 1.57%, 10/15/2015 | 405,000 | 306,508 |
| | | <hr/> |
| | | 2,313,150 |
| | | <hr/> |
| Consumer Finance 7.6% | | |
| CCH II Capital Corp., 10.25%, 09/15/2010 | 3,050,000 | 2,790,750 |
| Daimler Financial Services AG, 4.875%, 06/15/2010 | 1,000,000 | 992,798 |
| Ford Motor Credit Co., LLC: | | |
| 5.70%, 01/15/2010 | 5,205,000 | 4,893,653 |
| 7.375%, 10/28/2009 | 1,000,000 | 960,359 |
| 9.75%, 09/15/2010 | 2,213,000 | 1,992,395 |
| GMAC, LLC: | | |
| 5.625%, 05/15/2009 | 2,525,000 | 2,497,836 |
| 6.75%, 12/01/2014 144A | 248,000 | 183,717 |
| 6.875%, 09/15/2011 144A | 1,839,000 | 1,600,758 |

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|---------------------------------------|-----------|-----------|
| 6.875%, 08/28/2012 144A | 1,844,000 | 1,457,770 |
| 7.00%, 02/01/2012 144A | 262,000 | 214,966 |
| 7.50%, 12/31/2013 144A | 1,405,000 | 885,917 |
| 7.75%, 01/19/2010 | 2,410,000 | 2,169,436 |
| 8.00%, 12/31/2018 144A | 1,252,000 | 501,372 |
| 8.00%, 11/01/2031 144A | 2,259,000 | 1,584,578 |
| FRN, 2.49%, 05/15/2009 | 5,970,000 | 5,902,837 |
| HSBC Finance Corp., 5.00%, 06/30/2015 | 2,400,000 | 2,055,233 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|------------------------|
| CORPORATE BONDS continued | | |
| FINANCIALS continued | | |
| Consumer Finance continued | | |
| International Lease Finance Corp.: | | |
| 4.375%, 11/01/2009 | \$615,000 | \$584,106 |
| 4.55%, 10/15/2009 | 510,000 | 494,317 |
| 4.75%, 07/01/2009 | 335,000 | 327,458 |
| 4.75%, 01/13/2012 | 620,000 | 409,860 |
| 4.875%, 09/01/2010 | 1,205,000 | 1,051,050 |
| 5.00%, 04/15/2010 | 40,000 | 35,863 |
| 5.125%, 11/01/2010 | 35,000 | 28,810 |
| JBS USA Finance, Inc., 11.625%, 05/01/2014 144A | 2,335,000 | 2,229,925 |
| Nielsen Finance, LLC, 11.50%, 05/01/2016 144A | 125,000 | 120,000 |
| NiSource Finance Corp., 10.75%, 03/15/2016 | 1,145,000 | 1,226,758 |
| Sprint Capital Corp.: | | |
| 6.875%, 11/15/2028 | 4,830,000 | 3,284,400 |
| 7.625%, 01/30/2011 | 1,115,000 | 1,080,156 |
| | | <hr/> 41,557,078 <hr/> |
| Diversified Financial Services 0.9% | | |
| Leucadia National Corp.: | | |
| 7.125%, 03/15/2017 | 1,785,000 | 1,334,288 |
| 8.125%, 09/15/2015 | 4,440,000 | 3,751,800 |
| | | <hr/> 5,086,088 <hr/> |
| Insurance 0.1% | | |
| Marsh & McLennan Cos., 9.25%, 04/15/2019 | | |
| | 390,000 | 406,731 |
| Real Estate Investment Trusts (REITs) 1.3% | | |
| Host Marriott Corp.: | | |
| 7.125%, 11/01/2013 | 810,000 | 765,450 |
| Ser. Q, 6.75%, 06/01/2016 | 470,000 | 412,425 |
| Omega Healthcare Investors, Inc.: | | |
| 7.00%, 04/01/2014 | 965,000 | 904,688 |
| 7.00%, 01/15/2016 | 570,000 | 530,100 |
| Ventas, Inc.: | | |
| 6.75%, 04/01/2017 | 3,015,000 | 2,728,575 |
| 7.125%, 06/01/2015 | 1,165,000 | 1,112,575 |
| 9.00%, 05/01/2012 | 555,000 | 582,750 |

| | | |
|---|-------------|------------------------------|
| | | <hr/> <u>7,036,563</u> <hr/> |
| Real Estate Management & Development | 0.4% | |
| Toll Corp.: | | |
| 8.25%, 02/01/2011 | 1,890,000 | 1,885,275 |
| 8.91%, 10/15/2017 | 465,000 | 468,119 |
| | | <hr/> <u>2,353,394</u> <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|------------------------|
| CORPORATE BONDS continued | | |
| FINANCIALS continued | | |
| Thrifts & Mortgage Finance 0.5% | | |
| Residential Capital, LLC: | | |
| 4.35%, 05/22/2009 | \$680,000 | \$657,900 |
| 8.50%, 05/15/2010 144A | 2,425,000 | 1,927,875 |
| | | <hr/> 2,585,775 <hr/> |
| HEALTH CARE 2.6% | | |
| Health Care Equipment & Supplies 0.2% | | |
| Biomet, Inc.: | | |
| 10.375%, 10/15/2017 | 645,000 | 624,037 |
| 11.625%, 10/15/2017 | 695,000 | 677,625 |
| | | <hr/> 1,301,662 <hr/> |
| Health Care Providers & Services 2.2% | | |
| HCA, Inc.: | | |
| 6.30%, 10/01/2012 | 440,000 | 391,600 |
| 7.875%, 02/01/2011 | 565,000 | 556,525 |
| 8.50%, 04/15/2019 144A | 2,455,000 | 2,482,619 |
| 8.75%, 09/01/2010 | 1,101,000 | 1,103,752 |
| 9.25%, 11/15/2016 | 655,000 | 650,088 |
| 9.625%, 11/15/2016 | 3,975,000 | 3,696,750 |
| Humana, Inc., 7.20%, 06/15/2018 | 1,000,000 | 843,113 |
| Omnicare, Inc., 6.125%, 06/01/2013 | 2,025,000 | 1,913,625 |
| Symbion, Inc., 11.00%, 08/23/2015 | 342,212 | 164,262 |
| | | <hr/> 11,802,334 <hr/> |
| Pharmaceuticals 0.2% | | |
| Pfizer, Inc., 5.35%, 03/15/2015 | 900,000 | 968,705 |
| | | <hr/> |
| INDUSTRIALS 3.2% | | |
| Aerospace & Defense 1.6% | | |
| L-3 Communications Holdings, Inc.: | | |
| 5.875%, 01/15/2015 | 8,200,000 | 7,544,000 |
| 6.375%, 10/15/2015 | 564,000 | 537,210 |
| Vought Aircraft Industries, Inc., 8.00%, 07/15/2011 | 1,235,000 | 509,438 |
| | | <hr/> |

| | | |
|--|-----------|-----------|
| | | 8,590,648 |
| | | <hr/> |
| Commercial Services & Supplies 0.9% | | |
| Allied Waste North America, Inc., 6.875%, 06/01/2017 | 320,000 | 310,872 |
| Browning-Ferris Industries, Inc.: | | |
| 7.40%, 09/15/2035 | 1,365,000 | 1,186,556 |
| 9.25%, 05/01/2021 | 1,620,000 | 1,603,962 |
| Corrections Corporation of America: | | |
| 6.75%, 01/31/2014 | 205,000 | 200,388 |
| 7.50%, 05/01/2011 | 125,000 | 125,625 |
| DigitalGlobe, Inc., 10.50%, 05/01/2014 144A | 245,000 | 246,837 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|-----------------------------|------------------|
| CORPORATE BONDS continued | | |
| INDUSTRIALS continued | | |
| Commercial Services & Supplies continued | | |
| Geo Group, Inc., 8.25%, 07/15/2013 | \$ 150,000 | \$ 143,625 |
| Mobile Mini, Inc., 6.875%, 05/01/2015 | 1,645,000 | 1,209,075 |
| | | <u>5,026,940</u> |
| Machinery 0.4% | | |
| Commercial Vehicle Group, Inc., 8.00%, 07/01/2013 | 6,605,000 | 2,080,575 |
| Road & Rail 0.1% | | |
| Kansas City Southern, 13.00%, 12/15/2013 | 445,000 | 473,925 |
| Trading Companies & Distributors 0.2% | | |
| United Rentals, Inc., 6.50%, 02/15/2012 | 1,625,000 | 1,462,500 |
| INFORMATION TECHNOLOGY 2.5% | | |
| Communications Equipment 0.3% | | |
| EchoStar Corp.: | | |
| 6.625%, 10/01/2014 | 910,000 | 848,575 |
| 7.75%, 05/31/2015 | 595,000 | 568,225 |
| | | <u>1,416,800</u> |
| Electronic Equipment, Instruments & Components 1.7% | | |
| Anixter International, Inc., 10.00%, 03/15/2014 | 1,530,000 | 1,468,800 |
| Da-Lite Screen Co., Inc., 9.50%, 05/15/2011 | 2,330,000 | 2,108,650 |
| Jabil Circuit, Inc.: | | |
| 5.875%, 07/15/2010 | 345,000 | 329,475 |
| 8.25%, 03/15/2018 | 6,080,000 | 5,046,400 |
| Sanmina-SCI Corp., 8.125%, 03/01/2016 | 1,000,000 | 510,000 |
| | | <u>9,463,325</u> |
| IT Services 0.1% | | |
| iPayment, Inc., 9.75%, 05/15/2014 | 1,155,000 | 675,675 |
| Semiconductors & Semiconductor Equipment 0.4% | | |
| National Semiconductor Corp., 6.60%, 06/15/2017 | 1,035,000 | 812,557 |
| Spansion, Inc.: | | |

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| | | |
|-----------------------------|-----------|-----------|
| 11.25%, 01/15/2016 144A | 200,000 | 21,000 |
| FRN, 4.39%, 06/01/2013 144A | 3,035,000 | 1,229,175 |
| | | <hr/> |
| | | 2,062,732 |
| | | <hr/> |

MATERIALS 5.0%

Chemicals 1.5%

| | | |
|---|-----------|-----------|
| Huntsman, LLC, 11.625%, 10/15/2010 | 2,170,000 | 2,218,825 |
| Koppers Holdings, Inc., Sr. Disc. Note, Step Bond, 0.00%, 11/15/2014 | 2,295,000 | 1,962,225 |
| Lubrizol Corp., 8.875%, 02/01/2019 | 465,000 | 505,345 |
| MacDermid, Inc., 9.50%, 04/15/2017 144A | 318,000 | 159,000 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|-----------------------------|--------------|
| CORPORATE BONDS continued | | |
| MATERIALS continued | | |
| Chemicals continued | | |
| Momentive Performance Materials, Inc.: | | |
| 9.75%, 12/01/2014 | \$615,000 | \$213,712 |
| 10.125%, 12/01/2014 | 536,340 | 120,676 |
| 11.50%, 12/01/2016 | 255,000 | 58,650 |
| Mosaic Co.: | | |
| 7.30%, 01/15/2028 | 1,385,000 | 1,131,368 |
| 7.625%, 12/01/2016 144A | 1,435,000 | 1,444,226 |
| Tronox Worldwide, LLC, 9.50%, 12/01/2012 | 1,885,000 | 329,875 |
| | | <hr/> |
| | | 8,143,902 |
| | | <hr/> |
| Construction Materials 0.9% | | |
| CPG International, Inc.: | | |
| 10.50%, 07/01/2013 | 3,950,000 | 1,797,250 |
| FRN, 8.56%, 07/01/2012 | 880,000 | 400,400 |
| CRH America, Inc.: | | |
| 5.625%, 09/30/2011 | 455,000 | 410,133 |
| 8.125%, 07/15/2018 | 1,745,000 | 1,457,539 |
| Texas Industries, Inc., 7.25%, 07/15/2013 144A | 1,157,000 | 945,848 |
| | | <hr/> |
| | | 5,011,170 |
| | | <hr/> |
| Containers & Packaging 0.9% | | |
| Exopack Holding Corp., 11.25%, 02/01/2014 | 3,505,000 | 2,471,025 |
| Graham Packaging Co., 8.50%, 10/15/2012 | 1,540,000 | 1,332,100 |
| Graphic Packaging International, Inc., 8.50%, 08/15/2011 | 935,000 | 918,637 |
| | | <hr/> |
| | | 4,721,762 |
| | | <hr/> |
| Metals & Mining 0.8% | | |
| AK Steel Corp., 7.75%, 06/15/2012 | 590,000 | 531,000 |
| Freeport-McMoRan Copper & Gold, Inc.: | | |
| 6.875%, 02/01/2014 | 135,000 | 133,783 |
| 8.25%, 04/01/2015 | 2,270,000 | 2,238,515 |
| 8.375%, 04/01/2017 | 1,470,000 | 1,442,644 |
| Indalex Holdings Corp., 11.50%, 02/01/2014 | 3,170,000 | 206,050 |
| | | <hr/> |
| | | 4,551,992 |

