CALAMOS CONVERTIBLE & HIGH INCOME FUND
Form N-CSR
December 26, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

INVESTMENT COMPANY ACT FILE NUMBER: 811-21319

EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER: Calamos Convertible and High Income Fund

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES: 2020 Calamos Court, Naperville, Illinois 60563-2787

NAME AND ADDRESS OF AGENT FOR SERVICE: James S. Hamman, Jr., Secretary,
Calamos Advisors LLC
2020 Calamos Court
Naperville, Illinois 60563-2787

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (630) 245-7200

DATE OF FISCAL YEAR END: October 31, 2006

DATE OF REPORTING PERIOD: November 1, 2005 through October 31, 2006

ITEM 1. REPORTS TO SHAREHOLDERS

Include a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Act (17 CFR 270.30e-1).

(INSERT FINANCIAL STATEMENTS HERE)

(GRAPHIC)

CALAMOS(R) CONVERTIBLE AND HIGH INCOME FUND (CHY)
ANNUAL REPORT OCTOBER 31, 2006

(CALAMOS INVESTMENTS(R) LOGO)

Managing Your Calamos Funds Investments

CALAMOS INVESTMENTS offers several convenient means to monitor, manage and feel confident about your Calamos investment choice.

GO PAPERLESS!

SIGN UP FOR E-DELIVERY

It's convenient, it's timely and it helps reduce mailbox clutter.

You can view shareholder communications, including fund prospectuses, annual reports and proxy statements online long before the printed publications would have arrived by traditional mail.

Simply visit WWW.CALAMOS.COM and sign up for e-delivery.

STAY CONNECTED@CALAMOS.COM

Visit WWW.CALAMOS.COM for timely fund performance, detailed fund profiles, fund news and insightful market commentary.

24-HOUR AUTOMATED SHAREHOLDER ASSISTANCE

800.823.7386 Through a single toll-free number, Calamos 24-hour shareholder assistance is fast and easy.

- Get fund prices and account balances
- Review recent transactions
- Order statements, literature and more

PERSONAL ASSISTANCE

800.582.6959 Dial this toll-free number to speak with a knowledgeable Client Services Representative who can help answer questions or address issues concerning your Calamos Fund.

YOUR FINANCIAL ADVISOR

We encourage you to talk to your financial advisor to determine how CALAMOS INVESTMENTS can benefit your investment portfolio based on your financial goals, risk tolerance, time horizon and income needs.

TABLE OF CONTENTS

Letter to Shareholders 1
Economic and Market Review 3
Investment Team Interview 4
Schedule of Investments 8
Statement of Assets and Liabilities 17
Statement of Operations 18
Statements of Changes In Net Assets 19
Notes to Financial Statements 20
Financial Highlights 26
Report of Independent Registered Public Accounting Firm 27
Tax Information 28
Trustee Approval of Management Agreement 29
Trustees & Officers 32
Other Information 34
About Closed-End Funds 37
Leverage 38
Level Rate Distribution Policy and Automatic Dividend Reinvestment Plan ... 39
The Calamos Investments Advantage 40
Calamos Closed-End Funds 41

(PHOTO OF JOHN P. CALAMOS, SR.)

Letter To Shareholders

Dear Fellow Shareholders:

We are pleased to submit to you our annual report for the year ended October 31, 2006. As always, we value and look forward to the opportunity to communicate with you.

At CALAMOS INVESTMENTS, we view our communication with you as vitally important, so we encourage you to review this report carefully. Inside, you will find investment team commentary, share price and NAV performance, fund sector allocation, fund holdings and financial highlights regarding your Calamos closed-end fund. We hope that you find this report both informative and relevant to your investment needs, and we welcome your feedback.

For information about your fund throughout the year, we invite you to visit our website at www.calamos.com. There, you can find the most up-to-date fund information. To help you interpret the big picture, we also post monthly manager commentaries, which provide our latest economic and market outlook.

It has been an exciting year for the CALAMOS INVESTMENTS closed-end funds. All four funds delivered strong positive performance while continuing to provide a stable monthly distribution to shareholders. In June, we initiated a secondary offering of Convertible and High Income Fund (the "Fund") and were pleased to provide investors with another opportunity to invest in the Fund, which we believe is a strong complement to the fixed-income portion of an investor's asset allocation. With its structure that combines convertible and high-yield securities, the Fund is designed to be less susceptible to rising interest rates than many traditional fixed-income closed-end funds. Our focus on risk management, our success at blending asset classes, and our long history of research expertise in lower-rated securities all aim to benefit the Fund and its investors over the long term. For the 12-month period ended October 31, 2006, the Fund delivered an NAV return of 12.16% and a market price return of 20.88%.

At Calamos, one of our key tenets is to maximize risk-adjusted return. One way to improve total return is to reduce expenses, and one way you can help us reduce expenses is to sign up for e-delivery by visiting our website and clicking on the "Go Paperless!" link. By doing so, you will be able to view important shareholder communications online--including fund prospectuses, shareholder reports and proxy statements--long before the printed publications would have arrived by traditional mail.

We are firm believers in remaining positioned for the long term and have long recognized the impossibility of predicting the exact timing of market shifts. Accordingly, we continue to position our portfolios ahead of events and market turns rather than trying to chase them. Based on our view that the economy is in a period of mid-cycle slowdown, which we explain at greater length in the "Economic and Market Review" that follows, we are emphasizing investments in companies with quality characteristics-- such as low debt, high return on invested capital, capable management and well-planned business strategies.

Letter to Shareholders

If you have any questions regarding your investment, you can contact your financial advisor or contact a Calamos Client Service Representative at 800.582.6959, Monday through Friday, 8:00 a.m. to 6:00 p.m. (Central time).

As always, we thank you for your continued trust and the opportunity to help you achieve your financial goals.

Sincerely,

/s/ JOHN P. CALAMOS, SR.

JOHN P. CALAMOS, SR.
Chairman, CEO and Co-CIO
Calamos Advisors LLC

This report is presented for informational purposes and should not be considered investment advice.

Economic And Market Review

For the latest market and economic outlook, please visit our website at www.calamos.com and select the "Individual Investors" button.

Mid-cycle slowdowns are typically characterized by a number of factors, most of which are present today:

- An end to Fed rate hikes
- Moderations of energy prices
- Slowing in the housing market
- Increasing market volatility
- Moderation of consumer spending
- Declining commodity prices

Historically, mid-cycle slowdowns have been accompanied by a shift in market leadership from cyclical investments to growth-oriented investments. Across the Calamos Funds, we are favoring companies we believe have good prospects for sustainable growth and reduced sensitivity to the economy. Our investment discipline and outlook have led us to a number of traditional large-cap growth companies trading at prices we believe are very attractive relative to the broad market and historical values.

During the 12-month period ended October 31, 2006, market participants found themselves distracted by crosscurrents of economic data. In the United States, declines in gross domestic product growth, sliding home prices and rising--though modest-- inflation troubled investors. Yet, there was better news as well. The Fed paused its rate tightening in August, improving sentiment somewhat. And despite OPEC's decision to reduce oil supplies, gasoline prices dropped. Furthermore, corporate earnings and balance sheets remained strong.

Broadly, stocks advanced in the U.S. market, with the S&P 500 Index1 rising 16.34% for the 12-month period. This solid return was achieved at a pace that

was far from consistent. After a slow summer, a substantial portion of the S&P 500 Index's performance was earned during the final three months of the period. And, not all stocks were equally rewarded, as growth-oriented stocks trailed value and cyclical issues.

International stocks performed with even greater strength and the MSCI EAFE(R) Index2 gained 28.04% for the 12-month period. Meanwhile, convertible securities and high-yield issues participated in the rise of the equity markets. The Value Line Convertible Index3 returned 10.43% for the 12-month period and the CS High Yield Index4 returned 10.29% for the 12-month period.

We believe the U.S. economy--while remaining fundamentally strong--is in the midst of a mid-cycle slowdown. The current environment draws parallels to other mid-cycle slowdowns, including those of the mid-1960s, mid-1980s, and mid-1990s. In each of these periods, the Fed initiated an interest rate tightening campaign that caused a slowdown, first in the investment markets and then in the economy as reflected by waning gross domestic product (GDP) growth. Although no one can predict where a change in the economy will occur, each of these past economic slowdowns was followed by a solid upswing in the markets driven by securities in traditional, stable-growth companies. Accordingly, we believe that the current mid-cycle slowdown can bring considerable opportunity for long-term investors such as ourselves.

Although we do believe the U.S. economy is in the middle of a slowdown, we do not believe a recession is imminent. With three consecutive pauses, we believe the Fed is near or at the end of its tightening phase, and this could serve as a catalyst for stronger growth going forward. Even though gross domestic product growth has declined from the levels achieved during the economic expansion, we believe growth remains respectable and is consistent with what we expect in a period of mid-cycle slowdown. Moreover, our constructive outlook is supported by the current strength in corporate balance sheets and earnings. And, with corporations having cash to spend, we believe that corporate spending will provide the fuel for economic growth. While gasoline prices remain high, they have dropped considerably; this decline, along with increases to wages, could spur increased consumer spending, which we believe will remain helpful for the economy.

As always, we are firm believers in remaining positioned for the long term and we have long recognized the impossibility of predicting the exact timing of market shifts. And, as always, we continue to position our portfolios ahead of events and market turns rather than trying to chase them. Based on our view that the economy is in a period of mid-cycle slowdown, we're emphasizing investments in companies with higher-quality characteristics such as low debt, and high return on invested capital, capable management and well-planned business strategies.

This report is presented for informational purposes and should not be considered investment advice.

INVESTMENT TEAM INTERVIEW

In the following interview, the Calamos Investment Team, led by Co-Chief Investment Officers, John P. Calamos, Sr. and Nick P. Calamos, reviews the Fund's market period ended October 31, 2006.

AVERAGE ANNUAL TOTAL RETURN*

COMMON SHARES - INCEPTION 05/28/03

	1 YEAR	SINCE INCEPTION**
On Share Price	20.88%	13.59%
On NAV	12.16	11.98

* Total return measures net investment income and capital gain or loss from portfolio investments, assuming reinvestment of income and capital gains distributions.

** Annualized since inception.

DISTRIBUTION HISTORY
(LATEST 12 MONTHS)

DATE PAID	PER SHARE
October	$0.1219
September	0.1219
August	0.1219
July	0.1219
June	0.1219
May	0.1219
April	0.1219
March	0.1219
February	0.1219
January	0.2139
December	0.1219
November	0.1219

Monthly distributions are from net investment income, short-term capital gains, and/or long-term capital gains. For more details please go to the Tax Center located at www.calamos.com.

Q. HOW DID THE FUND PERFORM OVER THE REPORTING PERIOD?

A. As you know, Calamos Convertible and High Income Fund (CHY) offers investors an enhanced fixed-income strategy focused on delivering an attractive income stream with the potential for capital gains. The types of bonds that the Fund typically holds (high-yield corporate and convertible securities) have different characteristics than traditional bonds, providing an attractive complement to a standard fixed-income allocation. As a result of its allocation, the NAV of the Fund typically performs well in periods marked by economic expansion, as convertible and high-yield bonds tend to be economically sensitive compared with high-quality bonds, which are often more sensitive to changes in interest rates. This distinction was especially clear during the first calendar quarter of 2006, when traditional bonds experienced negative returns while equity-sensitive high-yield and convertible bonds enjoyed gains. It is also worth noting that since the Fund's Fund can further diversify the income-focused portion of an investor's asset allocation.

Based on performance results, the Fund's investment strategy proved its effectiveness these past 12 months. The Fund finished strong for the annual period ended October 31, 2006. Its underlying portfolio (as represented by net asset value or NAV) returned 12.16% during the 12-month period, while the compares with a return of 10.29% for the CS High Yield Index. In addition, the Fund has maintained a stable distribution of at least $0.1219 per share since August 2003.

SINCE INTERCEPTION NAV AND MARKET PRICE HISRORY

(PERFORMANCE GRAPH)

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
5/28/2003	14.325	15.000
5/29/2003	14.325	15.530
5/30/2003	14.300	15.620
6/2/2003	14.320	15.500
6/3/2003	14.290	15.660
6/4/2003	14.340	15.400
6/5/2003	14.360	15.440
6/6/2003	14.370	15.500
6/9/2003	14.350	15.390
6/10/2003	14.350	15.470
6/11/2003	14.400	15.500
6/12/2003	14.410	15.580
6/13/2003	14.410	15.480
6/16/2003	14.450	15.500
6/17/2003	14.480	15.450
6/18/2003	14.500	15.450
6/19/2003	14.450	15.460
6/20/2003	14.450	15.500
6/23/2003	14.400	15.390
6/24/2003	14.370	15.200
6/25/2003	14.370	15.200
6/26/2003	14.380	15.250
6/27/2003	14.370	15.340
6/30/2003	14.370	15.300
7/1/2003	14.350	15.240
7/2/2003	14.400	15.250
7/3/2003	14.390	15.300
7/7/2003	14.430	15.350

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
7/8/2003	14.470	15.380
7/9/2003	14.460	15.320
7/10/2003	14.440	15.320
7/11/2003	14.460	15.400
7/14/2003	14.490	15.390

7/15/2003	14.470	15.390
7/16/2003	14.430	15.170
7/17/2003	14.380	15.250
7/18/2003	14.410	15.290
7/21/2003	14.400	15.130
7/22/2003	14.410	15.030
7/23/2003	14.410	15.150
7/24/2003	14.340	15.190
7/25/2003	14.360	15.130
7/28/2003	14.370	15.040
7/29/2003	14.320	14.920
7/30/2003	14.250	14.990
7/31/2003	14.120	14.870
8/1/2003	14.050	15.040
8/4/2003	14.030	15.010
8/5/2003	13.940	14.700
8/6/2003	13.900	14.710
8/7/2003	13.880	14.990
8/8/2003	13.870	15.000
8/11/2003	13.900	14.990
8/12/2003	13.880	15.030
8/13/2003	13.830	14.950
8/14/2003	13.660	14.930
8/15/2003	13.670	14.900
8/18/2003	13.700	14.860
8/19/2003	13.780	14.800
8/20/2003	13.890	14.810
8/21/2003	13.930	14.870
8/22/2003	13.940	14.870
8/25/2003	13.940	14.720
8/26/2003	13.970	14.730
8/27/2003	14.010	14.900
8/28/2003	14.070	14.800
8/29/2003	14.120	14.870
9/2/2003	14.210	14.990
9/3/2003	14.280	14.970
9/4/2003	14.320	14.920
9/5/2003	14.320	15.000
9/8/2003	14.370	14.980

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
9/9/2003	14.370	15.010
9/10/2003	14.340	15.030
9/11/2003	14.340	15.120
9/12/2003	14.360	15.250
9/15/2003	14.370	15.200
9/16/2003	14.270	15.060
9/17/2003	14.300	15.030
9/18/2003	14.360	15.050
9/19/2003	14.390	15.080
9/22/2003	14.380	15.100
9/23/2003	14.390	15.050
9/24/2003	14.360	15.020
9/25/2003	14.370	14.990