Paper & Forest Products 0.9%

| | | |
|--|-----------|-----------|
| Georgia Pacific Corp.: | | |
| 8.125%, 05/15/2011 | 800,000 | 806,000 |
| 8.25%, 05/01/2016 144A | 410,000 | 412,050 |
| 8.875%, 05/15/2031 | 285,000 | 245,100 |
| International Paper Co., 7.95%, 06/15/2018 | 2,635,000 | 2,295,847 |
| Verso Paper Holdings, LLC: | | |
| 9.125%, 08/01/2014 | 965,000 | 448,725 |
| 11.375%, 08/01/2016 | 1,683,000 | 403,920 |
| | | <hr/> |
| | | 4,611,642 |
| | | <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|--------------|
| CORPORATE BONDS continued | | |
| TELECOMMUNICATION SERVICES 3.4% | | |
| Diversified Telecommunication Services 1.8% | | |
| Citizens Communications Co.: | | |
| 7.875%, 01/15/2027 | \$1,720,000 | \$1,350,200 |
| 9.25%, 05/15/2011 | 1,570,000 | 1,660,275 |
| FairPoint Communications, Inc., 13.125%, 04/01/2018 | 1,190,000 | 331,713 |
| Frontier Communications Corp., 8.25%, 05/01/2014 | 200,000 | 197,500 |
| Qwest Corp.: | | |
| 6.50%, 06/01/2017 | 310,000 | 277,450 |
| 7.50%, 06/15/2023 | 705,000 | 564,000 |
| 7.875%, 09/01/2011 | 465,000 | 463,837 |
| 8.375%, 05/01/2016 144A | 480,000 | 480,000 |
| 8.875%, 03/15/2012 | 3,810,000 | 3,886,200 |
| West Corp., 9.50%, 10/15/2014 | 670,000 | 584,575 |
| | | <hr/> |
| | | 9,795,750 |
| | | <hr/> |
| Wireless Telecommunication Services 1.6% | | |
| Centennial Communications Corp., 8.125%, 02/01/2014 | 2,675,000 | 2,788,687 |
| Cricket Communications, Inc., 9.375%, 11/01/2014 | 230,000 | 228,850 |
| MetroPCS Communications, Inc., 9.25%, 11/01/2014 | 1,925,000 | 1,937,031 |
| Sprint Nextel Corp.: | | |
| 6.90%, 05/01/2019 | 270,000 | 225,450 |
| Ser. D, 7.375%, 08/01/2015 | 2,120,000 | 1,523,750 |
| Ser. E, 6.875%, 10/31/2013 | 2,765,000 | 2,135,963 |
| | | <hr/> |
| | | 8,839,731 |
| | | <hr/> |
| UTILITIES 7.0% | | |
| Electric Utilities 4.3% | | |
| Allegheny Energy Supply Co., 8.25%, 04/15/2012 144A | 3,735,000 | 3,774,666 |
| Aquila, Inc., Step Bond, 11.875%, 07/01/2012 | 7,225,000 | 7,591,199 |
| CMS Energy Corp., 8.50%, 04/15/2011 | 355,000 | 364,246 |
| Edison Mission Energy, 7.00%, 05/15/2017 | 60,000 | 45,600 |
| Energy Future Holdings Corp., 11.25%, 11/01/2017 | 1,915,000 | 991,012 |
| Mirant Mid-Atlantic, LLC, Ser. C, 10.06%, 12/30/2028 | 2,669,567 | 2,642,871 |
| Mirant North America, LLC, 7.375%, 12/31/2013 | 1,010,000 | 977,175 |
| NRG Energy, Inc., 7.375%, 02/01/2016 | 3,195,000 | 3,083,175 |
| Orion Power Holdings, Inc., 12.00%, 05/01/2010 | 3,400,000 | 3,570,000 |
| Public Service Company of New Mexico, 7.95%, 04/01/2015 | 420,000 | 387,001 |

| | | |
|--|-----------|-------------------------------|
| | | <hr/> <u>23,426,945</u> <hr/> |
| Gas Utilities 0.8% | | |
| Atmos Energy Corp., 8.50%, 03/15/2019 | 955,000 | 1,013,811 |
| National Fuel Gas Co., 8.75%, 05/01/2019 | 1,970,000 | 1,976,578 |
| ONEOK, Inc., 8.625%, 03/01/2019 | 1,435,000 | 1,460,906 |
| | | <hr/> <u>4,451,295</u> <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|-----------------------------|--------------|
| CORPORATE BONDS continued | | |
| UTILITIES continued | | |
| Independent Power Producers & Energy Traders 1.4% | | |
| AES Corp.: | | |
| 8.00%, 10/15/2017 | \$35,000 | \$32,200 |
| 8.00%, 06/01/2020 144A | 340,000 | 299,200 |
| Dynergy Holdings, Inc.: | | |
| 6.875%, 04/01/2011 | 1,035,000 | 978,075 |
| 7.125%, 05/15/2018 | 415,000 | 255,225 |
| 7.50%, 06/01/2015 | 160,000 | 126,400 |
| Reliant Energy, Inc.: | | |
| 6.75%, 12/15/2014 | 4,965,000 | 4,816,050 |
| 7.625%, 06/15/2014 | 1,150,000 | 1,043,625 |
| 7.875%, 06/15/2017 | 290,000 | 260,275 |
| | | <hr/> |
| | | 7,811,050 |
| | | <hr/> |
| Multi-Utilities 0.5% | | |
| NorthWestern Corp., 6.34%, 04/01/2019 144A | 230,000 | 227,341 |
| PNM Resources, Inc., 9.25%, 05/15/2015 | 400,000 | 363,000 |
| Texas-New Mexico Power Co., 9.50%, 04/01/2019 144A | 2,110,000 | 2,129,946 |
| | | <hr/> |
| | | 2,720,287 |
| | | <hr/> |
| <i>Total Corporate Bonds (cost \$333,683,276)</i> | | 290,002,020 |
| | | <hr/> |
| FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 14.0% | | |
| CONSUMER DISCRETIONARY 0.5% | | |
| Media 0.1% | | |
| Central European Media Enterprises, Ltd.: | | |
| 8.25%, 05/15/2012 EUR | 500,000 | 492,855 |
| Class A, FRN, 5.93%, 05/15/2014 EUR | 250,000 | 176,964 |
| | | <hr/> |
| | | 669,819 |
| | | <hr/> |
| Multiline Retail 0.3% | | |
| Marks & Spencer Group plc, 6.375%, 11/07/2011 GBP | 1,000,000 | 1,496,530 |
| | | <hr/> |
| Textiles, Apparel & Luxury Goods 0.1% | | |
| Levi Strauss & Co., 8.625%, 04/01/2013 EUR | 500,000 | 552,394 |

CONSUMER STAPLES 1.9%

Beverages 0.2%

| | | |
|---|---------|-----------|
| Canandaigua Brands, Inc., 8.50%, 11/15/2009 GBP | 750,000 | 1,126,154 |
| Remy Cointreau SA, 5.20%, 01/15/2012 EUR | 95,000 | 113,754 |

1,239,908

Food & Staples Retailing 0.4%

| | | |
|--|-----------|-----------|
| Koninklijke Ahold NV, 5.875%, 03/14/2012 EUR | 1,000,000 | 1,323,100 |
| Tesco plc, 3.875%, 03/24/2011 EUR | 620,000 | 836,315 |

2,159,415

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|------------------------|
| FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued | | |
| CONSUMER STAPLES continued | | |
| Tobacco 1.3% | | |
| British American Tobacco plc, 5.50%, 09/15/2016 GBP | 2,000,000 | \$2,960,879 |
| Imperial Tobacco Group plc, 8.375%, 02/17/2016 EUR | 3,000,000 | 4,096,352 |
| | | <hr/> 7,057,231 <hr/> |
| FINANCIALS 7.2% | | |
| Capital Markets 0.3% | | |
| Asset Repackaging Trust, 9.91%, 12/21/2011 EUR @ | 975,078 | 1,019,199 |
| Morgan Stanley, 5.375%, 11/14/2013 GBP | 560,000 | 735,076 |
| | | <hr/> 1,754,275 <hr/> |
| Commercial Banks 4.1% | | |
| Eurofima, 6.25%, 12/28/2018 AUD | 2,450,000 | 1,819,209 |
| European Investment Bank: | | |
| 3.125%, 04/15/2014 EUR | 1,900,000 | 2,527,927 |
| 4.25%, 10/15/2014 EUR | 3,000,000 | 4,211,422 |
| 5.75%, 09/15/2009 AUD | 1,320,000 | 967,573 |
| 6.125%, 01/23/2017 AUD | 8,530,000 | 6,361,683 |
| Instituto de Credito Oficial, 4.375%, 05/23/2012 EUR | 3,800,000 | 5,274,698 |
| Kreditanstalt fur Wiederaufbau, 5.25%, 01/12/2012 GBP | 530,000 | 839,978 |
| Rabobank Australia, Ltd., 6.25%, 11/22/2011 NZD | 725,000 | 420,584 |
| | | <hr/> 22,423,074 <hr/> |
| Consumer Finance 2.0% | | |
| ABB International Finance, Ltd., 6.50%, 11/30/2011 EUR | 2,660,000 | 3,740,371 |
| HSBC Finance Corp., 7.00%, 03/27/2012 GBP | 370,000 | 512,653 |
| Total Capital SA, 5.50%, 01/29/2013 GBP | 1,000,000 | 1,575,462 |
| Toyota Motor Credit Corp., 8.50%, 12/21/2010 NZD | 5,460,000 | 3,237,930 |
| Virgin Media Finance plc, 8.75%, 04/15/2014 EUR | 940,000 | 1,181,528 |
| Wind Acquisition Finance SpA, 9.75%, 12/01/2015 EUR | 500,000 | 618,549 |
| | | <hr/> 10,866,493 <hr/> |
| Diversified Financial Services 0.4% | | |
| | 1,000,000 | 819,190 |

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Dubai Holding Commercial Operations Group, LLC, 6.00%,
02/01/2017 GBP

FMG Finance Property, Ltd., 9.75%, 09/01/2013 EUR 1,495,000 1,641,768

2,460,958

Insurance 0.4%

AIG SunAmerica, Inc., 5.625%, 02/01/2012 GBP

2,000,000 1,987,408

INDUSTRIALS 0.7%

Aerospace & Defense 0.3%

Bombardier, Inc., 7.25%, 11/15/2016 EUR

1,430,000 1,400,104

Commercial Services & Supplies 0.1%

Iron Mountain, Inc., 6.75%, 10/15/2018 EUR

600,000 646,995

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|------------------|
| FOREIGN BONDS CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued | | |
| INDUSTRIALS continued | | |
| Machinery 0.3% | | |
| Harsco Corp., 7.25%, 10/27/2010 GBP | 1,000,000 | \$1,540,602 |
| Savcio Holdings, Ltd., 8.00%, 02/15/2013 EUR | 250,000 | 219,965 |
| | | <u>1,760,567</u> |
| MATERIALS 0.6% | | |
| Chemicals 0.2% | | |
| Huntsman, LLC, 6.875%, 11/15/2013 EUR | 710,000 | 516,670 |
| Rockwood Specialties Group, Inc., 7.625%, 11/15/2014 EUR | 800,000 | 899,708 |
| | | <u>1,416,378</u> |
| Containers & Packaging 0.2% | | |
| Owens-Illinois European Group BV, 6.875%, 03/31/2017 EUR | 900,000 | 1,047,895 |
| | | <u>873,246</u> |
| Metals & Mining 0.2% | | |
| New World Resources NV, 7.375%, 05/15/2015 EUR | 1,000,000 | 873,246 |
| TELECOMMUNICATION SERVICES 1.7% | | |
| Diversified Telecommunication Services 1.7% | | |
| Deutsche Telekom AG, 6.25%, 12/09/2010 GBP | 1,700,000 | 2,614,988 |
| France Telecom: 4.75%, 02/21/2017 EUR | 2,000,000 | 2,674,349 |
| 7.25%, 01/28/2013 EUR | 1,850,000 | 2,773,288 |
| Nordic Telephone Co., 8.25%, 05/01/2016 EUR | 900,000 | 1,077,665 |
| | | <u>9,140,290</u> |
| UTILITIES 1.4% | | |
| Multi-Utilities 1.1% | | |
| National Grid plc, 4.375%, 03/10/2020 EUR | 3,000,000 | 3,314,734 |
| Veolia Environnement SA, 4.00%, 02/12/2016 EUR | 2,000,000 | 2,436,030 |
| | | <u>5,750,764</u> |
| Water Utilities 0.3% | | |
| Nalco Holdings Co., 7.75%, 11/15/2011 EUR | 1,215,000 | 1,607,566 |

| | | |
|---|--|------------|
| <i>Total Foreign Bonds Corporate (Principal Amount Denominated in Currency Indicated)</i> <i>(cost \$87,439,510)</i> | | 76,311,310 |
|---|--|------------|

FOREIGN BONDS GOVERNMENT (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 16.0%

| | | |
|---|---------------|------------|
| Caisse d Amortissement de la Dette Sociale, 4.125%, 04/25/2017 EUR | 4,880,000 | 6,685,759 |
| Canada, 4.25%, 06/01/2018 CAD | 9,800,000 | 9,054,796 |
| France: | | |
| 2.25%, 07/25/2020 EUR | 7,310,717 | 10,059,796 |
| 4.25%, 04/25/2019 EUR | 9,450,000 | 13,169,466 |
| Korea: | | |
| 5.25%, 09/10/2015 KRW | 2,850,000,000 | 2,304,664 |
| 5.25%, 03/10/2027 KRW | 3,865,000,000 | 3,113,102 |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|---------------------|-------------------|
| FOREIGN BONDS GOVERNMENT (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued | | |
| Malaysia, 3.83%, 09/28/2011 MYR | 18,000,000 | \$5,188,783 |
| Mexico, 10.00%, 12/05/2024 MXN | 60,940,000 | 5,234,987 |
| Netherlands, 4.00%, 07/15/2018 EUR | 6,920,000 | 9,440,779 |
| New Zealand, 6.00%, 12/15/2017 NZD | 8,390,000 | 4,975,187 |
| Norway, 4.25%, 05/19/2017 NOK | 59,780,000 | 9,424,985 |
| Sweden: | | |
| 3.75%, 08/12/2017 SEK | 29,000,000 | 3,774,595 |
| 4.50%, 08/12/2015 SEK | 37,000,000 | 5,066,167 |
| <i>Total Foreign Bonds Government (Principal Amount Denominated in Currency Indicated) (cost \$91,273,510)</i> | | <u>87,493,066</u> |
| U.S. TREASURY OBLIGATIONS 3.5% | | |
| U.S. Treasury Bond, 3.50%, 02/15/2039 | \$10,250,000 | 9,290,631 |
| U.S. Treasury Note, 2.75%, 02/15/2019 | 10,070,000 | 9,756,853 |
| <i>Total U.S. Treasury Obligations (cost \$20,436,690)</i> | | <u>19,047,484</u> |
| WHOLE LOAN MORTGAGE-BACKED PASS THROUGH SECURITIES 2.0% | | |
| FIXED-RATE 0.8% | | |
| Bear Stearns Securities Trust, Ser. 2007, Class AM, 5.92%, 06/11/2050 | 3,990,000 | 1,900,898 |
| Countrywide Alternative Loan Trust, Inc., Ser. 2005-50CB, Class 1A1, 5.50%, 11/25/2035 | 911,951 | 513,210 |
| Greenwich Capital Comml. Funding Corp., Ser. 2007-GG11, Class AM, 5.87%, 08/10/2017 | 4,065,000 | 1,871,786 |
| | | <u>4,285,894</u> |
| FLOATING-RATE 1.2% | | |
| American Home Mtge. Assets: | | |
| Ser. 2006-2, Class 1A1, 3.01%, 09/25/2046 | 3,945,014 | 1,458,653 |
| Ser. 2007-1, Class A1, 2.75%, 02/25/2047 | 811,155 | 244,853 |
| Banc of America Comml. Mtge., Inc., Ser. 2007-04, Class A4, 5.74%, 02/10/2051 | 3,654,000 | 2,857,647 |
| GSR Mtge. Loan Trust, Ser. 2007-AR1, Class 2A1, 6.00%, 03/25/2037 | 1,780,004 | 1,006,993 |
| Lehman XS Trust, Ser. 2006-18N, Class A5A, 0.56%, 12/25/2036 | 4,135,000 | 589,210 |

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| | | |
|--|-----------|------------|
| Washington Mutual, Inc. Mtge. Pass-Through Cert., Ser. 2006-AR09, Class 2A, 2.89%, 11/25/2046 | 1,334,075 | 400,610 |
| | | <hr/> |
| | | 6,557,966 |
| | | <hr/> |
| <i>Total Whole Loan Mortgage-Backed Pass Through Securities (cost \$15,929,593)</i> | | 10,843,860 |
| | | <hr/> |
| YANKEE OBLIGATIONS CORPORATE 8.7% | | |
| CONSUMER DISCRETIONARY 0.0% | | |
| Media 0.0% | | |
| Videotron, Ltd.: | | |
| 9.125%, 04/15/2018 | 85,000 | 88,719 |
| 9.125%, 04/15/2018 144A | 50,000 | 52,500 |
| | | <hr/> |
| | | 141,219 |
| | | <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|-------------|
| YANKEE OBLIGATIONS CORPORATE continued | | |
| CONSUMER STAPLES 0.6% | | |
| Beverages 0.5% | | |
| Bacardi, Ltd., 8.20%, 04/01/2019 144A | \$2,820,000 | \$2,829,298 |
| Food & Staples Retailing 0.1% | | |
| Tesco plc, 5.50%, 11/15/2017 | 500,000 | 485,802 |
| ENERGY 1.4% | | |
| Oil, Gas & Consumable Fuels 1.4% | | |
| Connacher Oil & Gas, Ltd., 10.25%, 12/15/2015 144A | 2,075,000 | 933,750 |
| Griffin Coal Mining Co., Ltd.: | | |
| 9.50%, 12/01/2016 | 2,034,000 | 741,747 |
| 9.50%, 12/01/2016 144A | 9,875,000 | 3,604,375 |
| OPTI Canada, Inc.: | | |
| 7.875%, 12/15/2014 | 3,505,000 | 1,901,462 |
| 8.25%, 12/15/2014 | 425,000 | 235,875 |
| | | 7,417,209 |
| FINANCIALS 1.4% | | |
| Consumer Finance 0.3% | | |
| KazMunaiGaz Finance Sub BV, 8.375%, 07/02/2013 144A | 700,000 | 626,500 |
| Petroplus Finance, Ltd.: | | |
| 6.75%, 05/01/2014 144A | 685,000 | 568,550 |
| 7.00%, 05/01/2017 144A | 170,000 | 137,700 |
| Virgin Media Finance plc, 9.125%, 08/15/2016 | 155,000 | 153,450 |
| | | 1,486,200 |
| Diversified Financial Services 1.1% | | |
| FMG Finance Property, Ltd.: | | |
| 10.625%, 09/01/2016 144A | 3,525,000 | 3,102,000 |
| FRN, 5.26%, 09/01/2011 144A | 1,105,000 | 983,450 |
| Preferred Term Securities XII, Ltd., FRN, 2.20%, 12/24/2033 + | 635,000 | 4,109 |
| Ship Finance International, Ltd., 8.50%, 12/15/2013 | 2,650,000 | 1,934,500 |
| | | 6,024,059 |
| INDUSTRIALS 1.6% | | |
| Machinery 0.4% | | |

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| | | |
|---|-----------|-----------|
| Ingersoll-Rand Co., Ltd., 9.50%, 04/15/2014 | 1,895,000 | 1,984,150 |
| Road & Rail 1.2% | | |
| Kansas City Southern de Mexico: | | |
| 7.375%, 06/01/2014 | 4,875,000 | 3,973,125 |
| 9.375%, 05/01/2012 | 2,215,000 | 2,037,800 |
| 12.50%, 04/01/2016 144A | 580,000 | 565,500 |
| | | <hr/> |
| | | 6,576,425 |
| | | <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|------------------------|
| YANKEE OBLIGATIONS CORPORATE continued | | |
| MATERIALS 2.0% | | |
| Metals & Mining 1.9% | | |
| Barrick Gold Corp., 6.95%, 04/01/2019 | \$615,000 | \$651,561 |
| Evrax Group SA: | | |
| 8.875%, 04/24/2013 144A | 1,200,000 | 828,000 |
| 8.875%, 04/24/2013 | 480,000 | 330,979 |
| 9.50%, 04/24/2018 144A | 1,635,000 | 1,017,787 |
| Novelis, Inc., 7.25%, 02/15/2015 | 4,140,000 | 2,173,500 |
| Rio Tinto, Ltd., 9.00%, 05/01/2019 | 2,240,000 | 2,306,916 |
| Vedanta Resources plc, 9.50%, 07/18/2018 144A | 3,755,000 | 2,759,925 |
| | | <hr/> 10,068,668 <hr/> |
| Paper & Forest Products 0.1% | | |
| Cascades, Inc., 7.25%, 02/15/2013 | 940,000 | 747,300 |
| TELECOMMUNICATION SERVICES 1.5% | | |
| Diversified Telecommunication Services 0.4% | | |
| Vimpel Communications: | | |
| 8.375%, 04/30/2013 144A | 45,000 | 36,337 |
| 9.125%, 04/30/2018 144A | 3,155,000 | 2,263,713 |
| | | <hr/> 2,300,050 <hr/> |
| Wireless Telecommunication Services 1.1% | | |
| Inmarsat, plc, Sr. Disc. Note, Step Bond, 10.375%, 11/15/2012 | 1,185,000 | 1,220,550 |
| Intelsat, Ltd.: | | |
| 8.50%, 04/15/2013 144A | 2,495,000 | 2,482,525 |
| 8.875%, 01/15/2015 144A | 339,000 | 336,780 |
| 11.25%, 06/15/2016 | 240,000 | 246,600 |
| Telesat Canada, Inc., 11.00%, 11/01/2015 144A | 1,975,000 | 1,846,625 |
| | | <hr/> 6,133,080 <hr/> |
| UTILITIES 0.2% | | |
| Electric Utilities 0.2% | | |
| E.ON AG, 5.80%, 04/30/2018 | 1,000,000 | 960,303 |
| InterGen NV, 9.00%, 06/30/2017 144A | 185,000 | 176,675 |
| | | <hr/> 1,136,978 <hr/> |

| | |
|---|------------|
| <i>Total Yankee Obligations Corporate (cost \$58,568,631)</i> | 47,330,438 |
|---|------------|

| | Shares | Value |
|---|--------|--------|
| COMMON STOCKS 0.0% | | |
| ENERGY 0.0% | | |
| Oil, Gas & Consumable Fuels 0.0% | | |
| Newfield Exploration Co. * <i>(cost \$34,839)</i> | 1,828 | 56,997 |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|-----------|
| CONVERTIBLE DEBENTURES 0.1% | | |
| CONSUMER DISCRETIONARY 0.0% | | |
| Media 0.0% | | |
| Sinclair Broadcast Group, Inc., 3.00%, 05/15/2027 | \$245,000 | \$137,813 |
| INFORMATION TECHNOLOGY 0.1% | | |
| Communications Equipment 0.1% | | |
| Lucent Technologies, Inc., 2.875%, 06/15/2025 | 990,000 | 632,362 |
| <i>Total Convertible Debentures (cost \$615,310)</i> | | 770,175 |
| LOANS 5.3% | | |
| CONSUMER DISCRETIONARY 1.5% | | |
| Abitibi Consolidated, Inc., FRN, 11.50%, 03/30/2010 | 774,898 | 596,672 |
| Fontainebleau Resorts, LLC, FRN: 3.69%, 06/06/2014 | 735,641 | 73,571 |
| 4.53%, 06/06/2014 | 1,471,283 | 147,143 |
| Ford Motor Co., FRN, 3.46%-4.14%, 12/15/2013 | 1,288,919 | 810,885 |
| General Motors Corp., FRN, 8.00%, 11/29/2013 | 1,174,723 | 781,707 |
| Greektown Casino, LLC, FRN, 5.00%, 12/03/2012 | 760,000 | 159,608 |
| Idearc, Inc., FRN: 3.75%, 11/13/2013 | 232,986 | 91,037 |
| 6.25%, 11/17/2014 | 1,885,563 | 725,941 |
| Ion Media Networks, Inc., FRN, 6.38%, 01/15/2012 | 4,055,000 | 1,028,997 |
| Metaldyne Corp., FRN: 4.19%-5.19%, 01/11/2012 @ | 903,599 | 187,506 |
| 6.19%-8.00%, 01/11/2014 @ | 6,182,027 | 1,282,771 |
| Newsday, LLC, 9.75%, 07/15/2013 < | 1,685,000 | 1,627,862 |
| Tower Automotive Holdings, FRN, 4.69%-5.56%, 07/31/2013 | 394,990 | 144,732 |
| Tropicana Entertainment, LLC, FRN, 6.50%, 01/03/2012 | 2,335,000 | 653,823 |
| | | 8,312,255 |
| CONSUMER STAPLES 0.5% | | |
| Merisant Co., FRN, 3.93%, 01/11/2010 < | 3,678,264 | 2,887,437 |
| ENERGY 0.6% | | |
| Alon Krotz Springs, Inc., FRN, 10.75%, 07/03/2014 | 367,297 | 248,624 |
| Saint Acquisition Corp., FRN, 3.81%, 06/05/2014 | 827,258 | 492,252 |
| Semgroup Energy Partners, FRN, 9.00%, 07/20/2012 < | 2,925,000 | 2,490,052 |

| | | |
|-----------------------------------|---------|-----------|
| | | 3,230,928 |
| | | <hr/> |
| FINANCIALS 0.1% | | |
| Realogy Corp., FRN: | | |
| 3.50%, 09/01/2014 | 216,830 | 145,250 |
| 4.18%, 09/01/2014 | 805,367 | 539,500 |
| | | <hr/> |
| | | 684,750 |
| | | <hr/> |
| HEALTH CARE 0.2% | | |
| HCA, Inc., FRN, 3.22%, 11/18/2012 | 890,352 | 805,279 |
| | | <hr/> |
| See Notes to Financial Statements | | |