9/26/2003	14.330	15.090
9/29/2003	14.380	15.080
9/30/2003	14.400	15.250
10/1/2003	14.480	15.290
10/2/2003	14.500	15.320
10/3/2003	14.550	15.420
10/6/2003	14.580	15.430
10/7/2003	14.630	15.490
10/8/2003	14.650	15.540
10/9/2003	14.680	15.530
10/10/2003	14.720	15.620
10/13/2003	14.750	15.700
10/14/2003	14.770	15.720
10/15/2003	14.690	15.590
10/16/2003	14.750	15.700
10/17/2003	14.730	15.830
10/20/2003	14.760	15.860
10/21/2003	14.770	15.800
10/22/2003	14.740	15.550
10/23/2003	14.690	15.670
10/24/2003	14.660	15.670
10/27/2003	14.670	15.790
10/28/2003	14.730	15.850
10/29/2003	14.720	15.880
10/30/2003	14.760	15.890
10/31/2003	14.800	16.000
11/3/2003	14.810	15.950
11/4/2003	14.840	15.810
11/5/2003	14.840	15.940
11/6/2003	14.840	15.890
11/7/2003	14.860	16.040

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
11/10/2003	14.850	16.080
11/11/2003	14.820	16.140
11/12/2003	14.890	16.380
11/13/2003	14.780	16.230
11/14/2003	14.750	16.210
11/17/2003	14.710	15.990
11/18/2003	14.690	16.150
11/19/2003	14.720	15.950
11/20/2003	14.740	15.720
11/21/2003	14.740	15.900
11/24/2003	14.790	15.950
11/25/2003	14.880	16.100
11/26/2003	14.890	16.320
11/28/2003	14.930	16.400
12/1/2003	14.980	16.210
12/2/2003	15.080	16.480
12/3/2003	15.120	16.400
12/4/2003	15.170	16.400
12/5/2003	15.200	16.550
12/8/2003	15.170	16.670
12/9/2003	15.130	16.600

12/10/2003	14.930	16.640
12/11/2003	14.950	16.450
12/12/2003	14.940	16.590
12/15/2003	14.920	16.640
12/16/2003	14.940	16.310
12/17/2003	14.970	16.420
12/18/2003	15.030	16.740
12/19/2003	15.060	16.650
12/22/2003	15.120	16.780
12/23/2003	15.120	16.630
12/24/2003	15.160	16.910
12/26/2003	15.150	16.950
12/29/2003	15.040	16.880
12/30/2003	15.070	16.960
12/31/2003	15.090	16.790
1/2/2004	15.090	16.510
1/5/2004	15.250	16.640
1/6/2004	15.350	16.630
1/7/2004	15.410	16.710
1/8/2004	15.490	16.780
1/9/2004	15.530	16.760
1/12/2004	15.500	17.000
1/13/2004	15.500	17.080

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
1/14/2004	15.510	17.000
1/15/2004	15.510	17.050
1/16/2004	15.560	16.940
1/20/2004	15.600	16.860
1/21/2004	15.680	17.070
1/22/2004	15.720	17.100
1/23/2004	15.670	17.060
1/26/2004	15.680	17.040
1/27/2004	15.670	16.900
1/28/2004	15.590	16.950
1/29/2004	15.520	16.990
1/30/2004	15.430	16.980
2/2/2004	15.410	16.850
2/3/2004	15.370	16.990
2/4/2004	15.280	16.880
2/5/2004	15.220	16.910
2/6/2004	15.260	17.050
2/9/2004	15.310	17.040
2/10/2004	15.330	17.040
2/11/2004	15.280	16.960
2/12/2004	15.270	16.830
2/13/2004	15.270	16.780
2/17/2004	15.310	16.620
2/18/2004	15.310	16.510
2/19/2004	15.280	16.310
2/20/2004	15.230	16.050
2/23/2004	15.220	15.600
2/24/2004	15.180	15.680
2/25/2004	15.190	16.220

2/26/2004	15.200	16.180
2/27/2004	15.280	16.350
3/1/2004	15.330	16.260
3/2/2004	15.320	15.990
3/3/2004	15.310	16.100
3/4/2004	15.320	16.100
3/5/2004	15.410	16.350
3/8/2004	15.380	16.450
3/9/2004	15.380	16.250
3/10/2004	15.320	16.300
3/11/2004	15.150	16.180
3/12/2004	15.170	16.400
3/15/2004	15.110	16.350
3/16/2004	15.110	16.240
3/17/2004	15.130	16.170

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
3/18/2004	15.140	16.150
3/19/2004	15.130	16.170
3/22/2004	15.100	16.090
3/23/2004	15.070	16.050
3/24/2004	15.050	15.950
3/25/2004	15.060	16.050
3/26/2004	15.090	16.400
3/29/2004	15.160	16.400
3/30/2004	15.200	16.410
3/31/2004	15.250	16.480
4/1/2004	15.260	16.770
4/2/2004	15.180	16.690
4/5/2004	15.230	16.310
4/6/2004	15.300	16.100
4/7/2004	15.310	16.160
4/8/2004	15.290	16.420
4/12/2004	15.300	16.500
4/13/2004	15.110	16.070
4/14/2004	15.060	15.540
4/15/2004	15.070	15.370
4/16/2004	15.110	15.490
4/19/2004	15.090	15.600
4/20/2004	15.070	15.340
4/21/2004	15.100	15.080
4/22/2004	15.170	15.290
4/23/2004	15.130	15.080
4/26/2004	15.210	14.800
4/27/2004	15.240	14.920
4/28/2004	15.140	15.000
4/29/2004	15.090	15.190
4/30/2004	15.070	15.150
5/3/2004	15.050	15.000
5/4/2004	15.010	15.130
5/5/2004	15.000	15.210
5/6/2004	14.890	14.940
5/7/2004	14.720	14.300
5/10/2004	14.560	14.000

5/11/2004	14.550	14.610
5/12/2004	14.350	14.700
5/13/2004	14.280	14.740
5/14/2004	14.260	14.750
5/17/2004	14.200	14.650
5/18/2004	14.250	14.750
5/19/2004	14.320	14.930

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
5/20/2004	14.340	14.900
5/21/2004	14.360	15.020
5/24/2004	14.430	14.820
5/25/2004	14.490	15.150
5/26/2004	14.530	15.200
5/27/2004	14.570	15.250
5/28/2004	14.560	15.270
6/1/2004	14.570	15.080
6/2/2004	14.590	15.270
6/3/2004	14.550	15.150
6/4/2004	14.570	15.130
6/7/2004	14.680	15.240
6/8/2004	14.690	15.350
6/9/2004	14.680	15.390
6/10/2004	14.710	15.380
6/14/2004	14.540	15.190
6/15/2004	14.630	15.130
6/16/2004	14.610	15.140
6/17/2004	14.650	15.080
6/18/2004	14.670	15.220
6/21/2004	14.670	15.180
6/22/2004	14.700	15.200
6/23/2004	14.740	15.070
6/24/2004	14.760	15.110
6/25/2004	14.750	15.170
6/28/2004	14.750	15.240
6/29/2004	14.760	15.190
6/30/2004	14.800	15.350
7/1/2004	14.780	15.400
7/2/2004	14.800	15.630
7/6/2004	14.820	15.570
7/7/2004	14.840	15.600
7/8/2004	14.850	15.700
7/9/2004	14.880	15.670
7/12/2004	14.920	15.760
7/13/2004	14.820	15.700
7/14/2004	14.840	15.690
7/15/2004	14.860	15.690
7/16/2004	14.910	15.740
7/19/2004	14.890	15.840
7/20/2004	14.890	15.780
7/21/2004	14.860	15.620
7/22/2004	14.850	15.600
7/23/2004	14.840	15.640

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
7/26/2004	14.810	15.670
7/27/2004	14.770	15.630
7/28/2004	14.770	15.720
7/29/2004	14.790	15.750
7/30/2004	14.810	15.900
8/2/2004	14.860	15.870
8/3/2004	14.830	16.000
8/4/2004	14.810	15.920
8/5/2004	14.780	15.950
8/6/2004	14.800	15.970
8/9/2004	14.760	15.990
8/10/2004	14.830	15.900
8/11/2004	14.850	15.940
8/12/2004	14.710	15.710
8/13/2004	14.730	15.800
8/16/2004	14.770	15.840
8/17/2004	14.800	15.900
8/18/2004	14.830	15.980
8/19/2004	14.840	16.020
8/20/2004	14.880	16.050
8/23/2004	14.890	16.000
8/24/2004	14.900	16.030
8/25/2004	14.950	16.050
8/26/2004	14.950	16.130
8/27/2004	14.950	16.130
8/30/2004	14.950	16.240
8/31/2004	14.990	16.200
9/1/2004	15.000	16.140
9/2/2004	15.050	16.230
9/3/2004	15.050	16.300
9/7/2004	15.090	16.180
9/8/2004	15.100	16.220
9/9/2004	15.120	16.320
9/10/2004	15.180	16.440
9/13/2004	15.080	16.210
9/14/2004	15.090	16.080
9/15/2004	15.090	16.150
9/16/2004	15.110	16.180
9/17/2004	15.160	16.270
9/20/2004	15.160	16.350
9/21/2004	15.260	16.350
9/22/2004	15.220	16.260
9/23/2004	15.260	16.250
9/24/2004	15.260	16.260

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market

9/27/2004	15.240	16.190
9/28/2004	15.270	16.220
9/29/2004	15.260	16.160
9/30/2004	15.280	16.200
10/1/2004	15.310	16.260
10/4/2004	15.320	16.300
10/5/2004	15.340	16.490
10/6/2004	15.370	16.450
10/7/2004	15.360	16.460
10/8/2004	15.360	16.510
10/11/2004	15.350	16.520
10/12/2004	15.340	16.570
10/13/2004	15.190	16.410
10/14/2004	15.160	16.490
10/15/2004	15.210	16.530
10/18/2004	15.220	16.460
10/19/2004	15.210	16.430
10/20/2004	15.180	16.440
10/21/2004	15.220	16.430
10/22/2004	15.230	16.520
10/25/2004	15.270	16.520
10/26/2004	15.310	16.600
10/27/2004	15.380	16.650
10/28/2004	15.420	16.730
10/29/2004	15.470	16.740
11/1/2004	15.510	16.890
11/2/2004	15.530	16.920
11/3/2004	15.630	17.000
11/4/2004	15.730	17.050
11/5/2004	15.790	16.580
11/8/2004	15.770	16.280
11/9/2004	15.790	16.490
11/10/2004	15.720	16.320
11/11/2004	15.720	16.460
11/12/2004	15.750	16.590
11/15/2004	15.790	16.690
11/16/2004	15.790	16.720
11/17/2004	15.800	16.800
11/18/2004	15.840	16.870
11/19/2004	15.810	16.770
11/22/2004	15.850	16.760
11/23/2004	15.880	16.810
11/24/2004	15.920	16.840
11/26/2004	15.940	16.890

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
11/29/2004	15.920	16.770
11/30/2004	15.870	16.620
12/1/2004	15.900	16.690
12/2/2004	15.900	16.710
12/3/2004	15.920	16.850
12/6/2004	15.920	16.990
12/7/2004	15.910	16.950

12/8/2004	15.920	17.000
12/9/2004	15.820	16.890
12/10/2004	15.830	16.740
12/13/2004	15.890	16.580
12/14/2004	15.920	16.440
12/15/2004	15.980	16.520
12/16/2004	15.990	16.590
12/17/2004	15.990	16.770
12/20/2004	16.010	16.900
12/21/2004	16.030	16.980
12/22/2004	16.040	16.970
12/23/2004	16.050	17.040
12/27/2004	16.060	17.110
12/28/2004	15.970	17.040
12/29/2004	15.980	17.080
12/30/2004	16.000	17.110
12/31/2004	16.010	17.180
1/3/2005	16.000	17.170
1/4/2005	15.960	17.050
1/5/2005	15.880	16.840
1/6/2005	15.840	16.740
1/7/2005	15.850	16.750
1/10/2005	15.840	16.820
1/11/2005	15.770	16.800
1/12/2005	15.780	16.740
1/13/2005	15.780	16.720
1/14/2005	15.790	16.670
1/18/2005	15.810	16.630
1/19/2005	15.780	16.560
1/20/2005	15.650	16.500
1/21/2005	15.650	16.450
1/24/2005	15.650	16.450
1/25/2005	15.640	16.310
1/26/2005	15.690	16.250
1/27/2005	15.720	16.290
1/28/2005	15.730	16.410
1/31/2005	15.800	16.460

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
2/1/2005	15.830	16.520
2/2/2005	15.860	16.570
2/3/2005	15.870	16.700
2/4/2005	15.940	16.820
2/7/2005	15.960	16.920
2/8/2005	15.980	16.940
2/9/2005	15.930	17.000
2/10/2005	15.830	16.910
2/11/2005	15.880	16.780
2/14/2005	15.930	16.670
2/15/2005	15.940	16.560
2/16/2005	15.970	16.360
2/17/2005	15.950	16.310
2/18/2005	15.930	15.960

2/22/2005	15.870	15.550
2/23/2005	15.900	15.970
2/24/2005	15.940	16.090
2/25/2005	16.020	16.150
2/28/2005	16.000	16.120
3/1/2005	15.990	16.160
3/2/2005	15.970	16.200
3/3/2005	15.970	16.140
3/4/2005	16.040	16.180
3/7/2005	16.100	16.230
3/8/2005	16.090	16.220
3/9/2005	16.000	16.040
3/10/2005	15.880	15.750
3/11/2005	15.900	15.510
3/14/2005	15.900	15.360
3/15/2005	15.880	15.200
3/16/2005	15.770	15.040
3/17/2005	15.730	15.280
3/18/2005	15.700	15.130
3/21/2005	15.620	14.990
3/22/2005	15.550	15.000
3/23/2005	15.430	14.720
3/24/2005	15.480	14.990
3/28/2005	15.480	14.830
3/29/2005	15.390	14.970
3/30/2005	15.360	15.290
3/31/2005	15.370	15.300
4/1/2005	15.360	15.150
4/4/2005	15.330	15.210
4/5/2005	15.390	15.230

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
4/6/2005	15.440	15.380
4/7/2005	15.490	15.430
4/8/2005	15.480	15.400
4/11/2005	15.420	15.360
4/12/2005	15.400	15.270
4/13/2005	15.220	15.050
4/14/2005	15.100	14.870
4/15/2005	14.960	14.750
4/18/2005	14.950	14.750
4/19/2005	15.000	14.980
4/20/2005	15.020	14.970
4/21/2005	15.110	15.160
4/22/2005	15.130	15.240
4/25/2005	15.160	15.290
4/26/2005	15.100	15.210
4/27/2005	15.040	15.330
4/28/2005	15.010	15.500
4/29/2005	15.020	15.270
5/2/2005	15.040	15.430
5/3/2005	15.010	15.560
5/4/2005	15.110	15.770
5/5/2005	15.070	15.720

5/6/2005	15.050	15.670
5/9/2005	15.080	15.710
5/10/2005	15.060	15.670
5/11/2005	14.900	15.660
5/12/2005	14.840	15.550
5/13/2005	14.720	15.480
5/16/2005	14.690	15.330
5/17/2005	14.640	15.260
5/18/2005	14.730	15.420
5/19/2005	14.820	15.500
5/20/2005	14.850	15.690
5/23/2005	14.960	15.760
5/24/2005	14.980	15.720
5/25/2005	15.040	15.760
5/26/2005	15.110	15.950
5/27/2005	15.180	16.030
5/31/2005	15.230	16.140
6/1/2005	15.310	16.030
6/2/2005	15.420	15.920
6/3/2005	15.420	16.110
6/6/2005	15.420	16.150
6/7/2005	15.440	16.160