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|---|---------------------|-------------------|
| LOANS continued | | |
| INDUSTRIALS 0.3% | | |
| Clarke American Corp., FRN, 2.93%-3.96%, 02/28/2014 | \$1,403,633 | \$1,000,271 |
| Neff Corp., FRN: 3.97%, 11/30/2014 | 4,910,000 | 736,500 |
| 4.82%, 05/31/2013 | 51,750 | 21,660 |
| | | <u>1,758,431</u> |
| INFORMATION TECHNOLOGY 0.1% | | |
| iPayment, Inc., FRN, 2.45%-3.23%, 05/10/2013 | 468,967 | 298,399 |
| MATERIALS 1.8% | | |
| Graham Packaging Co., FRN, 2.69%-2.81%, 10/07/2011 | 668,149 | 581,851 |
| LyondellBasell, FRN: 5.75%, 12/20/2013 < | 776,404 | 260,095 |
| 5.94%, 12/15/2009 < | 3,895,716 | 3,038,697 |
| 6.00%, 12/22/2014 < | 469,344 | 157,569 |
| 7.00%, 12/20/2013 < | 2,036,619 | 683,733 |
| 13.00%, 12/15/2009 < | 4,092,404 | 4,183,379 |
| Novelis, Inc., FRN: 2.43%, 07/06/2014 | 469,119 | 337,071 |
| 3.22%, 07/06/2014 | 1,032,071 | 741,564 |
| | | <u>9,983,959</u> |
| TELECOMMUNICATION SERVICES 0.2% | | |
| FairPoint Communications, Inc., N/A, 03/08/2015 < | 2,085,000 | 1,093,958 |
| <i>Total Loans (cost \$43,052,842)</i> | | <u>29,055,396</u> |
| | Shares | Value |
| CLOSED END MUTUAL FUND SHARES 0.4% | | |
| Dreyfus High Yield Strategies Fund, Inc. | 216,382 | 599,378 |
| Eaton Vance Limited Duration Income Trust | 53,764 | 622,587 |
| ING Prime Rate Trust | 12,336 | 48,234 |
| LMP Corporate Loan Fund, Inc. | 16,391 | 127,358 |
| Morgan Stanley High Yield Fund, Inc. | 6,640 | 27,954 |

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| | | |
|--|------------|------------|
| New America High Income Fund, Inc. | 99,690 | 586,177 |
| Wellington High Yield Plus Fund, Inc. | 5,038 | 13,452 |
| | | <hr/> |
| <i>Total Closed End Mutual Fund Shares (cost \$1,654,939)</i> | | 2,025,140 |
| | | <hr/> |
| SHORT-TERM INVESTMENTS 4.4% | | |
| MUTUAL FUND SHARES 4.4% | | |
| Evergreen Institutional Money Market Fund, Class I, 0.57% q ø ## | 23,807,126 | 23,807,126 |
| | | <hr/> |

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

| | Principal Amount | Value |
|--|-----------------------------|-----------------------|
| SHORT-TERM INVESTMENTS continued | | |
| U.S. TREASURY OBLIGATION 0.0% | | |
| U.S. Treasury Bill, 0.14%, 06/25/2009 β | \$250,000 | \$249,977 |
| <i>Total Short-Term Investments</i> (cost \$24,057,073) | | <u>24,057,103</u> |
| Total Investments (cost \$853,486,815) 140.6% | | 767,992,939 |
| Other Assets and Liabilities and Preferred Shares (40.6%) | | <u>(221,688,767)</u> |
| Net Assets Applicable to Common Shareholders 100.0% | | <u>\$546,304,172</u> |

μ All or a portion of this security has been segregated as collateral for reverse repurchase agreements.

144A Security that may be sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. This security has been determined to be liquid under guidelines established by the Board of Trustees, unless otherwise noted.

Security which has defaulted on payment of interest and/or principal. The Fund has stopped accruing interest on this security.

Security which has defaulted on payment of interest and/or principal.

The rate shown is the stated rate at the current period end.

When-issued or delayed delivery security

Security initially issued in zero coupon form which converts to coupon form at a specified rate and date. An effective interest rate is applied to recognize interest income daily for the bond. This rate is based on total expected interest to be earned over the life of the bond which consists of the aggregate coupon-interest payments and discount at acquisition. The rate shown is the stated rate at the current period end.

@ Security is currently paying interest in-kind.

+ Security is deemed illiquid.

* Non-income producing security

< All or a portion of the position represents an unfunded loan commitment.

q Rate shown is the 7-day annualized yield at period end.

∅ Evergreen Investment Management Company, LLC is the investment advisor to both the Fund and the money market fund.

All or a portion of this security has been segregated for when-issued, delayed delivery securities and/or unfunded loans.

All or a portion of this security was pledged to cover initial margin requirements for open futures contracts.

β Rate shown represents the yield to maturity at date of purchase.

Summary of Abbreviations

AUD Australian Dollar

CAD Canadian Dollar

EUR Euro
FHLB Federal Home Loan Bank
FHLMC Federal Home Loan Mortgage Corp.
FNMA Federal National Mortgage Association
FRN Floating Rate Note
GBP Great British Pound
GNMA Government National Mortgage Association
KRW Republic of Korea Won
MXN Mexican Peso
MYR Malaysian Ringgit
NOK Norwegian Krone
NZD New Zealand Dollar
SEK Swedish Krona
See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2009 (unaudited)

The following table shows the percentage of total long-term investments by geographic location as of April 30, 2009:

| | | |
|----------------|-------|---|
| United States | 74.0 | % |
| France | 5.3 | % |
| Netherlands | 2.6 | % |
| Luxembourg | 2.5 | % |
| Canada | 2.3 | % |
| United Kingdom | 2.1 | % |
| Mexico | 1.6 | % |
| Bermuda | 1.5 | % |
| Norway | 1.3 | % |
| Australia | 1.2 | % |
| Sweden | 1.2 | % |
| South Korea | 0.7 | % |
| Spain | 0.7 | % |
| Malaysia | 0.7 | % |
| New Zealand | 0.7 | % |
| Germany | 0.6 | % |
| Cayman Islands | 0.4 | % |
| Ireland | 0.3 | % |
| Switzerland | 0.2 | % |
| Denmark | 0.1 | % |
| | <hr/> | |
| | 100.0 | % |
| | <hr/> | |

The following table shows the percent of total investments by credit quality based on Moody's and Standard & Poor's ratings as of April 30, 2009*:

| | | |
|---------------|-------|---|
| AAA | 42.9 | % |
| AA | 1.4 | % |
| A | 5.2 | % |
| BBB | 11.0 | % |
| BB | 16.8 | % |
| B | 13.5 | % |
| CCC | 5.4 | % |
| Less than CCC | 1.3 | % |
| NR | 2.5 | % |
| | <hr/> | |
| | 100.0 | % |

The following table shows the percent of total investments based on effective maturity as of April 30, 2009*:

| | | |
|----------------|-------|---|
| Less than 1 | | |
| year | 8.5 | % |
| 1 to 3 year(s) | 12.5 | % |
| 3 to 5 years | 18.6 | % |
| 5 to 10 years | 52.0 | % |
| 10 to 20 years | 6.0 | % |
| 20 to 30 years | 2.4 | % |
| | <hr/> | |
| | 100.0 | % |
| | <hr/> | |

* Calculations exclude equity securities, collateral from securities on loan and segregated cash and cash equivalents, as applicable.
See Notes to Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

April 30, 2009 (unaudited)

Assets

| | |
|--|---------------|
| Investments in unaffiliated issuers, at value (cost \$829,679,689) | \$744,185,813 |
| Investments in affiliated issuers, at value (cost \$23,807,126) | 23,807,126 |

| | |
|---|-------------|
| Total investments | 767,992,939 |
| Cash | 669,556 |
| Segregated cash | 2,506,000 |
| Foreign currency, at value (cost \$3,481,049) | 3,520,738 |
| Receivable for securities sold | 14,124,517 |
| Principal paydown receivable | 463,699 |
| Dividends and interest receivable | 14,162,052 |
| Unrealized gains on credit default swap transactions | 1,080,863 |
| Unrealized gains on forward foreign currency exchange contracts | 4,435,906 |
| Premiums paid on credit default swap transactions | 260,256 |
| Receivable from investment advisor | 7,786 |
| Prepaid structuring fee (See Note 4) | 2,197,627 |

| | |
|--------------|-------------|
| Total assets | 811,421,939 |
|--------------|-------------|

Liabilities

| | |
|--|------------|
| Dividends payable applicable to common shareholders | 4,554,707 |
| Payable for securities purchased | 12,061,193 |
| Unrealized losses on credit default swap transactions | 269,203 |
| Unrealized losses on forward foreign currency exchange contracts | 11,625,215 |
| Premiums received on credit default swap transactions | 3,753,451 |
| Payable for reverse repurchase agreements | 90,133,416 |
| Secured borrowing payable | 60,002,606 |
| Payable for daily variation margin on open futures contracts | 11,250 |
| Payable to investment advisor (See Note 4) | 2,133,332 |
| Due to other related parties | 935 |
| Accrued expenses and other liabilities | 546,495 |

| | |
|-------------------|-------------|
| Total liabilities | 185,091,803 |
|-------------------|-------------|

Preferred shares at redemption value

| | |
|--|------------|
| \$25,000 liquidation value per share applicable to 3,200 shares, including dividends payable of \$25,964 | 80,025,964 |
|--|------------|

| | |
|---|----------------------|
| Net assets applicable to common shareholders | \$546,304,172 |
|---|----------------------|

Net assets applicable to common shareholders represented by

| | |
|--|---------------|
| Paid-in capital | \$789,713,810 |
| Overdistributed net investment income | (25,687,677) |
| Accumulated net realized losses on investments | (125,793,086) |

Net unrealized losses on investments (91,928,875)

Net assets applicable to common shareholders \$546,304,172

Net asset value per share applicable to common shareholders

Based on \$546,304,172 divided by 42,055,000 common shares issued and outstanding
(100,000,000 common shares authorized) \$12.99

See Notes to Financial Statements

STATEMENT OF OPERATIONS

Six Months Ended April 30, 2009 (unaudited)

Investment income

| | |
|---|--------------|
| Interest (net of foreign withholding taxes of \$18,250) | \$33,824,717 |
| Income from affiliated issuers | 319,525 |
| Securities lending | 84,378 |
| Dividends | 71,901 |

| | |
|-------------------------|------------|
| Total investment income | 34,300,521 |
|-------------------------|------------|