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
6/8/2005	15.420	16.210
6/9/2005	15.400	16.170
6/10/2005	15.420	16.200
6/13/2005	15.300	15.950
6/14/2005	15.370	15.970
6/15/2005	15.400	15.980
6/16/2005	15.440	16.060
6/17/2005	15.460	16.170
6/20/2005	15.440	16.230
6/21/2005	15.450	16.210
6/22/2005	15.430	16.240
6/23/2005	15.400	16.360
6/24/2005	15.380	16.340
6/27/2005	15.390	16.350
6/28/2005	15.420	16.380
6/29/2005	15.430	16.350
6/30/2005	15.450	16.380
7/1/2005	15.470	16.480
7/5/2005	15.510	16.580
7/6/2005	15.480	16.670
7/7/2005	15.460	16.720
7/8/2005	15.520	16.760
7/11/2005	15.610	16.760
7/12/2005	15.700	16.830
7/13/2005	15.560	16.540
7/14/2005	15.570	16.560
7/15/2005	15.580	16.560
7/18/2005	15.590	16.490
7/19/2005	15.610	16.550
7/20/2005	15.650	16.610

7/21/2005	15.600	16.480
7/22/2005	15.660	16.590
7/25/2005	15.660	16.530
7/26/2005	15.680	16.420
7/27/2005	15.710	16.520
7/28/2005	15.760	16.600
7/29/2005	15.760	16.730
8/1/2005	15.750	16.680
8/2/2005	15.790	16.680
8/3/2005	15.800	16.670
8/4/2005	15.790	16.590
8/5/2005	15.730	16.370
8/8/2005	15.700	16.400
8/9/2005	15.730	16.590

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
8/10/2005	15.750	16.680
8/11/2005	15.700	16.550
8/12/2005	15.710	16.400
8/15/2005	15.720	16.300
8/16/2005	15.670	16.290
8/17/2005	15.650	16.240
8/18/2005	15.610	16.220
8/19/2005	15.640	16.170
8/22/2005	15.660	16.300
8/23/2005	15.680	16.260
8/24/2005	15.670	16.350
8/25/2005	15.690	16.390
8/26/2005	15.680	16.420
8/29/2005	15.700	16.380
8/30/2005	15.690	16.360
8/31/2005	15.730	16.430
9/1/2005	15.790	16.570
9/2/2005	15.790	16.620
9/6/2005	15.860	16.620
9/7/2005	15.890	16.620
9/8/2005	15.850	16.670
9/9/2005	15.910	16.740
9/12/2005	15.890	16.710
9/13/2005	15.750	16.570
9/14/2005	15.750	16.500
9/15/2005	15.750	16.410
9/16/2005	15.790	16.490
9/19/2005	15.770	16.480
9/20/2005	15.730	16.320
9/21/2005	15.680	16.320
9/22/2005	15.630	16.300
9/23/2005	15.640	16.240
9/26/2005	15.710	16.300
9/27/2005	15.710	16.210
9/28/2005	15.720	16.120
9/29/2005	15.750	16.290
9/30/2005	15.760	16.390
10/3/2005	15.770	16.390

10/4/2005	15.700	16.430
10/5/2005	15.580	16.250
10/6/2005	15.470	16.210
10/7/2005	15.500	16.150
10/10/2005	15.440	16.220
10/11/2005	15.390	16.180

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
10/12/2005	15.160	15.630
10/13/2005	15.050	15.250
10/14/2005	15.100	15.510
10/17/2005	15.160	15.600
10/18/2005	15.130	15.540
10/19/2005	15.160	15.530
10/20/2005	15.060	15.560
10/21/2005	15.080	15.740
10/24/2005	15.160	15.800
10/25/2005	15.170	15.810
10/26/2005	15.140	15.740
10/27/2005	15.070	15.680
10/28/2005	15.100	15.690
10/31/2005	15.210	15.520
11/1/2005	15.150	15.510
11/2/2005	15.180	15.700
11/3/2005	15.260	15.810
11/4/2005	15.230	15.770
11/7/2005	15.260	15.960
11/8/2005	15.260	16.010
11/9/2005	15.270	16.060
11/10/2005	15.220	16.090
11/11/2005	15.240	16.130
11/14/2005	15.110	16.000
11/15/2005	15.090	15.950
11/16/2005	15.070	15.520
11/17/2005	15.140	15.560
11/18/2005	15.190	15.630
11/21/2005	15.230	15.560
11/22/2005	15.260	15.560
11/23/2005	15.290	15.500
11/25/2005	15.300	15.520
11/28/2005	15.280	15.610
11/29/2005	15.300	15.720
11/30/2005	15.300	15.740
12/1/2005	15.350	15.810
12/2/2005	15.360	15.910
12/5/2005	15.330	15.990
12/6/2005	15.350	15.920
12/7/2005	15.310	15.670
12/8/2005	15.340	15.740
12/9/2005	15.370	15.850
12/12/2005	15.390	16.030
12/13/2005	15.310	15.890

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
12/14/2005	15.370	15.820
12/15/2005	15.330	15.770
12/16/2005	15.340	15.660
12/19/2005	15.290	15.580
12/20/2005	15.290	15.550
12/21/2005	15.290	15.770
12/22/2005	15.300	15.810
12/23/2005	15.280	16.030
12/27/2005	15.230	16.030
12/28/2005	15.050	15.820
12/29/2005	15.060	15.690
12/30/2005	15.040	15.700
1/3/2006	15.160	15.860
1/4/2006	15.250	16.050
1/5/2006	15.290	15.950
1/6/2006	15.360	15.970
1/9/2006	15.380	16.100
1/10/2006	15.400	15.940
1/11/2006	15.420	15.950
1/12/2006	15.400	16.100
1/13/2006	15.400	16.180
1/17/2006	15.380	16.150
1/18/2006	15.360	16.160
1/19/2006	15.460	16.160
1/20/2006	15.400	16.150
1/23/2006	15.440	16.190
1/24/2006	15.480	16.230
1/25/2006	15.470	16.310
1/26/2006	15.500	16.310
1/27/2006	15.560	16.160
1/30/2006	15.560	15.910
1/31/2006	15.600	15.990
2/1/2006	15.600	16.150
2/2/2006	15.540	16.170
2/3/2006	15.490	16.220
2/6/2006	15.510	16.320
2/7/2006	15.440	16.220
2/8/2006	15.460	16.160
2/9/2006	15.350	16.150
2/10/2006	15.340	16.130
2/13/2006	15.300	16.140
2/14/2006	15.360	16.140
2/15/2006	15.390	16.190
2/16/2006	15.460	16.180

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market

2/17/2006	15.490	16.180
2/21/2006	15.500	16.190
2/22/2006	15.540	16.310
2/23/2006	15.530	16.440
2/24/2006	15.550	16.450
2/27/2006	15.570	16.390
2/28/2006	15.520	16.460
3/1/2006	15.560	16.440
3/2/2006	15.550	16.480
3/3/2006	15.540	16.400
3/6/2006	15.490	16.350
3/7/2006	15.400	16.450
3/8/2006	15.390	16.430
3/9/2006	15.240	16.190
3/10/2006	15.260	16.230
3/13/2006	15.300	16.340
3/14/2006	15.360	16.330
3/15/2006	15.400	16.420
3/16/2006	15.460	16.430
3/17/2006	15.450	16.480
3/20/2006	15.430	16.510
3/21/2006	15.400	16.530
3/22/2006	15.420	16.600
3/23/2006	15.410	16.360
3/24/2006	15.450	16.360
3/27/2006	15.460	16.310
3/28/2006	15.430	16.400
3/29/2006	15.460	16.420
3/30/2006	15.490	16.380
3/31/2006	15.470	16.370
4/3/2006	15.470	16.390
4/4/2006	15.520	16.400
4/5/2006	15.580	16.470
4/6/2006	15.560	16.400
4/7/2006	15.490	16.320
4/10/2006	15.460	16.330
4/11/2006	15.290	16.230
4/12/2006	15.290	16.200
4/13/2006	15.280	16.010
4/17/2006	15.290	15.780
4/18/2006	15.420	15.730
4/19/2006	15.480	15.820
4/20/2006	15.500	15.900
4/21/2006	15.510	15.970

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
4/24/2006	15.490	16.020
4/25/2006	15.480	15.930
4/26/2006	15.510	15.910
4/27/2006	15.530	15.940
4/28/2006	15.560	16.020
5/1/2006	15.540	16.030
5/2/2006	15.630	15.990
5/3/2006	15.600	15.970

5/4/2006	15.640	16.000
5/5/2006	15.700	16.100
5/8/2006	15.740	16.280
5/9/2006	15.640	16.170
5/10/2006	15.680	16.170
5/11/2006	15.640	16.110
5/12/2006	15.530	16.050
5/15/2006	15.490	16.040
5/16/2006	15.480	16.040
5/17/2006	15.330	15.940
5/18/2006	15.300	16.050
5/19/2006	15.320	16.140
5/22/2006	15.250	16.340
5/23/2006	15.250	16.470
5/24/2006	15.180	16.460
5/25/2006	15.250	16.440
5/26/2006	15.300	16.450
5/30/2006	15.230	16.510
5/31/2006	15.280	16.510
6/1/2006	15.320	16.740
6/2/2006	15.390	16.820
6/5/2006	15.280	16.800
6/6/2006	15.210	16.800
6/7/2006	15.160	16.860
6/8/2006	14.990	16.650
6/9/2006	14.980	16.650
6/12/2006	14.920	16.510
6/13/2006	14.790	16.230
6/14/2006	14.730	16.100
6/15/2006	14.870	16.530
6/16/2006	14.850	16.020
6/19/2006	14.770	16.070
6/20/2006	14.770	16.020
6/21/2006	14.770	16.020
6/22/2006	14.740	16.030
6/23/2006	14.750	16.000

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
6/26/2006	14.770	15.910
6/27/2006	14.740	15.870
6/28/2006	14.740	15.940
6/29/2006	14.900	16.050
6/30/2006	15.040	15.990
7/3/2006	15.060	16.100
7/5/2006	15.000	16.100
7/6/2006	15.010	16.060
7/7/2006	15.000	16.100
7/10/2006	15.000	16.100
7/11/2006	14.910	16.030
7/12/2006	14.860	16.090
7/13/2006	14.800	16.050
7/14/2006	14.760	16.000
7/17/2006	14.720	16.000
7/18/2006	14.700	16.020

7/19/2006	14.820	16.040
7/20/2006	14.840	16.100
7/21/2006	14.790	16.020
7/24/2006	14.870	16.080
7/25/2006	14.900	16.090
7/26/2006	14.950	16.100
7/27/2006	14.940	16.100
7/28/2006	15.010	16.090
7/31/2006	15.030	16.110
8/1/2006	15.010	16.140
8/2/2006	15.080	16.200
8/3/2006	15.100	16.220
8/4/2006	15.150	16.320
8/7/2006	15.130	16.290
8/8/2006	15.140	16.410
8/9/2006	14.990	16.210
8/10/2006	14.970	16.130
8/11/2006	14.950	16.230
8/14/2006	14.980	16.210
8/15/2006	15.070	16.240
8/16/2006	15.150	16.300
8/17/2006	15.160	16.380
8/18/2006	15.160	16.460
8/21/2006	15.130	16.450
8/22/2006	15.110	16.410
8/23/2006	15.110	16.310
8/24/2006	15.110	16.340
8/25/2006	15.120	16.460

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
8/28/2006	15.160	16.480
8/29/2006	15.180	16.520
8/30/2006	15.220	16.680
8/31/2006	15.240	16.670
9/1/2006	15.270	16.660
9/5/2006	15.290	16.630
9/6/2006	15.250	16.560
9/7/2006	15.100	16.380
9/8/2006	15.100	16.350
9/11/2006	15.090	16.480
9/12/2006	15.160	16.480
9/13/2006	15.210	16.600
9/14/2006	15.200	16.650
9/15/2006	15.160	16.680
9/18/2006	15.150	16.680
9/19/2006	15.130	16.670
9/20/2006	15.170	16.740
9/21/2006	15.190	16.680
9/22/2006	15.170	16.550
9/25/2006	15.230	16.690
9/26/2006	15.260	16.700
9/27/2006	15.270	16.730
9/28/2006	15.280	16.800
9/29/2006	15.290	16.860

10/2/2006	15.270	16.860
10/3/2006	15.270	16.620
10/4/2006	15.340	16.740
10/5/2006	15.350	16.790
10/6/2006	15.330	16.850
10/9/2006	15.350	16.990
10/10/2006	15.220	16.890
10/11/2006	15.220	16.850
10/12/2006	15.270	16.910
10/13/2006	15.300	16.930
10/16/2006	15.340	17.050
10/17/2006	15.330	16.960
10/18/2006	15.320	16.860
10/19/2006	15.310	16.920
10/20/2006	15.300	17.000
10/23/2006	15.320	17.000
10/24/2006	15.340	17.020
10/25/2006	15.370	17.160
10/26/2006	15.430	17.220
10/27/2006	15.400	17.070

CONVERTIBLE AND HIGH INCOME FUND

Date	NAV	Market
10/30/2006	15.430	17.000
10/31/2006	15.440	16.980

Investment Team Interview

Q. WHAT MAJOR DEVELOPMENTS OCCURRED WITH THE ECONOMY AND MARKET THIS PAST YEAR, AND HOW DID THESE FACTORS AFFECT THE FUND?

A. Rising short-term interest rates were the big story through the first half of 2006, though they had little impact on the Fund's cost of leverage. Many closed-end funds leverage the portfolio by borrowing funds at very short-term rates. As short-term interest rates rise, this increases the cost of leverage and can impact the yield and total return of the portfolio. While the Fund does employ leverage in the form of preferred shares, a majority of the cost of leverage was locked in for longer periods earlier in the interest rate cycle, when rates were lower. Because the cost of leverage was locked in at longer-term fixed rates, the portfolio was not significantly affected by the rising short-term interest rates that marked 2005 and the first half of 2006.

10-YEAR TREASURY FOR THE PERIOD ENDED OCTOBER 31, 2006

(PERFORMANCE GRAPH)

10 YEAR TREASURY

Date	Market
10/31/2005	4.57%
11/05	4.49%
12/05	4.39%
1/06	4.53%
2/06	4.55%
3/06	4.86%
4/06	5.07%
5/06	5.12%
6/06	5.15%
7/06	4.99%
8/06	4.74%
9/06	4.64%
10/06	4.61%

Source: Bloomberg

Long-term interest rates also rose over the period, with the yield on the 10-year Treasury moving from 4.57% at the beginning of the fiscal period to 5.15% in June 2006 before falling off in the third calendar quarter. Rising long-term interest rates tend to negatively affect high-quality fixed-income securities. The Fund's portfolio combines high-yield corporate bonds and convertible bonds that tend to be more economically sensitive and much less interest-rate sensitive. This was demonstrated over the period as the portfolio benefited from continued economic growth and a general rise in the equity market.

Mixed economic data stirred up investor apprehension at the start of the third calendar quarter of 2006. This anxiety spurred a continuation of the saw-toothed markets of the second quarter, when stocks would rise for a few days or weeks, only to retreat again. By the end of September, however, the landscape had significantly changed. Markets gained a degree of traction, and major stock indexes around the globe posted good gains for the quarter. Convertible and high-yield securities participated in the equity market upside during the period, earning respectable returns as well.

Despite media reports of decreased consumer spending, a downward revision of gross domestic product (GDP) growth and higher year-over-year inflation, there was considerable good news in the third quarter. The Fed's decision in August to pause its rate increases served to alleviate recession fears, and investors became cautiously hopeful of economic expansion. Corporate earnings remained robust. The release of strong consumer confidence data, in part a reaction to the continuing slide of gasoline prices, encouraged investors as well. In fact, energy prices continued to drop through October, despite OPEC's announcement contributed to a robust market with the S&P 500 rising 3.26% in October alone.

Investment Team Interview

ASSET ALLOCATION

(PIE CHART)

SHORT-TERM INVESTMENTS	2.0%
HIGH YIELD/CORPORATE BONDS	58.4%
CONVERTIBLE SECURITIES	39.6%

Fund asset allocations are based on total investments (excluding security lending collateral) and may vary over time.

SECTOR ALLOCATION

Consumer Discretionary	21.9%
Financials	17.2
Industrials	12.0
Information Technology	9.8
Energy	9.7
Health Care	7.1
Consumer Staples	7.0
Materials	5.3
Utilities	3.5
Telecommunication Services	2.2

Sector allocations are based on net assets and may vary over time.

QUALITY ALLOCATION

Weighted Average Credit Quality	BB+
AAA	1.5%
AA	1.5
A	7.3
BBB	17.2
BB	30.5
B	29.3
CCC or below	3.2
Not rated	9.5

Data is based on portfolio holdings. Credit quality shown reflects the higher of the ratings of Standard & Service, Inc. Ratings are relative, subjective and not absolute standards of quality. Excludes equity securities and cash.

Our analysis indicates that the economy is in the midst of a mid-cycle slowdown much like those of 1965, 1985-86 and 1995. However, we don't believe the risk of inflation or recession is high at this time. One significant change that occurred in past mid-cycle slowdowns was a shift from a pro-cyclical market to a more growth-oriented market. The portfolio's emphasis cyclical sectors positions it well for a rotation in market leadership to stable growth.

Q. WHAT WORKED WELL FOR THE FUND OVER THE PERIOD?

A. Both of the Fund's main asset classes (high-yield corporates and convertible bonds) posted strong positive returns for the fiscal year. The portfolio benefited from our focus on more equity-sensitive convertible securities--which performed well--reflecting the positive returns in their underlying equities. The portfolio's convertible holdings got an added boost as valuations in the

convertible market continued to improve over the period. At the end of the period, the Fund's allocation was 40% in convertibles and 58% in high-yield corporates.

In June, we completed a secondary offering of CHY. We were pleased to provide investors with another opportunity to invest in the Fund. The offering, which raised $62 million, enabled the Fund to put fresh money to work at a point when we believed convertible valuations were exceptionally attractive.

From a sector standpoint, all of the portfolio's sector allocations delivered positive performance, with several of the sectors providing double-digit returns. Relative to the CS High Yield Index, security selection in financials and utilities racked up the biggest gains. Selection among larger-cap securities also proved advantageous.

Q. WHAT HAMPERED THE FUND'S PERFORMANCE?

A. Relative to the index, an underweight position and security selection within the materials and telecommunications services sectors, while positive, detracted from performance. In addition, the portfolio's higher credit quality relative to the index held back performance, as low-quality issues performed well. From a long-term risk/reward perspective, however, we believe that our rigorous credit research will benefit clients over the full course of a market cycle.

Q. THE FUND USES SWAP AGREEMENTS TO LIMIT THE INTEREST-RATE RISK OF LEVERAGE. WHAT WILL YOU DO AS THESE SWAPS ROLL OFF?

A. In order to avoid a significant impact on the portfolio, the maturities of the swap agreements have been staggered over a three-year time period. While we will continue to actively evaluate the opportunity to use swaps, given the current economic environment and the low likelihood of near-term interest rate increases, it does not appear to be advantageous to lock in rates by entering into new swap agreements. See the section titled "Leverage" to learn how the Fund uses leverage and swap agreements to enhance total return and manage interest-rate risk.

(1) The S&P 500 Index is an unmanaged index generally considered representative of the U.S. stock market. Source: Lipper Analytical Services.

(2) The MSCI EAFE(R) Index measures developed market equity performance (excluding the U.S. and Canada). Source: Lipper Analytical Services.

(3) The Value Line Convertible Index is an equally-weighted index of the larger convertibles, representing 90% of the U.S. convertible securities market. Source: Russell/Mellon Analytical Services LLC.

(4) The CS High Yield Index is an unmanaged index of high yield debt securities. Source: Russell/Mellon Analytical Services LLC.

Q. WHAT IS YOUR OUTLOOK IN THE COMING YEAR AND HOW ARE YOU POSITIONING THE PORTFOLIO ACCORDINGLY?

A. We believe convertible bonds continue to offer an attractive risk/reward balance for investors. Although the convertible valuation gap has narrowed

significantly this past year, we believe room for valuation improvement remains, which could continue to benefit investors. Convertible new issuance was stronger for the third quarter than it has been for much of the year, but redemptions remained fairly high. However, now that interest rates have moved away from historic lows, it is possible that companies seeking access to capital could be more inclined to consider convertible debt rather than alternatives such as straight high-yield bonds, particularly if the equity market can maintain its upward pace. We are focusing on equity-sensitive issues so that we can continue to participate in the upward movement of the stock market, of these, we're favoring higher-quality, sustainable-growth issues.

The fundamentals of the high-yield market remain solid, and we believe the market looks fairly priced: defaults are low, corporate balance sheets are sound and companies have sufficient cash on hand to service their debts. As high-yield issues are typically more economically sensitive than interest-rate sensitive, we believe these securities should benefit from continued economic growth. While remaining attuned to top-down concerns, we emphasize an issue-by-issue approach in our high-yield portfolios. We look for companies with good return on invested capital and stable or improving credit position; we also favor companies that may benefit from equity issuance or M&A activity. As in many of our other strategies, we have a bias toward sustainable growth companies over those with cyclical vulnerabilities. We are avoiding distressed issues, instead positioning our portfolios with a bias toward securities in the higher quality tiers of the high-yield universe. Given that the performance of high-yield bonds is equity sensitive, our research seeks to determine the financial strength and prospects of issuing companies--as well as catalysts for upside.

Q. ANY FINAL THOUGHTS FOR INVESTORS?

A. We are firm believers in remaining positioned for the long term and have long recognized the impossibility of predicting the exact timing of market shifts. Accordingly, we continue to attempt to position our portfolios ahead of events and market turns, rather than trying to chase them. Based on our economic outlook, we continue to emphasize investments in companies with quality hallmarks--such as strong balance sheets, capable management and well-planned business strategies. We have found many opportunities to invest in these companies at what we believe are very attractive prices. We thank you for your continued support and look forward to helping you attain your financial goals.

Schedule Of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
CORPORATE BONDS (80.8%)		
	CONSUMER DISCRETIONARY (22.3%)	
$ 2,861,000	Asbury Automotive Group, Inc. 9.000%, 06/15/12	$ 2,975,440
9,537,000	Beazer Homes USA, Inc. 8.375%, 04/15/12	9,799,267

6,676,000		8.125%, 06/15/16@	6,826,210
4,769,000		Broder Bros. Co.	
		11.250%, 10/15/10	4,685,542
4,769,000		DEX Media, Inc.	
		8.000%, 11/15/13	4,846,496
6,676,000		DIRECTV Financing Company, Inc.	
		8.375%, 03/15/13	6,959,730
		EchoStar DBS Corp.	
6,009,000		7.125%, 02/01/16*	5,903,842
1,788,000		6.625%, 10/01/14	1,729,890
11,551,000	GBP	EMI Group, PLC	
		9.750%, 05/20/08	23,294,446
8,107,000		Expedia, Inc.*@	
		7.456%, 08/15/18	8,476,347
		Ford Motor Company	
9,537,000		7.450%, 07/16/31	7,522,309
7,630,000		8.625%, 11/01/10	7,602,166
6,462,000		GameStop Corp.@	
		8.000%, 10/01/12	6,736,635
3,815,000		General Motors Acceptance Corporation	
		6.875%, 09/15/11	3,845,112
		General Motors Corp.	
6,199,000		7.200%, 01/15/11	5,811,562
4,578,000		7.125%, 07/15/13@	4,120,200
		Goodyear Tire & Rubber Company	
6,676,000		7.857%, 08/15/11@	6,492,410
4,769,000		7.000%, 03/15/28	3,880,774
3,338,000		Group 1 Automotive, Inc.	
		8.250%, 08/15/13	3,450,658
8,870,000		Hasbro, Inc.	
		6.600%, 07/15/28	8,904,504
7,630,000		Hovnanian Enterprises, Inc.@	
		8.625%, 01/15/17	7,906,587
3,815,000		IMAX Corp.@	
		9.625%, 12/01/10	3,567,025
4,769,000		Interpublic Group of Companies, Inc.@	
		7.250%, 08/15/11	4,655,736
		J.C.Penney Company, Inc.	
1,907,000		9.000%, 08/01/12	2,213,358
1,431,000		7.650%, 08/15/16@	1,598,574
4,292,000		Jarden Corp.@	
		9.750%, 05/01/12	4,560,250
3,061,000		Kellwood Company	
		7.625%, 10/15/17	2,831,425
4,769,000		Landry's Restaurants, Inc.	
		7.500%, 12/15/14	4,578,240
6,676,000		Linens `n Things, Inc. @++	
		10.999%, 01/15/14	6,575,860

PRINCIPAL AMOUNT			VALUE
$ 3,743,000		Mandalay Resort Group@	
		7.625%, 07/15/13	$ 3,672,819
1,431,000		NCL Holding, ASA	
		10.625%, 07/15/14	1,402,380
11,281,000		Oxford Industries, Inc.	
		8.875%, 06/01/11	11,633,531

906,000		Phillips-Van Heusen Corp.@	
		8.125%, 05/01/13	949,035
954,000		Pinnacle Entertainment, Inc.	
		8.250%, 03/15/12	973,080
2,861,000		Rent-A-Center, Inc.	
		7.500%, 05/01/10	2,868,153
11,349,000		Royal Caribbean Cruises, Ltd.@	
		7.500%, 10/15/27	11,124,812
858,000		Station Casinos, Inc.	
		6.875%, 03/01/16	791,505
8,202,000		Vail Resorts, Inc.	
		6.750%, 02/15/14	8,037,960
6,676,000		Warnaco Group, Inc.	
		8.875%, 06/15/13	7,009,800
		Warner Music Group	
1,907,000	GBP	8.125%, 04/15/14	3,728,638
1,907,000		7.375%, 04/15/14	1,873,628
2,861,000		WCI Communities, Inc.@	
		6.625%, 03/15/15	2,346,020
858,000		Wynn Las Vegas, LLC@	
		6.625%, 12/01/14	845,130
			229,607,086
		CONSUMER STAPLES (7.2%)	
1,907,000		Central Garden & Pet Company	
		9.125%, 02/01/13	2,002,350
5,246,000		Chattem, Inc.	
		7.000%, 03/01/14	5,127,965
4,053,000		Chiquita Brands International, Inc.@	
		8.875%, 12/01/15	3,713,561
1,755,000		Constellation Brands, Inc.	
		7.250%, 09/01/16	1,792,294
5,393,000		Del Monte Foods Company	
		8.625%, 12/15/12	5,696,356
10,014,000		Dole Food Company, Inc.	
		7.250%, 06/15/10	9,388,125
2,154,000		Gold Kist, Inc.	
		10.250%, 03/15/14	2,482,485
12,875,000		Jean Coutu Group, Inc.	
		8.500%,08/01/14	12,697,969
4,292,000		NBTY, Inc.	
		7.125%, 10/01/15	4,195,430
3,815,000		Pinnacle Foods Holding@	
		8.250%, 12/01/13	3,843,612
6,104,000		Playtex Products, Inc.	
		8.000%, 03/01/11	6,393,940
		Reynolds American, Inc.*	
6,199,000		7.300%, 07/15/15	6,472,165
3,815,000		7.625%, 06/01/16	4,069,754

See accompanying Notes to Schedule of Investments.

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
$ 1,907,000	Smithfield Foods, Inc.@ 7.750%, 05/15/13	$ 1,978,513
3,767,000	SUPERVALU, Inc. 7.500%, 11/15/14	3,850,507
		73,705,026
	ENERGY (10.6%)	
8,584,000	Arch Western Finance, LLC 6.750%, 07/01/13	8,326,480
	Chesapeake Energy Corp.	
3,815,000	6.875%, 01/15/16@	3,805,462
1,907,000	7.750%, 01/15/15	1,973,745
3,767,000	Comstock Resources, Inc. 6.875%, 03/01/12	3,583,359
773,000	Energy Partners, Ltd. 8.750%, 08/01/10	807,785
4,769,000	Forest Oil Corp. 8.000%, 12/15/11	4,959,760
	Giant Industries, Inc.	
5,722,000	8.000%, 05/15/14	6,222,675
1,907,000	11.000%, 05/15/12@	2,069,095
3,338,000	Hanover Compressor Company 9.000%, 06/01/14	3,571,660
10,825,000	Houston Exploration Company 7.000%, 06/15/13	10,500,250
4,411,000	Paramount Resources, Ltd. 8.500%, 01/31/13	4,438,569
6,581,000	Petrohawk Energy Corp. 7.125%, 04/01/12	6,350,665
	Petroleo Brasileiro, SA	
7,153,000	8.375%, 12/10/18	8,422,657
4,769,000	9.125%, 07/02/13	5,615,497
16,690,000	Premcor Refining Group, Inc. 7.500%, 06/15/15	17,490,820
5,341,000	Superior Energy Services, Inc.*@ 6.875%, 06/01/14	5,327,647
2,861,000	Swift Energy Company 7.625%, 07/15/11	2,882,458
6,199,000	Whiting Petroleum Corp. 7.250%, 05/01/12	6,168,005
6,628,000	Williams Companies, Inc. 7.750%, 06/15/31	6,810,270
		109,326,859
	FINANCIALS (4.7%)	
	E*TRADE Financial, Corp.	
7,248,000	7.375%, 09/15/13	7,483,560
5,508,000	7.875%, 12/01/15@	5,852,250
1,335,000	8.000%, 06/15/11	1,391,737
	Host Hotels & Resorts, Inc.	
10,491,000	7.125%, 11/01/13@	10,661,479
2,003,000	9.250%, 10/01/07	2,073,105

11,707,000	Leucadia National Corp. 7.000%, 08/15/13	11,838,704

PRINCIPAL AMOUNT		VALUE
$ 906,000	Omega Healthcare Investors, Inc. 7.000%, 04/01/14	$ 911,663
	Senior Housing Properties Trust	
4,769,000	8.625%, 01/15/12	5,162,442
3,370,000	7.875%, 04/15/15	3,496,375
		48,871,315
	HEALTH CARE (5.0%)	
15,522,000	Ameripath, Inc.@ 10.500%, 04/01/13	16,763,760
4,769,000	Angiotech Pharmaceuticals, Inc.* 7.750%, 04/01/14	4,554,395
1,907,000	Bio-Rad Laboratories, Inc. 7.500%, 08/15/13	1,973,745
2,146,000	Biovail Corp. 7.875%, 04/01/10	2,162,095
858,000	DaVita, Inc.@ 7.250%, 03/15/15	858,000
668,000	Omnicare, Inc.@ 6.875%, 12/15/15	657,980
4,149,000	Psychiatric Solutions, Inc. 7.750%, 07/15/15	4,128,255
9,633,000	Tenet Healthcare Corp. 9.250%, 02/01/15	9,187,474
5,102,000	Valeant Pharmaceuticals International 7.000%, 12/15/11	4,923,430
6,676,000	Vanguard Health Systems, Inc. 9.000%, 10/01/14	6,492,410
		51,701,544
	INDUSTRIALS (11.7%)	
5,722,000	AMR Corp. 7.250%,02/05/09	5,793,525
2,384,000	Armor Holdings, Inc. 8.250%, 08/15/13	2,479,360
2,861,000	BE Aerospace, Inc.@ 8.875%, 05/01/11	2,996,898
15,260,000	CNH Global, NV 9.250%, 08/01/11	16,270,975
15,737,000	Esterline Technologies Corp. 7.750%, 06/15/13	16,091,082
954,000	FTI Consulting, Inc. 7.625%, 06/15/13	980,235
3,338,000	Gardner Denver, Inc. 8.000%, 05/01/13	3,496,555
1,431,000	GATX Corp. 8.875%, 06/01/09	1,549,306
5,598,000	General Cable Corp. 9.500%, 11/15/10	5,989,860
1,211,000	Greenbrier Companies, Inc.	