Expenses

| | |
|-------------------------------|-----------|
| Advisory fee | 2,230,242 |
| Administrative services fee | 202,749 |
| Transfer agent fees | 16,606 |
| Trustees' fees and expenses | 4,362 |
| Printing and postage expenses | 70,173 |
| Custodian and accounting fees | 130,416 |
| Professional fees | 55,458 |
| Secured borrowing fees | 5,182,274 |
| Auction agent fees | 102,079 |
| Interest expense | 2,323,553 |
| Other | 49,596 |

| | |
|----------------|------------|
| Total expenses | 10,367,508 |
|----------------|------------|

| | |
|--|--------------|
| Less: Fee waivers and expense reimbursements | (3,570,192) |
|--|--------------|

| | |
|--------------|-----------|
| Net expenses | 6,797,316 |
|--------------|-----------|

| | |
|------------------------------|-------------------|
| Net investment income | 27,503,205 |
|------------------------------|-------------------|

Net realized and unrealized gains or losses on investments

| | |
|---------------------------------------|---------------|
| Net realized gains or losses on: | |
| Securities in unaffiliated issuers | (97,716,654) |
| Foreign currency related transactions | 30,403,852 |
| Futures contracts | (977,777) |
| Interest rate swap transactions | (19,026) |
| Credit default swap transactions | 1,400,961 |

| | |
|------------------------------------|---------------|
| Net realized losses on investments | (66,908,644) |
|------------------------------------|---------------|

Net change in unrealized gains or losses on:

| | |
|---------------------------------------|---------------|
| Securities in unaffiliated issuers | 119,941,600 |
| Foreign currency related transactions | (26,472,435) |
| Futures contracts | 65,378 |
| Interest rate swap transactions | 18,968 |
| Credit default swap transactions | 839,572 |

| | |
|--|--------------|
| Net change in unrealized gains or losses on investments | 94,393,083 |
| Net realized and unrealized gains or losses on investments | 27,484,439 |
| Dividends to preferred shareholders from net investment income | (769,772) |
| Net increase in net assets applicable to common shareholders resulting from operations | \$54,217,872 |

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS

| | Six Months Ended April 30, 2009 (unaudited) | Year Ended October 31, 2008 |
|---|--|--|
| <hr/> | | |
| Operations | | |
| Net investment income | \$27,503,205 | \$70,646,241 |
| Net realized losses on investments | (66,908,644) | (15,060,613) |
| Net change in unrealized gains or losses on investments | 94,393,083 | (209,925,391) |
| Dividends to preferred shareholders from net investment income | (769,772) | (12,409,243) |
| <hr/> | | |
| Net increase (decrease) in net assets applicable to common shareholders resulting from operations | 54,217,872 | (166,749,006) |
| <hr/> | | |
| Distributions to common shareholders from | | |
| Net investment income | (74,428,939) | (54,654,678) |
| <hr/> | | |
| Total decrease in net assets applicable to common shareholders | (20,211,067) | (221,403,684) |
| Net assets applicable to common shareholders | | |
| Beginning of period | 566,515,239 | 787,918,923 |
| <hr/> | | |
| End of period | \$546,304,172 | \$566,515,239 |
| <hr/> | | |
| Undistributed (overdistributed) net investment income | \$(25,687,677) | \$26,192,133 |
| <hr/> | | |

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

April 30, 2009 (unaudited)

Cash flows from operating activities:

| | |
|--|---------------|
| Net increase in net assets resulting from operations | \$54,217,872 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (511,861,465) |
| Proceeds from sales of securities | 664,517,016 |
| Paydowns | 17,276,215 |
| Amortization | (5,487,616) |
| Swap payments made | 1,381,935 |
| Preferred Share distributions | 769,772 |
| Sale of short-term investment securities, net | 14,257,037 |
| Decrease in dividends and interest receivable | 7,020,771 |
| Decrease in receivable for securities sold | (1,972,479) |
| Decrease in receivable for principal paydowns | 540,482 |
| Decrease in receivable for daily variation margin on open futures contracts | 23,984 |
| Increase in premiums paid on swaps | (260,256) |
| Increase in receivable from investment advisor | (7,786) |
| Amortization of prepaid structuring fee | 523,105 |
| Decrease in receivable for securities lending income | 309 |
| Increase in segregated cash | (1,104,000) |
| Decrease in prepaid expenses and other assets | 18,225 |
| Decrease in payable for securities purchased | (8,218,504) |
| Decrease in payable for securities on loan | (4,714,774) |
| Increase in payable for daily variation margin on open futures contracts | 11,250 |
| Increase in premiums received on swaps | 3,373,008 |
| Decrease in advisory fee payable | (35,879) |
| Decrease in due to other related parties | (2,969) |
| Increase in accrued expenses and other liabilities | 21,275 |
| Unrealized depreciation on securities in unaffiliated issuers | (119,941,600) |
| Unrealized depreciation on swaps | (858,540) |
| Unrealized depreciation on futures | (65,378) |
| Unrealized appreciation on foreign currency related transactions | 26,472,435 |
| Net realized gain on swaps | (1,381,935) |
| Net realized loss on securities in unaffiliated issuers | 97,716,654 |
| <hr/> | |
| Net cash provided by operating activities | 232,228,164 |

Cash flows from financing activities:

| | |
|---|---------------|
| Cash distributions paid on Preferred Shares | (851,597) |
| Cash distributions paid on common shares | (74,428,939) |
| Increase in reverse repurchase agreements | 90,133,416 |
| Payment to investment advisor for secured borrowing | (533,335) |
| Decrease in secured borrowing | (240,960,724) |
| <hr/> | |
| Net cash used in financing activities | (226,641,179) |

| | |
|----------------------|-----------|
| Net increase in cash | 5,586,985 |
|----------------------|-----------|

| | |
|---|----------------|
| Cash (including foreign currency): | |
| Beginning of period | \$(1,396,691) |

| | |
|---------------|-------------|
| End of period | \$4,190,294 |
|---------------|-------------|

| | |
|--------------------------------------|-------------|
| Supplemental cash disclosure: | |
| Cash paid for interest | \$2,249,188 |

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION

Evergreen Multi-Sector Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income consistent with its overall exposure to domestic interest rate risk.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from these estimates.

a. Valuation of investments

Portfolio debt securities acquired with more than 60 days to maturity are fair valued using matrix pricing methods determined by an independent pricing service which takes into consideration such factors as similar security prices, yields, maturities, liquidity and ratings. Securities for which valuations are not readily available from an independent pricing service may be valued by brokers which use prices provided by market makers or estimates of fair market value obtained from yield data relating to investments or securities with similar characteristics.

Listed equity securities are usually valued at the last sales price or official closing price on the national securities exchange where the securities are principally traded.

Short-term securities of sufficient credit quality with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates fair value.

Investments in open-end mutual funds are valued at net asset value. Securities for which market quotations are not readily available or not reflective of current fair value are valued at fair value as determined by the investment advisor in good faith, according to procedures approved by the Board of Trustees.

b. Reverse repurchase agreements

To obtain short-term financing, the Fund may enter into reverse repurchase agreements with banks and other financial institutions, which are deemed by the investment advisor to be creditworthy. At the time the Fund enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing qualified assets having a value not less than the repurchase price, including accrued interest. If the counterparty to the transaction is rendered insolvent, the Fund may be delayed or limited in the repurchase of the collateral securities.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

c. Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for that portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses on investments.

d. Futures contracts

The Fund is subject to interest rate risk, equity price risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund may buy and sell futures contracts in order to gain exposure to, or protect against changes in, security values. The primary risks associated with the use of futures contracts are the imperfect correlation between changes in market values of securities held by the Fund and the prices of futures contracts, and the possibility of an illiquid market.

Futures contracts are valued based upon their quoted daily settlement prices. The aggregate principal amounts of the contracts are not recorded in the financial statements. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities as an asset or liability and in the Statement of Operations as unrealized gains or losses until the contracts are closed, at which point they are recorded as net realized gains or losses on futures contracts. With futures contracts, there is minimal counterparty risk to the Fund since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

e. Forward foreign currency contracts

The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. A forward foreign currency contract is an agreement between two parties to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate transactions in foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market daily. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on foreign currency related transactions. The Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

f. When-issued and delayed delivery transactions

The Fund records when-issued or delayed delivery securities as of trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked-to-market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

g. Loans

The Fund may purchase loans through an agent, by assignment from another holder of the loan or as a participation interest in another holder's portion of the loan. Loans are purchased on a when-issued or delayed delivery basis. Interest income is accrued based on the terms of the securities. Fees earned on loan purchasing activities are recorded as income when earned. Loans involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

h. Securities lending

The Fund may lend its securities to certain qualified brokers in order to earn additional income. The Fund receives compensation in the form of fees or interest earned on the investment of any cash collateral received. The Fund also continues to receive interest and dividends on the securities loaned. The Fund receives collateral in the form of cash or securities with a market value at least equal to the market value of the securities on loan, including accrued interest. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the loaned securities or in gaining access to the collateral. In addition, the investment of any cash collateral may lose all or part of its value. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

i. Dollar roll transactions

The Fund may enter into dollar roll transactions with respect to mortgage-backed securities. In a dollar roll transaction, the Fund sells mortgage-backed securities to financial institutions and simultaneously agrees to accept substantially similar (same type, coupon and maturity) securities at a later date at an agreed upon price. The Fund will use the proceeds generated from the transactions to invest in short-term investments, which may enhance the Fund's current yield and total return. The Fund accounts for dollar roll transactions as purchases and sales. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform under the terms of the agreement, if the Fund receives inferior securities in comparison to what was sold to the counterparty at redelivery or if there are variances in paydown speed between the mortgage-related pools.

j. Interest rate swaps

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund may enter into interest rate swap contracts for hedging purposes to

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

manage the Fund's exposure to interest rates. Interest rate swaps involve the exchange between the Fund and another party of their commitments to pay or receive interest based on a notional principal amount.

The value of the swap contract is marked-to-market daily based upon quotations from brokers which use prices provided by market makers and any change in value is recorded as an unrealized gain or loss. Payments made or received are recorded as realized gains or losses. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform or if there are unfavorable changes in the fluctuation of interest rates. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

k. Credit default swaps

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts for hedging or speculative purposes to provide or receive a measure of protection against default on a referenced entity, obligation or index. Credit default swaps involve an exchange of a stream of payments for protection against the loss in value of an underlying security or index. Under the terms of the swap, one party acts as a guarantor (referred to as the seller of protection) and receives a periodic stream of payments, provided that there is no credit event, from another party (referred to as the buyer of protection) that is a fixed percentage applied to a notional principal amount over the term of the swap. An index credit default swap references all the names in the index, and if a credit event is triggered, the credit event is settled based on that name's weight in the index. A credit event includes bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring. The Fund may enter into credit default swaps as either the seller of protection or the buyer of protection. As the seller of protection, the Fund is subject to investment exposure on the notional amount of the swap and has assumed the risk of default of the underlying security or index. As the buyer of protection, the Fund could be exposed to risks if the seller of the protection defaults on its obligation to perform, or if there are unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index. The maximum potential amount of future payments (undiscounted) that the Fund as the seller of protection could be required to make under the credit default swap contract would be an amount equal to the notional amount of the swap contract. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

If the Fund is the seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of protection the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index. If the Fund is the buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will receive from the seller of protection the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index.

Any premiums paid or received on the transactions are recorded as an asset or liability on the Statement of Assets and Liabilities and amortized. The value of the swap contract is marked-to-market daily based on quotations from an independent pricing service or market makers and any change in value is recorded as an unrealized gain or loss. Periodic payments made or received are recorded as realized gains or losses. In addition, payments received or made as a result of a credit event or termination of the contract are recognized as realized gains or losses.

Certain credit default swap contracts entered into by the Fund provide for conditions that result in events of default or termination that enable the counterparty to the agreement to cause an early termination of the transactions under those agreements. Any election by the counterparty to terminate early may impact the amounts reported on the financial statements.

I. Security transactions and investment income

Security transactions are recorded on trade date. Realized gains and losses are computed using the specific cost of the security sold. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. If the issuer subsequently resumes interest payments or when the collectibility of interest is reasonably assured, the debt obligation is removed from non-accrual status. Dividend income is recorded on the ex-dividend date. Foreign income and capital gains realized on some securities may be subject to foreign taxes, which are accrued as applicable.

m. Federal and other taxes

The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income, including any net capital gains (which have already been offset by available capital loss carryovers). Accordingly, no provision for federal taxes is required. The Fund's income and excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal, Massachusetts and Delaware revenue authorities.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

n. Distributions

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

3. ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Evergreen Investment Management Company, LLC (EIMC), a subsidiary of Wells Fargo & Company (Wells Fargo), is the investment advisor to the Fund and is paid an annual fee of 0.55% of the Fund's average daily total assets. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes. For the six months ended April 30, 2009, the advisory fee was equivalent to an annual rate of 0.88% of the Fund's average daily net assets applicable to common shareholders.