	8.375%, 05/15/15	1,232,193
1,783,000	H&E Equipment Service, Inc.*	
	8.375%, 07/15/16	1,849,863
2,384,000	IKON Office Solutions, Inc.	
	7.750%, 09/15/15	2,458,500

See accompanying Notes to Schedule of Investments.

Schedule of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
$ 5,627,000	Interline Brands, Inc.	
	8.125%, 06/15/14	$ 5,781,742
	JLG Industries, Inc.	
7,248,000	8.250%, 05/01/08	7,537,920
3,338,000	8.375%, 06/15/12@	3,538,280
4,145,000	Manitowoc Company, Inc.	
	10.500%, 08/01/12	4,497,325
8,056,000	Mobile Mini, Inc.	
	9.500%, 07/01/13	8,680,340
4,912,000	Orbital Sciences Corp.	
	9.000%, 07/15/11	5,237,420
	Sequa Corp.	
6,676,000	8.875%, 04/01/08	6,959,730
1,907,000	9.000%, 08/01/09	2,021,420
	Terex Corp.	
2,623,000	9.250%, 07/15/11	2,767,265
1,807,000	7.375%, 01/15/14	1,843,140
2,146,000	Trinity Industries, Inc.	
	6.500%, 03/15/14	2,116,493
1,907,000	WESCO International, Inc.	
	7.500%, 10/15/17	1,935,605
3,815,000	Westinghouse Air Brake Technologies Corporation	
	6.875%, 07/31/13	3,767,312
2,384,000	Williams Scotsman International, Inc.	
	8.500%, 10/01/15	2,473,400
		120,345,744
	INFORMATION TECHNOLOGY (6.7%)	
6,461,000	Advanced Micro Devices, Inc.	
	7.750%, 11/01/12	6,590,220
858,000	Anixter International, Inc.	
	5.950%, 03/01/15	810,810
2,613,000	Arrow Electronics, Inc.	
	6.875%, 06/01/18	2,705,662

858,000	Avago Technologies*@ 11.875%, 12/01/15	948,090
	Celestica, Inc.@	
8,107,000	7.625%, 07/01/13	8,167,803
3,815,000	7.875%, 07/01/11	3,872,225
1,907,000	Flextronics International, Ltd.@ 6.500%, 05/15/13	1,904,616
4,769,000	Freescale Semiconductor, Inc. 7.125%, 07/15/14	5,114,800
1,907,000 GBP	Iron Mountain, Inc.* 7.250%, 04/15/14	3,610,413
4,769,000	NXP, BV*@ 7.875%, 10/15/14	4,864,380
405,000	Sanmina-SCI Corp. 8.125%, 03/01/16	400,444
9,060,000	SunGard Data Systems, Inc.@ 9.125%, 08/15/13	9,445,050

PRINCIPAL AMOUNT		VALUE
$19,551,000	Xerox Corp. 7.625%, 06/15/13	$ 20,528,550
		68,963,063
	MATERIALS (7.1%)	
1,192,000	Agrium, Inc.@ 7.125%, 05/23/36	1,275,277
4,769,000	Ball Corp. 6.875%, 12/15/12	4,840,535
954,000	Crown Holdings, Inc.@ 7.750%, 11/15/15	983,813
18,140,000	Equistar Chemicals, LP 10.625%,05/01/11	19,500,500
858,000	Gibraltar Industries, Inc. 8.000%,12/01/15	853,710
	Ineos Group Holdings, PLC*	
5,722,000 EUR	7.875%, 02/15/16	7,019,996
954,000	8.500%, 02/15/16@	922,995
5,722,000	IPSCO, Inc. 8.750%, 06/01/13	6,122,540
8,584,000	Neenah Paper, Inc. 7.375%, 11/15/14	8,197,720
2,384,000	P.H. Glatfelter Company* 7.125%,05/01/16	2,388,930
2,861,000	Polyone Corp.@ 10.625%, 05/15/10	3,082,727
4,769,000	Sealed Air Corp.* 6.875%, 07/15/33	4,815,059
1,907,000	Texas Industries, Inc. 7.250%, 07/15/13	1,907,000
	Union Carbide Corp.	
4,626,000	7.875%, 04/01/23	4,937,293
3,100,000	7.500%, 06/01/25	3,345,638
3,529,000	Westlake Chemical Corp. 6.625%, 01/15/16	3,396,662

		73,590,395
	TELECOMMUNICATION SERVICES (2.9%)	
5,722,000	AT&T Corp. 8.000%, 11/15/31	7,190,523
668,000	Citizens Communications Company@ 9.000%, 08/15/31	728,955
3,338,000	Leap Wireless International, Inc.*@ 9.375%, 11/01/14	3,421,450
3,576,000 CAD	Rogers Communications, Inc. 7.250%, 12/15/11	3,435,597
4,292,000 CAD	Rogers Wireless, Inc. 7.625%, 12/15/11	4,210,246
6,676,000	Sprint Nextel Corporation 7.375%, 08/01/15	6,901,201
4,292,000	Syniverse Technologies, Inc. 7.750%, 08/15/13	4,141,780
		30,029,752

See accompanying Notes to Schedule of Investments.

Schedule Of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
	UTILITIES (2.6%)	
$ 4,769,000	Centerpoint Energy, Inc.@ 6.850%, 06/01/15	$ 5,092,405
954,000	NRG Energy, Inc. 7.375%, 02/01/16	967,118
2,012,000	Public Service Enterprise Group, Inc. 8.625%, 02/15/08	2,097,510
12,017,000	Teco Energy, Inc. 7.500%, 06/15/10	12,647,892
6,676,000	TXU Corp. 6.500%, 11/15/24	6,442,654
		27,247,579
	TOTAL CORPORATE BONDS (Cost $812,868,716)	833,388,363

CONVERTIBLE BONDS (25.1%)

	CONSUMER DISCRETIONARY (5.8%)	
7,000,000	EchoStar Communications Corp.	

	5.750%, 05/15/08	7,096,250
6,500,000	Lamar Advertising Company@	
	2.875%, 12/31/10	8,060,000
7,800,000	Liberty Media Corp.(Motorola, Inc.) &	
	3.500%, 01/15/31	8,170,500
	Liberty Media Corp.(Sprint Corporation PCS) &	
4,142,000	3.750%, 02/15/30	2,609,460
1,974,000	4.000%, 11/15/29	1,337,385
6,750,000 GBP	Punch Taverns Redwood Jersey Co., Ltd.	
	5.000%, 12/14/10	14,536,492
	United Auto Group, Inc.	
3,960,000	3.500%, 04/01/26*	4,539,150
2,290,000	3.500%, 04/01/26	2,624,913
9,000,000	Walt Disney Company@	
	2.125%, 04/15/23	10,271,250
		59,245,400
	CONSUMER STAPLES (0.7%)	
4,750,000	Church & Dwight Co., Inc.	
	5.250%, 08/15/33	6,644,062
	ENERGY (1.1%)	
9,000,000	Helix Energy Solutions Group*	
	3.250%, 12/15/25	11,733,750
	FINANCIALS (1.8%)	
6,000,000	Deutsche Bank Luxembourg, SA (USA Interactive)* ++&	
	5.689%, 05/01/12	7,240,800
11,250,000	Travelers Property Casualty Corp.	
	4.500%, 04/15/32	11,700,000
		18,940,800
	HEALTH CARE (3.7%)	
6,500,000	Advanced Medical Optics, Inc.*	
	3.250%, 08/01/26	6,361,875
10,500,000	Emdeon Corp.*	
	3.125%, 09/01/25	10,224,375

PRINCIPAL AMOUNT		VALUE
$10,500,000	Health Management Associates, Inc.	
	1.500%, 08/01/23	$ 10,670,625
1,660,000	Valeant Pharmaceuticals International	
	3.000%, 08/16/10	1,591,525
8,000,000	Wyeth@++	
	5.109%, 01/15/24	8,761,600
		37,610,000
	INDUSTRIALS (3.6%)	
11,500,000	GATX Corp.	
	7.500%, 02/01/07	14,734,375
6,400,000	Lockheed Martin Corp.++	
	5.155%, 08/15/33	8,157,440

5,500,000	Quanta Services, Inc.*	
	3.750%, 04/30/26	6,001,875
13,000,000	Roper Industries, Inc.++	
	1.481%, 01/15/34	8,108,750
		37,002,440
	INFORMATION TECHNOLOGY (6.6%)	
4,000,000	CSG Systems International, Inc.	
	2.500%, 06/15/24	4,595,000
5,500,000	DST Systems, Inc.	
	4.125%, 08/15/23	7,603,750
6,750,000	Electronic Data Systems Corp.@	
	3.875%, 07/15/23	6,935,625
20,000,000	Intel Corp.@	
	2.950%, 12/15/35	18,250,000
6,000,000	LSI Logic Corp.	
	4.000%, 05/15/10	6,427,500
6,000,000	Mentor Graphics Corp.*	
	6.250%, 03/01/26	7,605,000
17,000,000	Vishay Intertechnology, Inc.	
	3.625%, 08/01/23	16,957,500
		68,374,375
	UTILITIES (1.8%)	
6,500,000	CenterPoint Energy, Inc.	
	3.750%, 05/15/23	8,921,250
3,500,000 GBP	Scottish & Southern Energy, PLC	
	3.750%, 10/29/09	9,866,819
		18,788,069
	TOTAL CONVERTIBLE BONDS	
	(Cost $238, 930, 410)	258,338,896

SYNTHETIC CONVERTIBLE SECURITIES (4.6%)

CORPORATE BONDS (3.9%)		
	CONSUMER DISCRETIONARY (1.1%)	
139,000	Asbury Automotive Group, Inc.	
	9.000%, 06/15/12	144,560
	Beazer Homes USA, Inc.	
463,000	8.375%, 04/15/12	475,732
324,000	8.125%, 06/15/16@	331,290
231,000	Broder Bros.Co.	
	11.250%, 10/15/10	226,957

See accompanying Notes to Schedule of Investments.

Schedule Of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT			VALUE
$ 231,000		DEX Media, Inc. 8.000%, 11/15/13	$ 234,754
324,000		DIRECTV Financing Company, Inc. 8.375%, 03/15/13	337,770
		EchoStar DBS Corp.	
291,000		7.125%, 02/01/16*	285,907
87,000		6.625%, 10/01/14	84,173
560,000	GBP	EMI Group, PLC 9.750%, 05/20/08	1,129,330
393,000		Expedia, Inc.*@ 7.456%, 08/15/18	410,905
		Ford Motor Company	
463,000		7.450%, 07/16/31	365,191
370,000		8.625%, 11/01/10	368,650
313,000		GameStop Corp.@ 8.000%, 10/01/12	326,302
185,000		General Motors Acceptance Corporation 6.875%, 09/15/11	186,460
		General Motors Corp.	
301,000		7.200%, 01/15/11	282,187
222,000		7.125%, 07/15/13@	199,800
		Goodyear Tire & Rubber Company	
324,000		7.857%, 08/15/11@	315,090
231,000		7.000%, 03/15/28	187,976
162,000		Group 1 Automotive, Inc. 8.250%, 08/15/13	167,468
430,000		Hasbro, Inc. 6.600%, 07/15/28	431,673
370,000		Hovnanian Enterprises, Inc.@ 8.625%, 01/15/17	383,412
185,000		IMAX Corp.@ 9.625%, 12/01/10	172,975
231,000		Interpublic Group of Companies, Inc.@ 7.250%, 08/15/11	225,514
		J.C.Penney Company, Inc.	
93,000		9.000%, 08/01/12	107,940
69,000		7.650%, 08/15/16@	77,080
208,000		Jarden Corp.@ 9.750%, 05/01/12	221,000
149,000		Kellwood Company 7.625%, 10/15/17	137,825
231,000		Landry's Restaurants, Inc. 7.500%, 12/15/14	221,760
324,000		Linens 'n Things, Inc.@++ 10.999%, 01/15/14	319,140
182,000		Mandalay Resort Group@ 7.625%, 07/15/13	178,588
69,000		NCL Holding, ASA 10.625%, 07/15/14	67,620
547,000		Oxford Industries, Inc. 8.875%, 06/01/11	564,094
44,000		Phillips-Van Heusen Corp.@ 8.125%, 05/01/13	46,090

PRINCIPAL AMOUNT			VALUE
$ 46,000		Pinnacle Entertainment, Inc. 8.250%, 03/15/12	$46,920
139,000		Rent-A-Center, Inc. 7.500%, 05/01/10	139,348
551,000		Royal Caribbean Cruises, Ltd.@ 7.500%, 10/15/27	540,116
42,000		Station Casinos, Inc. 6.875%, 03/01/16	38,745
398,000		Vail Resorts, Inc. 6.750%, 02/15/14	390,040
324,000		Warnaco Group, Inc. 8.875%, 06/15/13	340,200
		Warner Music Group	
93,000	GBP	8.125%, 04/15/14	181,837
93,000		7.375%, 04/15/14	91,373
139,000		WCI Communities, Inc.@ 6.625%, 03/15/15	113,980
42,000		Wynn Las Vegas, LLC@ 6.625%, 12/01/14	41,370
			11,139,142
		CONSUMER STAPLES (0.4%)	
93,000		Central Garden & Pet Company 9.125%, 02/01/13	97,650
254,000		Chattem, Inc. 7.000%, 03/01/14	248,285
197,000		Chiquita Brands International, Inc.@ 8.875%, 12/01/15	180,501
85,000		Constellation Brands, Inc. 7.250%, 09/01/16	86,806
262,000		Del Monte Foods Company 8.625%, 12/15/12	276,737
486,000		Dole Food Company, Inc. 7.250%, 06/15/10	455,625
105,000		Gold Kist, Inc. 10.250%, 03/15/14	121,013
625,000		Jean Coutu Group, Inc. 8.500%, 08/01/14	616,406
208,000		NBTY, Inc. 7.125%, 10/01/15	203,320
185,000		Pinnacle Foods Holding@ 8.250%, 12/01/13	186,387
296,000		Playtex Products, Inc. 8.000%, 03/01/11	310,060
		Reynolds American, Inc.*	
301,000		7.300%, 07/15/15	314,264
185,000		7.625%, 06/01/16	197,354
93,000		Smithfield Foods, Inc.@ 7.750%, 05/15/13	96,488
183,000		SUPERVALU, Inc. 7.500%, 11/15/14	187,057
			3,577,953

See accompanying Notes to Schedule of Investments.

Schedule Of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
	ENERGY (0.5%)	
$ 416,000	Arch Western Finance, LLC 6.750%, 07/01/13	$ 403,520
	Chesapeake Energy Corp.	
185,000	6.875%, 01/15/16@	184,538
93,000	7.750%, 01/15/15	96,255
183,000	Comstock Resources, Inc. 6.875%, 03/01/12	174,079
37,000	Energy Partners, Ltd. 8.750%, 08/01/10	38,665
231,000	Forest Oil Corp. 8.000%, 12/15/11	240,240
	Giant Industries, Inc.	
278,000	8.000%, 05/15/14	302,325
93,000	11.000%, 05/15/12@	100,905
162,000	Hanover Compressor Company 9.000%, 06/01/14	173,340
525,000	Houston Exploration Company 7.000%, 06/15/13	509,250
214,000	Paramount Resources, Ltd. 8.500%, 01/31/13	215,338
319,000	Petrohawk Energy Corp. 7.125%, 04/01/12	307,835
347,000	Petroleo Brasileiro,SA 8.375%, 12/10/18	408,592
231,000	9.125%, 07/02/13	272,002
810,000	Premcor Refining Group, Inc. 7.500%, 06/15/15	848,865
259,000	Superior Energy Services, Inc.*@ 6.875%, 06/01/14	258,352
139,000	Swift Energy Company 7.625%, 07/15/11	140,043
301,000	Whiting Petroleum Corp. 7.250%, 05/01/12	299,495
322,000	Williams Companies, Inc. 7.750%, 06/15/31	330,855
		5,304,494
	FINANCIALS (0.2%)	
	E*TRADE Financial, Corp.	
352,000	7.375%, 09/15/13	363,440
267,000	7.875%, 12/01/15@	283,687
65,000	8.000%, 06/15/11	67,763
	Host Hotels & Resorts, Inc.	

509,000	7.125%, 11/01/13@	517,271
97,000	9.250%, 10/01/07	100,395
568,000	Leucadia National Corp. 7.000%, 08/15/13	574,390
44,000	Omega Healthcare Investors, Inc. 7.000%, 04/01/14	44,275
	Senior Housing Properties Trust	
231,000	8.625%, 01/15/12	250,057
163,000	7.875%, 04/15/15	169,113
		2,370,391

PRINCIPAL AMOUNT		VALUE
	HEALTH CARE (0.2%)	
$ 753,000	Ameripath, Inc.@ 10.500%, 04/01/13	$ 813,240
231,000	Angiotech Pharmaceuticals, Inc.* 7.750%, 04/01/14	220,605
93,000	Bio-Rad Laboratories, Inc. 7.500%, 08/15/13	96,255
104,000	Biovail Corp. 7.875%, 04/01/10	104,780
42,000	DaVita, Inc.@ 7.250%, 03/15/15	42,000
32,000	Omnicare, Inc.@ 6.875%, 12/15/15	31,520
201,000	Psychiatric Solutions, Inc. 7.750%, 07/15/15	199,995
467,000	Tenet Healthcare Corp. 9.250%, 02/01/15	445,401
248,000	Valeant Pharmaceuticals International 7.000%, 12/15/11	239,320
324,000	Vanguard Health Systems, Inc. 9.000%, 10/01/14	315,090
		2,508,206
	INDUSTRIALS (0.6%)	
278,000	AMR Corp. 7.250%, 02/05/09	281,475
116,000	Armor Holdings, Inc. 8.250%, 08/15/13	120,640
139,000	BE Aerospace, Inc.@ 8.875%, 05/01/11	145,603
740,000	CNH Global, NV 9.250%, 08/01/11	789,025
763,000	Esterline Technologies Corp. 7.750%, 06/15/13	780,167
46,000	FTI Consulting, Inc. 7.625%, 06/15/13	47,265
162,000	Gardner Denver, Inc. 8.000%, 05/01/13	169,695
69,000	GATX Corp. 8.875%, 06/01/09	74,705
272,000	General Cable Corp.	

	9.500%, 11/15/10	291,040
59,000	Greenbrier Companies, Inc.	
	8.375%, 05/15/15	60,033
87,000	H&E Equipment Service, Inc.*	
	8.375%, 07/15/16	90,263
116,000	IKON Office Solutions, Inc.	
	7.750%, 09/15/15	119,625
273,000	Interline Brands, Inc.	
	8.125%, 06/15/14	280,507
	JLG Industries, Inc.	
352,000	8.250%, 05/01/08	366,080
162,000	8.375%, 06/15/12@	171,720

See accompanying Notes to Schedule of Investments.

Schedule of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT		VALUE
$ 201,000	Manitowoc Company, Inc.	
	10.500%, 08/01/12	$ 218,085
391,000	Mobile Mini, Inc.	
	9.500%, 07/01/13	421,302
238,000	Orbital Sciences Corp.	
	9.000%, 07/15/11	253,767
	Sequa Corp.	
324,000	8.875%, 04/01/08	337,770
93,000	9.000%, 08/01/09	98,580
	Terex Corp.	
127,000	9.250%, 07/15/11	133,985
88,000	7.375%, 01/15/14	89,760
104,000	Trinity Industries, Inc.	
	6.500%, 03/15/14	102,570
93,000	WESCO International, Inc.	
	7.500%, 10/15/17	94,395
185,000	Westinghouse Air Brake Technologies Corporation	
	6.875%, 07/31/13	182,688
116,000	Williams Scotsman International, Inc.	
	8.500%, 10/01/15	120,350
		5,841,095
	INFORMATION TECHNOLOGY (0.3%)	
313,000	Advanced Micro Devices, Inc.	
	7.750%, 11/01/12	319,260
42,000	Anixter International, Inc.	
	5.950%, 03/01/15	39,690
127,000	Arrow Electronics, Inc.	
	6.875%, 06/01/18	131,504

42,000	Avago Technologies*@	
	11.875%, 12/01/15	46,410
	Celestica, Inc.@	
393,000	7.625%, 07/01/13	395,947
185,000	7.875%, 07/01/11	187,775
93,000	Flextronics International, Ltd.@	
	6.500%, 05/15/13	92,884
231,000	Freescale Semiconductor, Inc.	
	7.125%, 07/15/14	247,750
93,000 GBP	Iron Mountain, Inc.*	
	7.250%, 04/15/14	176,071
231,000	NXP, BV*@	
	7.875%, 10/15/14	235,620
20,000	Sanmina-SCI Corp.	
	8.125%, 03/01/16	19,775
440,000	SunGard Data Systems, Inc.@	
	9.125%, 08/15/13	458,700
949,000	Xerox Corp.	
	7.625%, 06/15/13	996,450
		3,347,836
	MATERIALS (0.4%)	
58,000	Agrium, Inc.@	
	7.125%, 05/23/36	62,052

PRINCIPAL AMOUNT		VALUE
$ 231,000	Ball Corp.	
	6.875%, 12/15/12	$ 234,465
46,000	Crown Holdings, Inc.@	
	7.750%, 11/15/15	47,438
880,000	Equistar Chemicals, LP	
	10.625%, 05/01/11	946,000
42,000	Gibraltar Industries, Inc.	
	8.000%, 12/01/15	41,790
	Ineos Group Holdings, PLC*	
278,000 EUR	7.875%, 02/15/16	341,062
46,000	8.500%, 02/15/16@	44,505
278,000	IPSCO, Inc.	
	8.750%, 06/01/13	297,460
416,000	Neenah Paper, Inc.	
	7.375%, 11/15/14	397,280
116,000	P.H.Glatfelter Company*	
	7.125%, 05/01/16	116,240
139,000	Polyone Corp.@	
	10.625%, 05/15/10	149,773
231,000	Sealed Air Corp.*	
	6.875%, 07/15/33	233,231
93,000	Texas Industries, Inc.	
	7.250%, 07/15/13	93,000
	Union Carbide Corp.	
224,000	7.875%, 04/01/23	239,073
150,000	7.500%, 06/01/25	161,886
171,000	Westlake Chemical Corp.	
	6.625%, 01/15/16	164,587

			3,569,842
		TELECOMMUNICATION SERVICES (0.1%)	
278,000		AT&T Corp.	
		8.000%, 11/15/31	349,347
32,000		Citizens Communications Company@	
		9.000%, 08/15/31	34,920
162,000		Leap Wireless International, Inc.*@	
		9.375%, 11/01/14	166,050
174,000	CAD	Rogers Communications, Inc.	
		7.250%, 12/15/11	167,168
208,000	CAD	Rogers Wireless, Inc.	
		7.625%, 12/15/11	204,038
324,000		Sprint Nextel Corporation	
		7.375%, 08/01/15	334,930
208,000		Syniverse Technologies, Inc.	
		7.750%, 08/15/13	200,720
			1,457,173
		UTILITIES (0.1%)	
231,000		Centerpoint Energy, Inc.@	
		6.850%, 06/01/15	246,665
46,000		NRG Energy, Inc.	
		7.375%, 02/01/16	46,633
98,000		Public Service Enterprise Group, Inc.	
		8.625%, 02/15/08	102,165

See accompanying Notes to Schedule of Investments.

Schedule of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT			VALUE
$ 583,000		Teco Energy, Inc.	
		7.500%, 06/15/10	$ 613,608
324,000		TXU Corp.	
		6.500%, 11/15/24	312,675
			1,321,746
		TOTAL CORPORATE BONDS	40,437,878

NUMBER OF CONTRACTS		VALUE

OPTIONS (0.7%)		
	CONSUMER DISCRETIONARY (0.1%)	
240	Garmin, Ltd.#	
	Call, 01/19/08, Strike $50.00	272,400
310	Office Depot, Inc.#	
	Call, 01/19/08, Strike $40.00	234,050
		506,450
	CONSUMER STAPLES (0.0%)	
640	Kroger Company#	
	Call, 01/19/08, Strike $20.00	268,800
260	PepsiCo, Inc.#	
	Call, 01/19/08, Strike $60.00	187,200
		456,000
	ENERGY (0.0%)	
130	BJ Services Company#	
	Call, 01/19/08, Strike $40.00	26,000
210	Nabors Industries, Ltd.#	
	Call, 01/19/08, Strike $37.50	50,400
85	Petroleo Brasileiro, SA#	
	Call, 01/19/08, Strike $90.00	102,000
140	Schlumberger, Ltd.#	
	Call, 01/19/08, Strike $65.00	130,200
140	Weatherford International, Ltd.#	
	Call, 01/19/08, Strike $55.00	38,150
		346,750
	FINANCIALS (0.2%)	
500	Charles Schwab Corp.#	
	Call, 01/19/08, Strike $17.50	150,000
20	Chicago Mercantile Exchange Holdings, Inc.#	
	Call, 01/19/08, Strike $420.00	254,300
280	E*TRADE FINANCIAL Corp.#	
	Call, 01/19/08, Strike $25.00	86,800
70	Goldman Sachs Group, Inc.#	
	Call, 01/19/08, Strike $160.00	306,250
140	Lehman Brothers Holdings, Inc.#	
	Call, 01/19/08, Strike $75.00	175,000
175	Merrill Lynch & Company, Inc.#	
	Call, 01/19/08, Strike $70.00	382,375
230	State Street Corp.#	
	Call, 01/19/08, Strike $60.00	228,850
		1,583,575

NUMBER OF CONTRACTS		VALUE
	HEALTH CARE (0.0%)	
90	Allergan, Inc.#	
	Call, 01/19/08, Strike $110.00	$ 166,050

	INFORMATION TECHNOLOGY (0.3%)	
225	Agilent Technologies, Inc.#	
	Call, 01/19/08, Strike $35.00	139,500
85	Apple Computer, Inc.#	
	Call, 01/19/08, Strike $75.00	157,250
335	Hewlett-Packard Company#	
	Call, 01/19/08, Strike $30.00	381,900
390	Intuit, Inc.#	
	Call, 01/19/08, Strike $27.50	399,750
330	Motorola, Inc.#	
	Call, 01/19/08, Strike $22.50	125,400
	Nokia Corp.#	
2,200	Call, 01/19/08, Strike $20.00	555,500
2,200	Call, 01/19/08, Strike $17.50	869,000
230	NVIDIA Corp.#	
	Call, 01/19/08, Strike $30.00	232,300
90	Sandisk Corp.#	
	Call, 01/19/08, Strike $65.00	51,750
		2,912,350
	MATERIALS (0.1%)	
130	Alcan, Inc.#	
	Call, 01/19/08, Strike $55.00	54,600
250	Goldcorp, Inc.#	
	Call, 01/19/08, Strike $27.50	123,750
343	Harmony Gold Mining Company, Ltd.#	
	Call, 01/19/08, Strike $15.00	123,480
110	Phelps Dodge Corp.#	
	Call, 01/19/08, Strike $72.50	337,700
90	United States Steel Corp.#	
	Call, 01/19/08, Strike $70.00	92,700
		732,230
	TELECOMMUNICATION SERVICES (0.0%)	
230	America Movil, S.A. de C.V.#	
	Call, 01/19/08, Strike $40.00	200,100
130	NII Holdings, Inc.#	
	Call, 01/19/08, Strike $55.00	231,400
		431,500
	TOTAL OPTIONS	7,134,905
	TOTAL SYNTHETIC CONVERTIBLE SECURITIES (Cost $46,058,860)	47,572,783

See accompanying Notes to Schedule of Investments.

Schedule of Investments

OCTOBER 31, 2006

NUMBER OF SHARES			VALUE
CONVERTIBLE PREFERRED STOCKS (25.2%)			
		CONSUMER DISCRETIONARY (1.9%)	
567,800		Ford Motor Company Capital Trust II 6.500%	$ 19,560,710
		CONSUMER STAPLES (1.7%)	
715,000		SUPERVALU, Inc. 7.250%	17,975,100
		ENERGY (1.5%)	
55,000		Chesapeake Energy Corp. 6.250%	15,059,000
		FINANCIALS (17.4%)	
660,000		Citigroup, Inc. (Genworth Financial, Inc.)& 5.020%	21,100,200
19,000		Fortis Insurance, NV (Assurant, Inc.)*& 7.750%	25,902,700
350,000		Lazard, Ltd. 6.625%	12,834,500
775,000		Lehman Brothers Holdings, Inc. (General Mills, Inc.)& 6.250%	21,312,500
230,000		Merrill Lynch & Co., Inc. (Nuveen Investments, Inc.)& 6.750%	10,046,400
1,000,000		MetLife, Inc. 6.375%	29,620,000
570,000		National Australia Bank, Ltd. 7.875%	27,274,500
130,000	CHF	Swiss Re 6.000%	10,803,673
375,000		Washington Mutual, Inc. 5.375%	20,268,750
			179,163,223
		HEALTH CARE (1.1%)	
200,000		Schering-Plough Corp. 6.000%	11,012,000
		INDUSTRIALS (1.2%)	
3,350,000	GBP	BAE Systems, PLC 7.750%	12,817,711
		UTILITIES (0.4%)	
80,000		Southern Union Company 5.000%	4,460,000
		TOTAL CONVERTIBLE PREFERRED STOCKS (Cost $236,492,657)	260,047,744

PRINCIPAL AMOUNT		VALUE
SHORT-TERM INVESTMENT (2.6%)		
	COMMERCIAL PAPER(2.6%)	
$26,832,000	Citigroup, Inc. 5.230%, 11/01/06	
	(Cost $26,832,000)	$ 26,832,000

NUMBER OF SHARES		VALUE
INVESTMENT OF CASH COLLATERAL FOR SECURITIES ON LOAN (14.6%)		
150,455,000	Bank of New York Institutional Cash Reserve Fund current rate 5.389%	
	(Cost $150,455,000)	150,455,000
TOTAL INVESTMENTS (152.9%) (Cost $1,511,637,643)		1,576,634,786
PAYABLE UPON RETURN OF SECURITIES ON LOAN (-14.6%)		(150,455,000)
OTHER ASSETS, LESS LIABILITIES (3.4%)		34,879,618
PREFERRED SHARES AT REDEMPTION VALUE INCLUDING DIVIDENDS PAYABLE (-41.7%)		(430,318,872)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (100.0%)		$1,030,740,532

NOTES TO SCHEDULE OF INVESTMENTS

Note: Value for Securities denominated in foreign currencies are shown in U.S. dollars.