First International Advisors, LLC, d/b/a Evergreen International Advisors, an affiliate of EIMC and a majority-owned subsidiary of Wells Fargo, is the investment sub-advisor to the Fund and is paid by EIMC for its services to the Fund.

Tattersall Advisory Group, Inc., an affiliate of EIMC and an indirect, wholly-owned subsidiary of Wells Fargo, is an investment sub-advisor to the Fund and is paid by EIMC for its services to the Fund.

On October 3, 2008, Wells Fargo and Wachovia Corporation (Wachovia) announced that Wells Fargo agreed to acquire Wachovia in a whole company transaction that would include all of Wachovia's banking and other businesses. In connection with this transaction, Wachovia issued preferred shares to Wells Fargo representing approximately a 40% voting interest in Wachovia. Due to its ownership of preferred shares, Wells Fargo may have been deemed to control EIMC. If Wells Fargo was deemed to control EIMC, then the existing advisory agreement between the Fund and EIMC and the sub-advisory agreements between EIMC and the Fund's sub-advisors would have terminated automatically in connection with the issuance of preferred shares. To address this possibility, on October 20, 2008 the Board of Trustees approved an interim advisory agreement with EIMC and an interim sub-advisory agreements with each sub-advisor with the same terms and conditions as the existing agreements, which became effective upon the issuance of the preferred shares. EIMC's receipt of the advisory fees under the interim advisory agreement was subject to the approval by shareholders of the Fund of a new advisory agreement with EIMC.

On December 31, 2008, Wachovia merged with and into Wells Fargo and as a result of the merger, EIMC, Tattersall Advisory Group, Inc. and Evergreen International Advisors became subsidiaries of Wells Fargo. After the merger, a new interim advisory agreement with the same terms and conditions between the Fund and EIMC went into effect. In addition, a new interim sub-advisory agreement with the same terms and conditions became effective with each sub-advisor to the Fund.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Shareholders approved the new advisory agreement between the Fund and EIMC on February 12, 2009. In addition, on the same date, shareholders also approved a new sub-advisory agreement with each sub-advisor.

From time to time, EIMC may voluntarily or contractually waive its fee and/or reimburse expenses in order to limit operating expenses. During the six months ended April 30, 2009, EIMC contractually waived its advisory fee in the amount of \$2,230,242 and contractually reimbursed other expenses in the amount of \$1,339,950. These contractual waivers and reimbursements were put in place to ensure the costs incurred by the Fund under the Facility (see Note 4) would not exceed the sum of the costs that would have been incurred if the Preferred Shares had not been redeemed minus 0.05% of the average outstanding borrowings under the Facility.

The Fund may invest in money market funds which are advised by EIMC. Income earned on these investments is included in income from affiliated issuers on the Statement of Operations.

EIMC also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. EIMC is paid an annual administrative fee of 0.05% of the Fund's average daily total assets. For the six months ended April 30, 2009, the administrative fee was equivalent to an annual rate of 0.08% of the Fund's average daily net assets applicable to common shareholders.

The Fund has placed a portion of its portfolio transactions with brokerage firms that are affiliates of Wells Fargo. During the six months ended April 30, 2009, the Fund paid brokerage commissions of \$180 to Wachovia Securities, LLC, a broker-dealer affiliated with Wells Fargo.

4. CAPITAL SHARE TRANSACTIONS

The Fund has authorized capital of \$100,000,000 common shares with no par value. For the six months ended April 30, 2009 and the year ended October 31, 2008, the Fund did not issue any common shares.

As of April 30, 2009, the Fund has issued 3,200 shares of Auction Market Preferred Shares (Preferred Shares) consisting of five series, each with a liquidation value of \$25,000 plus accumulated but unpaid dividends (whether or not earned or declared). Dividends on each series of Preferred Shares are cumulative at a rate, which is reset based on the result of an auction. During the six months ended April 30, 2009, the Preferred Shares experienced failed auctions and the Fund paid dividends to the holders of Preferred Shares based on the maximum rate allowed under the governing documents for the Preferred Shares. The annualized dividend rate was 1.94% during the six months ended April 30, 2009 which included the maximum rate for the dates on which auctions failed. The Fund will not declare, pay or set apart for payment any dividend to its common shareholders unless the

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Fund has declared and paid or contemporaneously declares and pays full cumulative dividends on each series of Preferred Shares through its most recent dividend payment date.

Each series of Preferred Shares is redeemable, in whole or in part, at the option of the Fund on any dividend payment date at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared). Each series of Preferred Shares is also subject to mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared) if the asset coverage with respect to the outstanding Preferred Shares fell below 200%.

The holders of Preferred Shares have voting rights equal to the holders of the Fund's common shares and will vote together with holders of common shares as a single class. Holders of Preferred Shares, voting separately as a single class, have the right to elect at least two Trustees at all times. The remaining Trustees will be elected by holders of common shares and Preferred Shares, voting together as a single class.

From May 27, 2008 through June 18, 2008, the Fund had redeemed a pro rata portion of each of its series of Preferred Shares having an aggregate liquidation preference of \$320,000,000. Funding for the redemption was received from a multi-seller commercial paper conduit administered by a major financial institution (the Facility). The Fund's borrowings under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued by the Facility to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 4%. During the six months ended April 30, 2009, the Fund reduced its borrowing under the Facility from \$300,000,000 to \$60,000,000. During the six months ended April 30, 2009, the Fund incurred an effective interest rate of 2.00% on the borrowings, which was based on the rates of the commercial paper notes issued by the Facility and paid interest of \$2,251,794, representing 0.89% of the Fund's average daily net assets applicable to common shareholders. The Fund has pledged its assets to secure borrowings under the Facility. As a result of amendments to the Facility, the Fund currently pays, on a monthly basis, a liquidity fee at an annual rate of 2.75% of the total commitment amount and a program fee at an annual rate of 2.75% on the daily average outstanding principal amount of borrowings. The Fund had paid a liquidity fee at an annual rate of 0.50% until December 29, 2008 and a program fee at an annual rate of 0.75% until December 29, 2008. A structuring fee of \$3,200,000 was paid by EIMC on behalf of the Fund, which represents 1.00% of the financing available to the Fund under the Facility. This fee is being amortized over three years. During the six months ended April 30, 2009, the Fund recognized amortization expense of \$523,104. The Fund will reimburse EIMC over the three year period.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued**5. INVESTMENT TRANSACTIONS**

Cost of purchases and proceeds from sales of investment securities (excluding short-term securities) were as follows for the six months ended April 30, 2009:

| Cost of Purchases | | Proceeds from Sales | |
|--------------------------|----------------------------|----------------------------|----------------------------|
| U.S. Government | Non-U.S. Government | U.S. Government | Non-U.S. Government |
| \$99,199,499 | \$278,010,097 | \$131,968,877 | \$387,064,514 |

On November 1, 2008, the Fund implemented Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 establishes a single authoritative definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 establishes a fair value hierarchy based upon the various inputs used in determining the value of the Fund's investments. These inputs are summarized into three broad levels as follows:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of April 30, 2009, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

| Valuation Inputs | Investments in Securities | Other Financial Instruments* |
|---|----------------------------------|-------------------------------------|
| Level 1 Quoted Prices | \$ 45,186,724 | \$(72,079) |
| Level 2 Other Significant Observable Inputs | 722,806,215 | (6,377,649) |
| Level 3 Significant Unobservable Inputs | 0 | 0 |
| Total | \$ 767,992,939 | \$(6,449,728) |

* Other financial instruments include futures, forwards and swap contracts. As of April 30, 2009, the Fund had unfunded loan commitments of \$6,951,243.

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During the six months ended April 30, 2009, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$10,106,901 (on an annualized basis) with a weighted average interest rate of 0.71% and paid interest of \$71,759. The maximum amount outstanding under reverse repurchase agreements during the six months ended April 30, 2009 was \$103,453,127 (including accrued interest). At April 30, 2009 reverse repurchase agreements outstanding were as follows:

| Repurchase Amount | Counterparty | Interest Rate | Maturity Date |
|--------------------------|---------------------|----------------------|----------------------|
| \$90,133,416 | Credit Suisse | 0.49% | 05/20/2009 |

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

On April 30, 2009, the aggregate cost of securities for federal income tax purposes was \$858,201,973. The gross unrealized appreciation and depreciation on securities based on tax cost was \$10,643,436 and \$100,852,470, respectively, with a net unrealized depreciation of \$90,209,034.

As of October 31, 2008, the Fund had \$56,193,121 in capital loss carryovers for federal income tax purposes with \$10,962,010 expiring in 2014, \$7,365,369 expiring in 2015 and \$37,865,742 expiring in 2016.

6. DERIVATIVE TRANSACTIONS

At April 30, 2009, the Fund had short futures contracts outstanding as follows:

| Expiration | Contracts | Initial Contract Amount | Value at April 30, 2009 | Unrealized Gain (Loss) |
|-------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|
| June 2009 | 90 U.S. Treasury 2 Year Futures | \$19,507,140 | \$19,579,219 | \$(72,079) |

At April 30, 2009, the Fund had forward foreign currency exchange contracts outstanding as follows:

Forward Foreign Currency Exchange Contracts to Buy:

| Exchange Date | Contracts to Receive | U.S. Value at April 30, 2009 | In Exchange for U.S. \$ | Unrealized Gain (Loss) |
|----------------------|-----------------------------|-------------------------------------|--------------------------------|-------------------------------|
| 05/07/2009 | 4,205,000,000 JPY | \$ 42,638,410 | \$ 47,333,615 | \$(4,695,205) |
| 05/12/2009 | 5,392,000 AUD | 3,916,490 | 3,710,774 | 205,716 |
| 05/12/2009 | 405,979 AUD | 294,884 | 280,012 | 14,872 |
| 05/12/2009 | 5,000,000 NZD | 2,827,105 | 2,869,850 | (42,745) |
| 05/20/2009 | 12,075,000 EUR | 15,975,610 | 15,208,704 | 766,906 |
| 05/20/2009 | 10,000,000 EUR | 13,230,319 | 12,514,000 | 716,319 |
| 05/20/2009 | 71,945,000 MXN | 5,196,479 | 5,176,272 | 20,207 |
| 05/26/2009 | 578,650,000 JPY | 5,869,022 | 6,173,452 | (304,430) |
| 05/26/2009 | 272,450,000 JPY | 2,763,355 | 2,747,788 | 15,567 |
| 05/26/2009 | 124,000,000 JPY | 1,257,684 | 1,267,246 | (9,562) |
| 06/16/2009 | 2,695,000 GBP | 3,986,740 | 3,987,657 | (917) |
| 06/16/2009 | 2,740,000 GBP | 4,053,309 | 3,982,124 | 71,185 |

| Exchange Date | Contracts to Receive | U.S. Value at April 30, 2009 | In Exchange for | U.S. Value at April 30, 2009 | Unrealized Gain (Loss) |
|----------------------|-----------------------------|-------------------------------------|------------------------|-------------------------------------|-------------------------------|
|----------------------|-----------------------------|-------------------------------------|------------------------|-------------------------------------|-------------------------------|

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| | | | | | | | |
|------------|-------------|-----|--------------|---------------|-----|--------------|---------------|
| 05/07/2009 | 513,500,000 | JPY | \$ 5,206,855 | 4,539,227 | EUR | \$ 6,005,808 | \$ (798,953) |
| 05/12/2009 | 2,000,000 | NZD | 1,130,842 | 114,710,000 | JPY | 1,163,232 | (32,390) |
| 05/12/2009 | 728,000,000 | JPY | 7,382,383 | 15,615,616 | NZD | 8,829,397 | (1,447,014) |
| 05/13/2009 | 5,575,000 | GBP | 8,247,299 | 741,703,575 | JPY | 7,521,451 | 725,848 |
| 05/13/2009 | 935,000,000 | JPY | 9,481,627 | 6,984,179 | GBP | 10,331,949 | (850,322) |
| 05/26/2009 | 17,800,000 | EUR | 23,549,485 | 2,151,948,800 | JPY | 21,826,381 | 1,723,104 |
| 06/25/2009 | 3,930,000 | EUR | 5,198,699 | 516,244,800 | JPY | 5,238,442 | (39,743) |
| 06/30/2009 | 6,749,658 | EUR | 8,928,382 | 73,495,000 | SEK | 9,136,101 | (207,719) |