* 144A securities are those that are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities are generally issued to qualified institutional buyers ("QIBs"), such as the Fund. Any resale of these securities must generally be effected through a sale that is exempt from registration (e.g. a sale to another QIB), or the security must be registered for public sale. At October 31, 2006, the market value of 144A securities that were not subject to mandatory issuer registration obligations is $100,925,667 or 9.8% of net assets.

@ Security, or portion of security, is on loan.

Non-income producing security.

++ Variable rate or step bond security. The interest rate shown is the rate in

effect at October 31, 2006.

& Securities exchangeable or convertible into securities of an entity different than the issuer. Such entity is identified in the parenthetical.

FOREIGN CURRENCY ABBREVIATIONS

CAD Canadian Dollar

CHF Swiss Franc

EUR European Monetary Unit

GBP British Pound Sterling

See accompanying Notes to Financial Statements.

Statement of Assets and Liabilities

OCTOBER 31, 2006

ASSETS	
Investments, at value* (cost $1,511,637,643)	$1,576,634,786
Cash with custodian (interest bearing)	5,566
Restricted cash for open options (interest bearing)	150,000
Foreign currency (cost $124,842)	125,183
Receivable for investments sold	11,926,883
Accrued interest and dividends receivables	24,805,750
Unrealized appreciation on interest rate swaps	6,374,036
Prepaid expenses	63,812
Other assets	31,323
Total assets	1,620,117,339
LIABILITIES	
PAYABLES:	
Cash collateral for securities on loan	150,455,000
Investments purchased	7,370,467
Affiliates:	
Offering and organizational fees	155,990
Investment advisory fees	863,312
Deferred compensation to Trustees	31,323
Financial accounting fees	13,953
Trustees fees and officer compensation	593
Accounts payable and accrued liabilities	167,297
Total liabilities	159,057,935
PREFERRED SHARES	
$25,000 liquidation value per share applicable to 17,200 shares, including dividends payable	430,318,872
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	$1,030,740,532

COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	
Common stock, no par value, unlimited shares authorized 66,769,999 shares issued and outstanding	$ 957,384,862
Undistributed net investment income (loss)	(6,796,172)
Accumulated net realized gain (loss) on investments, foreign currency transactions and interest rate swaps	8,738,581
Net unrealized appreciation (depreciation) on investments, foreign currency translations and interest rate swaps	71,413,261
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	$1,030,740,532
Net asset value per common share based on 66,769,999 shares issued and outstanding	$ 15.44

* Including securities on loan with a value of $145,020,309.

See accompanying Notes to Financial Statements.

Statement of Operations

YEAR ENDED OCTOBER 31, 2006

INVESTMENT INCOME	
Interest	$ 81,078,376
Dividends	15,430,110
Securities lending income	507,403
Total investment income	97,015,889
EXPENSES	
Investment advisory fees	11,223,422
Financial accounting fees	158,661
Auction agent and rating agency fees	1,129,449
Accounting fees	119,939
Printing and mailing fees	113,099
Custodian fees	79,899
Audit and legal fees	76,793
Registration fees	57,268
Trustees' fees and officer compensation	39,020
Transfer agent fees	37,715
Other	40,802
Total expenses	13,076,067
Less expense waived	(1,402,928)
Less earnings credits	(19,606)
Net expenses	11,653,533
NET INVESTMENT INCOME (LOSS)	85,362,356
REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, FOREIGN CURRENCY AND INTEREST RATE SWAPS	

Net realized gain (loss) from:	
Investments	18,153,525
Foreign currency transactions	274,578
Interest rate swaps	6,444,177
CHANGE IN NET UNREALIZED APPRECIATION/DEPRECIATION ON:	
Investments	26,779,720
Foreign currency translations	50,351
Interest rate swaps	(4,036,880)
NET REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, FOREIGN CURRENCY AND INTEREST RATE SWAPS	47,665,471
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	133,027,827
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM	
Net investment income	(18,331,515)
Capital gains	(1,453,494)
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	$113,242,818

See accompanying Notes to Financial Statements.

Statements of Changes in Net Assets

	Year Ended October 31,	
	2006	2005
OPERATIONS		
Net investment income (loss)	$ 85,362,356	$ 91,532,896
Net realized gain (loss) from investments, foreign currency transactions and interest rate swaps	24,872,280	28,593,705
Change in net unrealized appreciation/depreciation on investments, foreign currency translations and interest rate swaps	22,793,191	(34,128,164)
Distributions to preferred shareholders from		
Net investment income	(18,331,515)	(12,501,709)
Capital gains	(1,453,494)	--
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	113,242,818	73,496,728
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM		
Net investment income	(82,452,083)	(82,338,867)
Capital gains	(16,324,292)	(7,532,898)

Net decrease in net assets from distributions to common shareholders	(98,776,375)	(89,871,765)
CAPITAL STOCK TRANSACTIONS		
Proceeds from secondary offering	61,824,000	--
Offering cost from secondary offering	(295,721)	--
Reinvestment of distributions resulting in the issuance of common stock	14,010,118	12,074,203
Net increase (decrease) in net assets from capital stock transactions	75,538,397	12,074,203
TOTAL INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	90,004,840	(4,300,834)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS		
Beginning of year	940,735,692	945,036,526
End of year	$1,030,740,532	$940,735,692
Undistributed net investment income (loss)	$ (6,796,172)	(362,062)

See accompanying Notes to Financial Statements.

Notes To Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. CALAMOS Convertible and High Income Fund (the "Fund") was organized as a Delaware statutory trust on March 12, 2003 and is registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified, closed-end management investment company. The Fund commenced operations on May 28, 2003.

The Fund's investment objective is to provide total return through a combination of capital appreciation and current income. Under normal circumstances, the Fund will invest at least 80% of its managed assets in a diversified portfolio of convertible and non-convertible income securities. "Managed assets" means the Fund's total assets (including any assets attributable to any leverage that may be outstanding) minus total liabilities (other than debt representing financial leverage).

PORTFOLIO VALUATION. Calamos Advisors LLC ("Calamos Advisors") values the Fund's portfolio securities in accordance with policies and procedures on the valuation of securities adopted by the Board of Trustees and under the ultimate supervision of the Board of Trustees.

Portfolio securities that are traded on U.S. securities exchanges, except option securities, are valued at the last current reported sales price at the time as of which the Fund determines its NAV. Securities traded in the over-the-counter ("OTC") market and quoted on The Nasdaq Stock Market are valued at the Nasdaq Official Closing Price ("NOCP"), as determined by Nasdaq, or lacking a NOCP, the last current reported sale price on Nasdaq at the time as of which the Fund determines its NAV.

When a most recent last sale or closing price is not available, portfolio securities, other than option securities, that are traded on a U.S. securities exchange and other securities traded in the OTC market are valued at the mean between the most recent bid and asked quotations in accordance with guidelines adopted by the Board of Trustees. Each option security traded on a U.S. securities exchange is valued at the mid-point of the consolidated bid/ask quote for the option security, also in accordance with guidelines adopted by the Board of Trustees. Each OTC option that is not traded through the Options Clearing Corporation is valued by the counterparty to such option. If the pricing committee determines that the valuation of a security in accordance with the methods described above is not reflective of a fair value for such security, the security, including any thinly-traded security, junk bond or synthetic convertible instrument, is valued at a fair value by the pricing committee, under the ultimate supervision of the Board of Trustees, following the guidelines and/or procedures adopted by the Board of Trustees.

Trading in securities on European and Far Eastern securities exchanges and OTC markets is typically completed at various times before the close of business on each day on which the NYSE is open. Each security trading on these exchanges or OTC markets is evaluated utilizing a systematic fair valuation model provided by an independent pricing service approved by the Board of Trustees. The valuation of each security that meets certain criteria in relation to the valuation model is systematically adjusted to reflect the impact of movement in the U.S. market after the foreign markets close. Securities that do not meet the criteria, or that are principally traded in other foreign markets, are valued as of the last current sale price at the time as of which the Fund determines its NAV, or when reliable market prices or quotations are not readily available, at the mean between the most recent bid and asked quotations as of the close of the appropriate exchange or other designated time, in accordance with guidelines adopted by the Board of Trustees. Trading of foreign securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays or on other days when the NYSE is not open and on which the Fund's NAV is not calculated. As stated above, if the market prices are not readily available or are not reflective of a security's fair value, the security is valued at a fair value by the pricing committee, under the ultimate supervision of the Board of Trustees, following the guidelines and/or procedures adopted by the Board of Trustees.

The Fund also may use fair value pricing, pursuant to Board of Trustees guidelines and under the ultimate supervision of the Board of Trustees if the value of a foreign security it holds is materially affected by events occurring before their pricing time but after the close of the primary market or exchange on which the security is traded. Those procedures may utilize valuations furnished by pricing services approved by the Board of Trustees, which may be based on market transactions for comparable securities and various relationships between securities that are generally recognized by institutional traders, a computerized matrix system, or appraisals derived from information concerning the securities or similar securities received from recognized dealers in those securities.

When fair value pricing of securities is employed, the prices of securities used by the Fund to calculate its NAV may differ from market quotations or official closing prices.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME. Short-term investment transactions are recorded on a trade date basis. Long-term investment transactions are recorded on a trade date plus one basis, except for fiscal quarter ends, which are recorded on trade date. Net realized gains and losses from investment transactions are reported on an identified cost basis. Interest income is recognized using the accrual method and includes accretion of original issue and market discount and amortization of premium. Dividend income is recognized on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the information becomes available.

FOREIGN CURRENCY TRANSLATION. Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using a rate quoted by a major bank or dealer in the particular currency market, as reported by a recognized quotation dissemination service.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign currency gains or losses arise from disposition of foreign currency, the difference in the foreign exchange rates between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the ex-date or accrual date and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes (due to the changes in the exchange rate) in the value of foreign currency and other assets and liabilities denominated in foreign currencies held at period end.

OPTION TRANSACTIONS. For hedging and investment purposes, the Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of purchased call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from written options. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

USE OF ESTIMATES. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

INCOME TAXES. No provision has been made for U.S. income taxes because the

Fund's policy is to continue to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code") and distribute to shareholders substantially all of its taxable income and net realized gains.

Dividends and distributions paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains is determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature such amounts are reclassified within the capital accounts based on their federal tax-basis treatment. These differences are primarily due to differing treatments for foreign currency transactions, contingent payment debt instruments and methods of amortizing and accreting fixed income securities. Financial records are not adjusted for temporary differences.

Notes to Financial Statements

INDEMNIFICATIONS. Under the Fund's organizational documents, its officers and trustees are indemnified against certain liabilities incurred by them by reason of having been an officer or trustee of the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

NEW ACCOUNTING PRONOUNCEMENTS. On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact on the financial statements has not yet been determined.

In addition, in September 2006, the Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statements and their disclosures and its impact has not yet been determined.

NOTE 2 - INVESTMENT ADVISOR AND TRANSACTIONS WITH AFFILIATES OR CERTAIN OTHER PARTIES

Pursuant to an investment advisory agreement with Calamos Advisors LLC, the Fund pays an annual fee, payable monthly, equal to 0.80% based on the average weekly managed assets. Calamos Advisors has contractually agreed to waive a portion of its management fee at the annual rate of 0.10% of the average weekly managed

assets of the Fund for the first five full years of the Fund's operation (through May 31, 2008) and to waive a declining amount for an additional three years (0.07% of the average weekly managed assets in 2009, 0.05% in 2010, and 0.03% in 2011).

Pursuant to a financial accounting services agreement, Calamos Advisors receives a fee, payable monthly, at the annual rate of 0.0175% on the first $1 billion of combined assets, 0.0150% on the next $1 billion of combined assets, and 0.0110% on combined assets above $2 billion for financial accounting services (for purposes of this calculation "combined assets" means the total of the average daily net assets of Calamos Investment Trust, Calamos Advisors Trust and the average weekly managed assets of Calamos Convertible and High Income Fund, Calamos Convertible Opportunities and Income Fund, Calamos Strategic Total Return Fund and Calamos Global Total Return Fund). Financial accounting services include, but are not limited to, the following: managing expenses and expense payment processing; monitoring the calculation of expense accrual amounts; calculating, tracking, and reporting tax adjustments on all assets and monitoring trustee deferred compensation plan accruals and valuations. The Fund pays its pro rata share of the financial accounting services fee payable to Calamos Advisors based on the Fund's relative portion of combined assets.

The Fund reimburses the advisor for a portion of compensation paid to the Fund's Chief Compliance Officer. This compensation is reported as part of "Trustees' fees and officer compensation" expenses on the Statement of Operations.

Included in the statement of operations under the caption "Earnings credit" is an expense offset of $19,606, arising from credits on cash balances maintained on deposit.

Certain officers and trustees of the Fund are also officers and directors of Calamos Financial Services LLC ("CFS") and Calamos Advisors. All officers and affiliated Trustees serve without direct compensation from the Fund, except for the Chief Compliance Officer as described above.

The Fund has adopted a deferred compensation plan (the "Plan"). Under the Plan, a trustee who is not an "interested person" (as defined in the 1940 Act) of CFS or Calamos Advisors and has elected to participate in the Plan (a "participating trustee") may defer receipt of all

or a portion of his compensation from the Fund. The deferred compensation payable to the participating trustee is credited to the trustee's deferral account as of the business day such compensation would have been paid to the participating trustee. The value of the account increases with contributions to the account or with increases in the value of the measuring shares, and the value of the account decreases with withdrawals from the account or with declines in the value of the measuring shares. Deferred compensation of $31,323 is included in "Other assets" on the Statement of Assets and Liabilities at October 31, 2006. The Fund's obligation to make payments under the Plan is a general obligation of the Fund and is included on the Statement of Assets and Liabilities as a payable for "Deferred compensation to Trustees" at October 31, 2006.

NOTE 3 - INVESTMENTS

Purchases and sales of investments, other than short-term investments for the year ended October 31, 2006 were as follows:

Purchases	$539,047,214
Proceeds from sales	512,045,035

The following information is presented on an income tax basis as of October 31, 2006. Differences between amounts for financial statements and Federal income tax purposes are primarily due to timing differences.

The cost basis of investments for Federal income tax purposes at October 31, 2006 was as follows:

Cost basis of investments	$1,521,339,661
Gross unrealized appreciation	68,955,958
Gross unrealized depreciation	(13,660,833)
Net unrealized appreciation (depreciation)	$ 55,295,125

NOTE 4 - INCOME TAXES

For the year ended October 31, 2006, the Fund recorded the following permanent reclassifications to reflect tax character. Results of operations and net assets were not affected by these reclassifications.