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Forward Foreign Currency Exchange Contracts to Sell:

| Exchange Date | Contracts to Deliver | U.S. Value at April 30, 2009 | In Exchange for U.S. \$ | Unrealized Gain (Loss) |
|---------------|----------------------|------------------------------|-------------------------|------------------------|
| 05/07/2009 | 697,220,000 JPY | \$ 7,069,763 | \$ 7,100,000 | \$30,237 |
| 05/12/2009 | 2,140,000 AUD | 1,554,393 | 1,423,057 | (131,336) |
| 05/12/2009 | 3,657,979 AUD | 2,656,980 | 2,400,000 | (256,980) |
| 05/12/2009 | 7,690,000 NZD | 4,348,088 | 4,087,620 | (260,468) |
| 05/20/2009 | 12,239,241 EUR | 16,192,905 | 15,630,000 | (562,905) |
| 05/20/2009 | 4,840,000 EUR | \$ 6,403,474 | \$ 6,301,583 | \$(101,891) |
| 05/20/2009 | 3,548,676 EUR | 4,695,011 | 4,835,000 | 139,989 |
| 05/20/2009 | 3,040,000 EUR | 4,022,017 | 3,963,339 | (58,678) |
| 05/20/2009 | 71,945,000 MXN | 5,196,479 | 4,834,851 | (361,628) |
| 05/26/2009 | 182,617,200 JPY | 1,852,215 | 1,850,000 | (2,215) |
| 06/02/2009 | 1,090,000 EUR | 1,442,041 | 1,391,222 | (50,819) |
| 06/02/2009 | 3,100,000 EUR | 4,101,217 | 4,001,883 | (99,334) |
| 06/16/2009 | 12,600,000 GBP | 18,639,302 | 17,415,720 | (1,223,582) |
| 06/16/2009 | 2,000,000 GBP | 2,958,619 | 2,934,200 | (24,419) |
| 08/06/2009 | 475,000 EUR | 628,224 | 618,455 | (9,769) |
| 08/06/2009 | 896,685 EUR | 1,185,936 | 1,154,931 | (31,005) |
| 08/06/2009 | 194,146 EUR | 256,773 | 243,653 | (13,120) |
| 10/01/2009 | 264,799 EUR | 350,187 | 351,137 | 950 |
| 10/15/2009 | 588,767 EUR | 778,605 | 774,465 | (4,140) |
| 10/15/2009 | 245,530 EUR | 324,697 | 322,000 | (2,697) |
| 10/15/2009 | 764,659 EUR | 1,011,211 | 1,014,933 | 3,722 |
| 10/15/2009 | 151,083 EUR | 199,797 | 198,568 | (1,229) |
| 10/15/2009 | 414,775 EUR | 548,512 | 549,796 | 1,284 |

The Fund enters into credit default swap contracts as a substitute for taking a position in the underlying security or basket of securities or to potentially enhance the Fund's total return. At April 30, 2009, the Fund had the following credit default swap contracts outstanding:

Credit default swaps on debt obligations Buy protection

| Expiration | Counterparty | Reference Debt Obligation | Rating of Reference Debt Obligation* | Notional Amount | Fixed Payments Made by the Fund | Frequency of Payments Made | Market Value | Upfront Premiums Paid/ (Received) |
|------------|---------------|-----------------------------------|--------------------------------------|-----------------|---------------------------------|----------------------------|--------------|-----------------------------------|
| 06/20/2014 | Deutsche Bank | Humana, Inc., 6.30%, 08/01/2018## | BBB | \$490,000 | 1.00% | Quarterly | \$50,810 | \$55,095 |

| | | | | | | | |
|------------|---------------|--|-----------|-------|-----------|--------|---------|
| 06/20/2014 | Goldman Sachs | Motorola, Inc., BB+ 6.50%, 09/01/2025# | 1,225,000 | 1.00% | Quarterly | 50,584 | 123,404 |
|------------|---------------|--|-----------|-------|-----------|--------|---------|

-
- * Reflects the ratings of a nationally recognized ratings agency at period end. A rating of D would most likely indicate a trigger event of default has occurred although circumstances including bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring may also cause a credit event to take place.
 - # The Fund entered into the swap contract for speculative purposes.
 - ## The Fund entered into the swap contract for hedging purposes.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Credit default swaps on debt obligations Buy protection (continued)

| Expiration | Counterparty | Reference Debt Obligation | Rating of Reference Debt Obligation* | Notional Amount | Fixed Payments Made by the Fund | Frequency of Payments Made | Market Value | Upfront Premiums Paid/ (Received) |
|------------|--------------|------------------------------------|--------------------------------------|-----------------|---------------------------------|----------------------------|--------------|-----------------------------------|
| 06/20/2014 | UBS | Expedia, Inc., 7.46%, 08/15/2018# | BB | \$1,820,000 | 5.00% | Quarterly | \$(96,640) | \$(57,203) |
| 06/20/2014 | UBS | Motorola, Inc., 6.50%, 09/01/2025# | BB+ | 860,000 | 1.00% | Quarterly | 35,512 | 81,757 |

Credit default swaps on debt obligations Sell protection

| Expiration | Counterparty | Reference Debt Obligation | Rating of Reference Debt Obligation* | Notional Amount | Fixed Payments Received by the Fund | Frequency of Payments Received | Market Value | Upfront Premiums Paid/ (Received) |
|------------|---------------|--|--------------------------------------|-----------------|-------------------------------------|--------------------------------|--------------|-----------------------------------|
| 09/20/2013 | Deutsche Bank | General Electric Corp., 6.00%, 06/15/2012# | AA+ | \$450,000 | 4.00% | Quarterly | \$(41,198) | \$0 |
| 12/20/2013 | CitiBank | General Electric Corp., 6.00%, 06/15/2012# | AA+ | 675,000 | 6.65% | Quarterly | 361 | 0 |
| 12/20/2013 | Goldman Sachs | General Electric Corp., 6.00%, 06/15/2012# | AA+ | 560,000 | 4.50% | Quarterly | (42,741) | 0 |
| 03/20/2014 | Goldman Sachs | General Electric Corp., | AA+ | 435,000 | 5.10% | Quarterly | (22,477) | 0 |

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| | | | | | | | | |
|------------|---------------|---|-----|-----------|-------|-----------|------------|------------|
| 06/20/2014 | Credit Suisse | 5.625%, 09/15/2017# General Electric Corp., 5.625%, 09/15/2017# | AA+ | 465,000 | 5.00% | Quarterly | (26,038) | (38,038) |
| 06/20/2014 | Deutsche Bank | 5.625%, 09/15/2017# General Electric Corp., 5.625%, 09/15/2017# | AA+ | \$430,000 | 5.00% | Quarterly | \$(24,079) | \$(41,729) |
| 06/20/2014 | Goldman Sachs | 5.625%, 09/15/2017# General Electric Corp., 5.625%, 09/15/2017# | AA+ | 1,395,000 | 5.00% | Quarterly | (78,115) | (110,514) |

* Reflects the ratings of a nationally recognized ratings agency at period end. A rating of D would most likely indicate a trigger event of default has occurred although circumstances including bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring may also cause a credit event to take place.

The Fund entered into the swap contract for speculative purposes.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Credit default swaps on an index Sell protection

| Expiration | Counterparty | Reference Index | Rating of Reference Index* [@] | Notional Amount | Fixed Payments Received by the Fund | Frequency of Payments Received | Market Value | Upfront Premiums Paid/ (Received) |
|------------|---------------|--|---|-----------------|-------------------------------------|--------------------------------|--------------|-----------------------------------|
| 12/13/2049 | Credit Suisse | Markit CMBX North America AAA.3 Index# | AAA | \$2,310,000 | 0.08% | Monthly | \$(614,891) | \$(819,486) |
| 12/13/2049 | Goldman Sachs | Markit CMBX North America AAA.3 Index# | AAA | 7,035,000 | 0.08% | Monthly | (1,872,623) | (2,686,481) |

* Reflects the ratings of a nationally recognized ratings agency at period end. A rating of D would most likely indicate a trigger event of default has occurred although circumstances including bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring may also cause a credit event to take place.

[@] Rating represents an average rating for the underlying securities within the index.

The Fund entered into the swap contract for speculative purposes.

The total notional amount of credit default swaps in the tables above are representative of the volume of derivative activity during the six months ended April 30, 2009. As of April 30, 2009, the Fund did not have any open interest rate swaps but had an average notional balance of \$19,000,000 during the six months ended April 30, 2009.

Certain of the Fund's derivative transactions may contain provisions for early termination in the event the net assets of the Fund declines below specific levels identified by the counterparty. If these levels are triggered, the counterparty may terminate the transaction and seek payment or request full collateralization of the derivative transaction in net liability positions. On April 30, 2009, the aggregate fair value of all derivative instruments with net asset contingent features that were in a liability position amounted to \$2,818,802. As of April 30, 2009, the Fund had segregated \$2,506,000 as cash collateral for outstanding swap transactions.

A summary of derivative instruments by primary risk exposure is outlined in the following tables.

The fair value of derivative instruments as of April 30, 2009 was as follows:

| Derivatives not accounted for as hedging instruments under Statement 133 | Asset Derivatives | | Liability Derivatives | |
|---|--|-------------------|---|-------------------|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Interest rate contracts | | | Net assets-Net unrealized losses on investments | \$72,079 * |
| Forward foreign currency contracts | Unrealized gains on forward foreign currency exchange contracts, Net assets-Net unrealized losses on investments | \$4,435,906 | Unrealized losses on forward foreign currency exchange contracts, Net assets-Net unrealized losses on investments | 11,625,215 |

* Includes cumulative appreciation/(depreciation) of futures contracts as reported in the Note 6 futures table. Only the variation margin as of April 30, 2009 is reported on the Statement of Assets and Liabilities.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

| Derivatives not accounted for as hedging instruments under Statement 133 | Asset Derivatives | | Liability Derivatives | |
|---|---|--------------------|--|---------------------|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Credit contracts | Unrealized gains on credit default swap transactions, Net assets-Net unrealized losses on investments | 1,080,863 | Unrealized losses on credit default swap transactions, Net assets-Net unrealized losses on investments | 269,203 |
| | | \$5,516,769 | | \$11,966,497 |

The effect of derivative instruments on the Statement of Operations for the six months ended April 30, 2009 was as follows:

Amount of Realized Gains or Losses on Derivatives Recognized in Income

| Derivatives not accounted for as hedging instruments under Statement 133 | Futures | Forward Currency Contracts | Interest Rate Swaps | Credit Default Swaps | Total |
|---|--------------------|-----------------------------------|----------------------------|-----------------------------|---------------------|
| Interest rate contracts | \$(977,777) | \$0 | \$(19,026) | \$0 | \$(996,803) |
| Forward foreign currency contracts | 0 | 31,963,695 | 0 | 0 | 31,963,695 |
| Credit contracts | 0 | 0 | 0 | 1,400,961 | 1,400,961 |
| | \$(977,777) | \$31,963,695 | \$(19,026) | \$1,400,961 | \$32,367,853 |

Change in Unrealized Gains or Losses on Derivatives Recognized in Income

| Derivatives not accounted for as hedging instruments under Statement 133 | Futures | Forward Currency Contracts | Interest Rate Swaps | Credit Default Swaps | Total |
|---|----------------|-----------------------------------|----------------------------|-----------------------------|--------------|
| Interest rate contracts | \$65,378 | \$0 | \$18,968 | \$0 | \$84,346 |
| Forward foreign currency contracts | 0 | (26,423,478) | 0 | 0 | (26,423,478) |
| Credit contracts | 0 | 0 | 0 | 839,572 | 839,572 |

| | | | | |
|----------|----------------|----------|-----------|----------------|
| \$65,378 | \$(26,423,478) | \$18,968 | \$839,572 | \$(25,499,560) |
|----------|----------------|----------|-----------|----------------|

7. DEFERRED TRUSTEES FEES

Each Trustee of the Fund may defer any or all compensation related to performance of his or her duties as a Trustee. The Trustees' deferred balances are allocated to deferral accounts, which are included in the accrued expenses for the Fund. The investment performance of the deferral accounts is based on the investment performance of certain Evergreen funds. Any gains earned or losses incurred in the deferral accounts are reported in the Fund's Trustees' fees and expenses. At the election of the Trustees, the deferral account will be paid either in one lump sum or in quarterly installments for up to ten years.

8. REGULATORY MATTERS AND LEGAL PROCEEDINGS

The Evergreen funds, EIMC and certain of EIMC's affiliates are involved in various legal actions, including private litigation and class action lawsuits, and are and may in the future be subject to regulatory inquiries and investigations.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

EIMC and Evergreen Investment Services, Inc. (EIS) have reached final settlements with the Securities and Exchange Commission (SEC) and the Securities Division of the Secretary of the Commonwealth of Massachusetts (Commonwealth) primarily relating to the liquidation of Evergreen Ultra Short Opportunities Fund (Ultra Short Fund). The claims settled include the following: first, that during the period February 2007 through Ultra Short Fund 's liquidation on June 18, 2008, Ultra Short Fund 's former portfolio management team failed to properly take into account readily available information in valuing certain non-agency residential mortgage-backed securities held by the Ultra Short Fund, resulting in the Ultra Short Fund 's net asset value (NAV) being overstated during the period; second, that EIMC and EIS acted inappropriately when, in an effort to explain the decline in Ultra Short Fund 's NAV, certain information regarding the decline was communicated to some, but not all, shareholders and financial intermediaries; third, that the Ultra Short Fund portfolio management team did not adhere to regulatory requirements for affiliated cross trades in executing trades with other Evergreen funds; and finally, that from at least September 2007 to August 2008, EIS did not preserve certain text and instant messages transmitted via personal digital assistant devices. In settling these matters, EIMC and EIS have agreed to payments totaling \$41,125,000, up to \$40,125,000 of which will be distributed to eligible shareholders of Ultra Short Fund pursuant to a methodology and plan approved by the regulators. EIMC and EIS neither admitted nor denied the regulators' conclusions.

Three purported class actions have also been filed in the U.S. District Court for the District of Massachusetts relating to the same events; defendants include various Evergreen entities, including EIMC and EIS, and Evergreen Fixed Income Trust and its Trustees. The cases generally allege that investors in the Ultra Short Fund suffered losses as a result of (i) misleading statements in Ultra Short Fund 's registration statement and prospectus, (ii) the failure to accurately price securities in the Ultra Short Fund at different points in time and (iii) the failure of the Ultra Short Fund 's risk disclosures and description of its investment strategy to inform investors adequately of the actual risks of the fund.

EIMC does not expect that any of the legal actions, inquiries or settlement of regulatory matters will have a material adverse impact on the financial position or operations of the Fund to which these financial statements relate. Any publicity surrounding or resulting from any legal actions or regulatory inquiries involving EIMC or its affiliates or any of the Evergreen Funds could result in reduced sales or increased redemptions of Evergreen fund shares, which could increase Evergreen fund transaction costs or operating expenses or have other adverse consequences on the Evergreen funds, including the Fund.

9. NEW ACCOUNTING PRONOUNCEMENT

In April 2009, FASB issued FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FAS 157-4). FAS 157-4 provides

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

additional guidance for determining fair value when the volume and level of activity for an asset or a liability have significantly decreased and identifying transactions that are not orderly. FAS 157-4 requires enhanced disclosures about the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period. In addition, the three-level hierarchy disclosure and the level three roll-forward disclosure will be expanded for each major category of assets. Management of the Fund does not believe the adoption of FAS 157-4 will materially impact the financial statement amounts, but will require additional disclosures.

FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009.

10. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

| Declaration Date | Record Date | Payable Date | Net Investment Income |
|-------------------------|--------------------|---------------------|------------------------------|
| April 17, 2009 | May 13, 2009 | June 1, 2009 | \$ 0.1083 |
| May 15, 2009 | June 15, 2009 | July 1, 2009 | \$ 0.1083 |
| June 11, 2009 | July 15, 2009 | August 3, 2009 | \$ 0.1083 |

These distributions are not reflected in the accompanying financial statements.

ADDITIONAL INFORMATION (unaudited)**ANNUAL MEETING OF SHAREHOLDERS**

On February 12, 2009, the Annual Meeting of shareholders of the Fund was held to consider the following proposals. The results of the proposals are indicated below.

Proposal 1 Election of Trustees:

| | Net Assets Voted For | Net Assets Voted Withheld |
|--|-------------------------------------|--|
| Carol A. Kosel | \$317,652,129 | \$34,640,634 |
| Dr. Russell A. Salton | \$317,709,526 | \$34,583,237 |
| Richard K. Wagoner | \$317,573,055 | \$34,719,708 |
| William W. Pettit (Preferred Shares Only) | \$19,438 | \$890 |
| David M. Richardson (Preferred Shares Only) | \$19,438 | \$890 |

Proposal 2a To consider and act upon a new investment advisory agreement with Evergreen Investment Management Company, LLC:

| | |
|--------------------------|---------------|
| Net assets voted For | \$243,096,015 |
| Net assets voted Against | \$28,014,069 |
| Net assets voted Abstain | \$6,207,230 |

Proposal 2b To consider and act upon a new sub-advisory agreement with First International Advisors, LLC, d/b/a Evergreen International Advisors:

| | |
|--------------------------|---------------|
| Net assets voted For | \$242,299,023 |
| Net assets voted Against | \$28,431,585 |
| Net assets voted Abstain | \$6,586,732 |

Proposal 2c To consider and act upon a new sub-advisory agreement with Tattersall Advisory Group, Inc.:

| | |
|--------------------------|---------------|
| Net assets voted For | \$256,542,086 |
| Net assets voted Against | \$14,263,822 |

| | | |
|------------------|---------|-------------|
| Net assets voted | Abstain | \$6,511,420 |
|------------------|---------|-------------|

AUTOMATIC DIVIDEND REINVESTMENT PLAN (unaudited)

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan (the Plan). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan (Plan Agent), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends) payable either in shares or in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open market (open market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (market premium), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium (market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 43010, Providence, Rhode Island 02940-3010 or by calling 1-800-730-6001.

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TRUSTEES AND OFFICERS

TRUSTEES¹

Charles A. Austin III Investment Counselor, Anchor Capital Advisors, LLC. (investment advice);
Trustee Director, The Andover Companies (insurance); Trustee, Arthritis Foundation of
New England; Former Director, The Francis Ouimet Society (scholarship
program); Former Director, Executive Vice President and Treasurer, State
Street Research & Management Company (investment advice)
DOB: 10/23/1934
Term of office since: 1991
Other directorships:
None

K. Dun Gifford Chairman and President, Oldways Preservation and Exchange Trust
Trustee (education); Trustee, Member of the Executive Committee, Former Chairman
of the Finance Committee, and Former Treasurer, Cambridge College
DOB: 10/23/1938
Term of office since: 1974
Other directorships:
None

Dr. Leroy Keith, Jr. Managing Director, Almanac Capital Management (commodities firm);
Trustee Trustee, Phoenix Fund Complex; Director, Diversapack Co. (packaging
company); Former Partner, Stonington Partners, Inc. (private equity fund);
Former Director, Obagi Medical Products Co.; Former Director, Lincoln
Educational Services
DOB: 2/14/1939
Term of office since: 1983
Other directorships:
Trustee,
Phoenix Fund Complex
(consisting of 50
portfolios
as of 12/31/2008)

Carol A. Kosel Former Consultant to the Evergreen Boards of Trustees; Former Vice
Trustee President and Senior Vice President, Evergreen Investments, Inc.; Former
DOB: 12/25/1963 Treasurer, Evergreen Funds; Former Treasurer, Vestaur Securities Fund
Term of office since: 2008
Other directorships:
None

Gerald M. McDonnell Former Manager of Commercial Operations, CMC Steel (steel producer)
Trustee
DOB: 7/14/1939
Term of office since: 1988
Other directorships:
None

Patricia B. Norris President and Director of Buckleys of Kezar Lake, Inc.(real estate company);

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Trustee
DOB: 4/9/1948
Term of office since:
2006
Other directorships:
None

William Walt Pettit² Partner and Vice President, Kellam & Pettit, P.A. (law firm); Director, Superior Packaging Corp. (packaging company); Member, Superior Land, LLC (real estate holding company), Member, K&P Development, LLC (real estate development); Former Director, National Kidney Foundation of North Carolina, Inc. (non-profit organization)
Trustee
DOB: 8/26/1955
Term of office since:
1988
Other directorships:
None

David M. Richardson President, Richardson, Runden LLC (executive recruitment advisory services); Director, J&M Cumming Paper Co. (paper merchandising); Former Trustee, NDI Technologies, LLP (communications); Former Consultant, AESC (The Association of Executive Search Consultants)
Trustee
DOB: 9/19/1941
Term of office since:
1982
Other directorships:
None

Russell A. Salton III, MD President/CEO, AccessOne MedCard, Inc.
Trustee
DOB: 6/2/1947
Term of office since:
1984
Other directorships:
None

TRUSTEES AND OFFICERS continued

Michael S. Scofield Retired Attorney, Law Offices of Michael S. Scofield; Former Director and
Trustee Chairman, Branded Media Corporation (multi-media branding company)
DOB: 2/20/1943
Term of office since:
1984
Other directorships:
None

Richard J. Shima Independent Consultant; Director, Hartford Hospital; Trustee, Greater Hartford
Trustee YMCA; Former Director, Trust Company of CT; Former Trustee, Saint Joseph
DOB: 8/11/1939 College (CT)
Term of office since:
1993
Other directorships:
None

Richard K. Wagoner, CFA³ Member and Former President, North Carolina Securities Traders Association;
Trustee Member, Financial Analysts Society
DOB: 12/12/1937
Term of office since:
1999
Other directorships:
None

OFFICERS

W. Douglas Munn⁴ Principal occupations: Chief Operating Officer, Wells Fargo Funds
President Management, LLC; former Chief Operating Officer, Evergreen Investment
DOB: 4/21/1963 Company, Inc.
Term of office since:
2009

Kasey Phillips⁴ Principal occupations: Senior Vice President, Evergreen Investment
Treasurer Management Company, LLC; Former Vice President, Evergreen Investment
DOB: 12/12/1970 Services, Inc.
Term of office since:
2005

Michael H. Koonce⁴ Principal occupations: Senior Vice President and General Counsel, Evergreen
Secretary Investment Services, Inc.; Secretary, Senior Vice President and General
DOB: 4/20/1960 Counsel, Evergreen Investment Management Company, LLC and Evergreen
Term of office since: Service Company, LLC
2000

Robert Guerin⁴ Principal occupations: Chief Compliance Officer, Evergreen Funds and Senior
Chief Compliance Vice President of Evergreen Investment Company, Inc.; Former Managing

| | |
|-----------------------|---|
| Officer | Director and Senior Compliance Officer, Babson Capital Management LLC; |
| DOB: 9/20/1965 | Former Principal and Director, Compliance and Risk Management, State |
| Term of office since: | Street Global Advisors; Former Vice President and Manager, Sales Practice |
| 2007 | Compliance, Deutsche Asset Management |

- 1 The Board of Trustees is classified into three classes of which one class is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Trustee oversaw 77 Evergreen funds as of December 31, 2008. Correspondence for each Trustee may be sent to Evergreen Board of Trustees, P.O. Box 20083, Charlotte, NC 28202.
- 2 It is possible that Mr. Pettit may be viewed as an interested person of the Evergreen funds, as defined in the 1940 Act, because of his law firm's previous representation of affiliates of Wells Fargo & Company (Wells Fargo), the parent to the Evergreen funds' investment advisor, EIMC. The Trustees are treating Mr. Pettit as an interested trustee for the time being.
- 3 Mr. Wagoner is an interested person of the Evergreen funds because of his ownership of shares in Wells Fargo & Company, the parent to the Evergreen funds' investment advisor.
- 4 The address of the Officer is 200 Berkeley Street, Boston, MA 02116.

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Item 2 - Code of Ethics

Not required for this filing.

Item 3 - Audit Committee Financial Expert

Not applicable at this time.

Items 4 Principal Accountant Fees and Services

Not required for this filing.

Items 5 Audit Committee of Listed Registrants

Not required for this filing.

Item 6 Schedule of Investments

Please see schedule of investments contained in the Report to Stockholders included under Item 1 of this Form N-CSR.

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

Not required for this filing.

Item 8 Portfolio Managers of Closed-End Management Investment Companies.

Not required for this filing.

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

If applicable/not applicable at this time.

Item 10 Submission of Matters to a Vote of Security Holders

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant's board of trustees that have been implemented since the Registrant last provided disclosure in response to the requirements of this Item.

Item 11 - Controls and Procedures

- (a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.
- (b) There has been no changes in the Registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to affect, the Registrant's

internal control over financial reporting .

Item 12 - Exhibits

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

- (a) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit.
 - (b)(1) Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as EX99.CERT.
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(b)(2) Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 1350 of Title 18 of United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached as EX99.906CERT. The certifications furnished pursuant to this paragraph are not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference. Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Evergreen Multi-Sector Income Fund

By: /s/ W. Douglas Munn

W. Douglas Munn
Principal Executive Officer

Date: June 29, 2009

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

By: /s/ W. Douglas Munn

W. Douglas Munn
Principal Executive Officer

Date: June 29, 2009

By: /s/ Kasey Phillips

Kasey Phillips
Principal Financial Officer

Date: June 29, 2009