Paid-in capital	$ --
Undistributed net investment income (loss)	8,987,132
Accumulated net realized gain/(loss) on investments, foreign currency transactions and interest rate swaps	(8,987,132)

Distributions during the fiscal year ended October 31, 2006 and 2005 were characterized for Federal income tax purposes as follows:

	2006	2005
DISTRIBUTIONS PAID FROM:		
Ordinary income	$113,562,492	$94,726,155
Long-term capital gains	4,925,831	7,532,898

As of October 31, 2006, the components of accumulated earnings/ (losses) on a tax basis were as follows:

Undistributed ordinary income	$ 301,218
Undistributed capital gains	11,803,906

Total undistributed earnings	12,105,124
Accumulated capital and other losses	--
Net unrealized gains/(losses)	61,631,103
Total accumulated earnings/(losses)	73,736,227
Other	(380,557)
Paid-in capital	957,384,862
Net assets applicable to common shareholders	$1,030,740,532

Notes to Financial Statements

NOTE 5 - COMMON STOCK

There are unlimited common shares of beneficial interest authorized and 66,769,999 shares outstanding at October 31, 2006. Calamos Advisors owned none of the outstanding shares at October 31, 2006. Transactions in common shares were as follows:

	FOR THE YEAR ENDED OCTOBER 31, 2006	FOR THE YEAR ENDED OCTOBER 31, 2005
Beginning shares	61,867,557	61,091,942
Shares sold due to secondary offering	4,000,000	--
Shares issued through reinvestment of distributions	902,442	775,615
Ending shares	66,769,999	61,867,557

NOTE 6 - FORWARD FOREIGN CURRENCY CONTRACTS

The Fund may engage in portfolio hedging with respect to changes in currency exchange rates by entering into forward foreign currency contracts to purchase or sell currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include, among other things, movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The net unrealized gain, if any, represents the credit risk to the Fund on a forward foreign currency contract. The contracts are valued daily at forward exchange rates, and an unrealized gain or loss is recorded. The Fund realizes a gain or loss when a position is closed or upon settlement of the contracts. There were no open forward foreign currency contracts at October 31, 2006.

NOTE 7 - SYNTHETIC CONVERTIBLE SECURITIES

The Fund may establish a "synthetic" convertible instrument by combining separate securities that possess the economic characteristics similar to a convertible security, i.e., fixed-income securities ("fixed-income component", which may be a convertible or non-convertible security) and the right to acquire

equity securities ("convertible component"). The fixed-income component is achieved by investing in fixed income securities such as bonds, preferred stocks, and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index. In establishing a synthetic instrument, the Fund may pool a basket of fixed-income securities and a basket of warrants or options that produce the economic characteristics similar to a convertible security. Within each basket of fixed-income securities and warrants or options, different companies may issue the fixed-income and convertible components, which may be purchased separately and at different times.

The Fund may purchase synthetic convertible instruments created by other parties, typically investment banks, including convertible structured notes. Convertible structured notes are fixed-income debentures linked to equity. Convertible structured notes have the attributes of a convertible security; however, the investment bank that issued the convertible note assumes the credit risk associated with the investment, rather than the issuer of the underlying common stock into which the note is convertible. Purchasing synthetic convertible securities may offer more flexibility than purchasing a convertible security.

NOTE 8 - PREFERRED SHARES

There are unlimited shares of Auction Rate Cumulative Preferred Shares ("Preferred Shares") authorized. The Preferred Shares have rights as determined by the Board of Trustees. The 17,200 shares of Preferred Shares outstanding consist of six series, 3,000 shares of M, 3,000 shares of TU, 3,000 shares of W, 3,000 shares of TH, 3,000 shares of F, and 2,200 shares of A. The Preferred Shares have a liquidation value of $25,000 per share plus any accumulated but unpaid dividends, whether or not declared.

Dividends on the Preferred Shares are cumulative at a rate typically reset every seven or twenty-eight days based on the results of an auction. Dividend rates ranged from 3.60% to 5.30% for the year ended October 31, 2006. Under the 1940 Act, the Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Shares would be less than 200%.

The Preferred Shares are redeemable at the Fund's option, in whole or in part, on any dividend payment date at $25,000 per share plus any accumulated but unpaid dividends. The Preferred Shares are also subject to mandatory redemption at $25,000 per share plus any accumulated but unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Statement of Preferences are not satisfied.

The holders of Preferred Shares have voting rights equal to the holders of common stock (one vote per share) and will vote together with holders of shares of common stock as a single class except on matters affecting only the holders of Preferred Shares or only the holders of common stock, when the respective classes vote alone.

NOTE 9 - INTEREST RATE TRANSACTIONS

The Fund may engage in swaps primarily to manage duration and yield curve risk, or as alternatives to direct investments. Unrealized gains are reported as an asset and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gains or losses in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of the swap agreements. Swap agreements are stated at fair value. Notional principal amounts are used to express the extent of involvement in these transactions, but the amounts potentially subject to credit risk are much smaller.

Premiums paid to or by the Fund are accrued daily and included in realized gain (loss) when paid on swaps in the accompanying Statement of Operations. The contracts are marked-to-market daily based on dealer-supplied valuations and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon early termination of the contract. Risks may exceed amounts recognized in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms and the possible lack of liquidity with respect to the contracts.

If the Fund is required to terminate any swap or cap early due to the Fund failing to maintain a required 200% asset coverage of the liquidation value of the outstanding Preferred Shares or the Fund loses its credit rating on its Preferred Shares, then the Fund could be required to make a termination payment, in additional to redeeming all or some of the Preferred Shares.

COUNTERPARTY	TERMINATION DATE	NOTIONAL AMOUNT (000)	FIXED RATE (FUND PAYS)	FLOATING RATE (FUND RECEIVES)	UNREALIZED APPRECIATION (DEPRECIATION)
Citibank NA	October 27, 2007	$200,000	3.27%	1 month LIBOR	$3,854,087
Citibank NA	October 27, 2008	100,000	3.65%	1 month LIBOR	2,519,949
					$6,374,036

NOTE 10 - SECURITIES LENDING

During the year ended October 31, 2006, the Fund loaned certain of its securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the market value of the securities loaned by the Fund. The Fund continues to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned and also receives an additional return that may be in the form of a fixed fee or a percentage of the collateral. The Fund may pay reasonable fees to persons unaffiliated with the Fund for services in arranging these loans. The Fund has the right to call the loan and obtain the securities loaned at any time on notice of not more than five business days. The Fund does not have the right to vote the securities during the existence of the loan but could call the loan in an attempt to permit voting of the securities in certain circumstances. Upon return of the securities loaned, the cash or cash equivalent collateral will be returned to the borrower. In the event of bankruptcy or other default of the borrower, the Fund could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the

collateral or in the value of the securities loaned during the period while the Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) the expenses of enforcing its rights. In an effort to reduce these risks, Calamos Advisors LLC and the security lending agent will monitor the creditworthiness of the firms to which the Fund lends securities. At October 31, 2006, the Fund had securities valued at $145,020,309 that were on loan to broker-dealers and banks and $150,455,000 in cash or cash equivalent collateral.

Financial Highlights

SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD WERE AS FOLLOWS:

	For the Year Ended October 31,		
	2006	2005	2004
Net asset value, beginning of period	$ 15.21	$ 15.47	$ 14.80
Income from investment operations:			
Net investment income (loss)	1.34	1.49	1.60
Net realized and unrealized gain (loss) from investments, foreign currency and interest rate swaps	0.75	(0.09)	0.63
Distributions to preferred shareholders from:			
Net investment income (common share equivalent basis)	(0.29)	(0.20)	(0.10)
Capital gains (common share equivalent basis)	(0.02)	--	--
Total from investment operations	1.78	1.20	2.13
Less distributions to common shareholders from:			
Net investment income	(1.29)	(1.34)	(1.46)
Capital gains	(0.26)	(0.12)	--
Capital charge resulting from issuance of common and preferred shares	--**	--	--
Net asset value, end of period	$ 15.44	$ 15.21	$ 15.47
Market value, end of period	$ 16.98	$ 15.52	$ 16.74
Total investment return based on(b):			
Net asset value	12.16%	7.99%	14.91%
Market value	20.88%	1.83%	15.02%
Ratios and supplemental data:			
Net assets applicable to common shareholders, end of period (000's omitted)	$1,030,741	$940,736	$945,037
Preferred shares, at redemption value ($25,000 per share liquidation preference) (000's omitted)	$ 430,000	$430,000	$430,000
Ratios to average net assets applicable to common shareholders:			
Net expenses(c)(d)	1.20%	1.23%	1.25%
Gross expenses prior to waiver of expenses by the advisor and earnings credits(c)(d)	1.34%	1.38%	1.40%
Net investment income (loss)(c)(d)	8.76%	9.55%	10.56%
Preferred share distributions(c)	1.88%	1.30%	0.65%
Net investment income (loss), net of preferred share distributions(c)	6.88%	8.25%	9.91%
Portfolio turnover rate	38%	55%	27%

Asset coverage per preferred share, at end of period(e)	$ 84,945	$ 79,708	$ 79,952

* Commencement of operations.

** Amount equated to less than $0.005 per common share.

(a) Net of sales load of $0.675 on initial shares issued and beginning net asset value of $14.325.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return is not annualized for periods less than one year. Brokerage commissions are not reflected. NAV per share is determined by dividing the value of the Fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to pay for shares of the Fund at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions.

(c) Annualized for periods less than one year.

(d) Does not reflect the effect of dividend payments to Preferred Shareholders.

(e) Calculated by subtracting the Fund's total liabilities (not including Preferred Shares) from the Fund's total assets and dividing this by the number of Preferred Shares outstanding.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of CALAMOS Convertible and High Income Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CALAMOS Convertible and High Income Fund (the "Fund") as of October 31, 2006, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years then ended and the financial highlights for each of the three years then ended and for the period from May 28, 2003 (commencement of operations) through October 31, 2003. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over

financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2006, by correspondence with the Fund's custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of October 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended, and the financial highlights for each of the three years then ended and for the period from May 28, 2003 (commencement of operations) through October 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Chicago, Illinois
December 19, 2006

Tax Information (Unaudited)

We are providing this information as required by the Internal Revenue Code (Code). The amounts shown may differ from those elsewhere in this report due to differences between tax and financial reporting requirements. In January 2007, shareholders will receive Form 1099-DIV which will include their share of qualified dividends and capital gains distributed during the calendar year 2006. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 852(b)(3)(C) of the Code, the Fund hereby designates $4,925,831as capital gain dividends for the fiscal year ended October 31, 2006.

Under Section 854(b)(2) of the Code, the Fund hereby designates $2,928,701, or the maximum amount allowable under the Code, as qualified dividends for the fiscal year ended October 31, 2006.

Under Section 854(b)(2) of the Code, the Fund hereby designates 1.28% of the ordinary income dividends as income qualifying for the corporate dividends received deduction for the fiscal year ended October 31, 2006.

Trustee Approval of Management Agreement (Unaudited)

The Board of Trustees of the Fund oversees the Fund's management, and, as required by law, determines annually whether to continue the Fund's management agreement with Calamos Advisors under which Calamos Advisors serves as the investment manager for the Fund.

In connection with their most recent consideration regarding the continuation of that agreement, the Trustees received and reviewed information provided by Calamos Advisors in response to detailed requests of the Independent Trustees and their independent legal counsel and discussed with representatives of Calamos Advisors the Fund's operations and the nature and quality of the advisory and other services provided by Calamos Advisors to the Fund. The Trustees also received and reviewed a memorandum from counsel to the Independent Trustees regarding the Trustees' responsibilities in evaluating the management agreement. In the course of their consideration of the agreement, the Independent Trustees were advised by their counsel and, in addition to meeting with management of Calamos Advisors, they met separately in executive session with their counsel.

At a meeting on June 29, 2006, based on their evaluation of the information referred to above and other information, the Trustees determined that the overall arrangements between the Fund and Calamos Advisors were fair and reasonable in light of the nature and quality of the services provided by Calamos Advisors and its affiliates, the fees charged for those services and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting the Trustees, including all of the Independent Trustees, unanimously approved continuation of the management agreement through August 1, 2007, subject to earlier termination as provided in the agreement.

In considering the continuation of the management agreement, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered the sole factor in the Trustees' determinations. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the management agreement are discussed separately below.

NATURE, QUALITY AND EXTENT OF SERVICES

The Trustees reviewed the nature, extent and quality of Calamos Advisors' services to the Fund, taking into account the Fund's investment objective and strategy and the knowledge of the Trustees gained from their regular meetings with management on at least a quarterly basis. In addition, the Trustees reviewed Calamos Advisors' resources and key personnel, especially those who provide investment management services to the Fund. The Trustees also considered other services provided to the Fund by Calamos Advisors, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing shareholder reports, providing support services for the Board and Board committees, communicating with shareholders, overseeing the activities of other service providers and monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations.

The Trustees concluded that the nature and extent of the services provided by Calamos Advisors to the Fund were appropriate and consistent with the terms of the management agreement, that the quality of those services had been consistent with or superior to quality norms in the industry and that the Fund was likely to benefit from the continued provision of those services. They also concluded that Calamos Advisors had sufficient personnel, with the appropriate education and experience, to serve the Fund effectively and had demonstrated its continuing ability to attract and retain well-qualified personnel.

PERFORMANCE

The Trustees considered the Fund's performance results over various time periods. They reviewed information comparing the performance of the Fund with the performance of comparable funds and peer groups identified by Lipper Inc.,

an independent provider of investment company data, and with the Fund's benchmark. The Trustees heard from representatives of Calamos Advisors, who provided additional information with regard to certain aspects of the Lipper materials and answered questions from the Trustees. The Trustees also noted that the Fund had less than three years of performance data, and thus did not have a long-term performance record. The Trustees concluded that the Fund's operating history was too short a period to allow for a meaningful performance comparison.

Trustee Approval of Management Agreement (unaudited)

COSTS OF SERVICES AND PROFITS REALIZED BY CALAMOS ADVISORS

The Trustees examined information on the Fund's fees and expenses in comparison to information for other comparable funds as provided by Lipper. The Trustees noted that, although the Fund's contractual rate of management fees and actual management fees after fee waivers for common shares were greater than the median management fees of the Lipper peer group, the Fund's actual management fees after fee waivers for common and preferred shares and overall expense ratio were below or substantially comparable to those of its peer group.

The Trustees considered the methodology used by Calamos Advisors in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees reviewed information on the profitability of Calamos Advisors in serving as the Fund's investment manager and of Calamos Advisors and its affiliates in all of their relationships with the Fund, as well as an explanation of the methodology utilized in allocating various expenses among the Fund and other business units. Data was provided to the Trustees with respect to profitability, both on a pre- and post-marketing cost basis. The Trustees also reviewed the annual report of Calamos Advisors' parent company and discussed its corporate structure. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available and profitability of any manager is affected by numerous factors, including the organizational structure of the particular manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses and the manager's capital structure and cost of capital. However, based on the information available and taking those factors into account, the Trustees concluded that the profitability of Calamos Advisors regarding the Fund in relation to the services rendered was not unreasonable.

The Trustees also reviewed Calamos Advisors' management fees for its institutional separate accounts and for its subadvised funds (for which Calamos Advisors provides portfolio management services only), as well as managed fees for secondary accounts. Although in most instances its sub-advisory fees, and in many instances its institutional separate accounts fees, for various investment strategies are lower than the management fees charged to the Fund, the Trustees noted that Calamos Advisors performs significant additional services for the Fund that it does not provide to those other clients, including administrative services, oversight of the Fund's other service providers, trustee support, regulatory compliance and numerous other services. Finally, the Trustees considered Calamos Advisors' financial condition, which they found to be sound.

The Trustees concluded that the management fees and other compensation payable

by the Fund to Calamos Advisors and its affiliates were reasonable in relation to the nature and quality of the services to be provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies and the fees Calamos Advisors charges to other clients. The Trustees also concluded that the Fund's overall expense ratio was reasonable, taking into account the quality of services provided by Calamos Advisors and the Fund's investment performance.

ECONOMIES OF SCALE

In reviewing the Fund's fees and expenses, the Trustees examined the potential benefits of economies of scale and whether any economies of scale should be reflected in the Fund's fee structure. They noted that the Fund has had a relatively stable asset base since commencement of operation and that there do not appear to have been any significant economies of scale realized since that time.

OTHER BENEFITS TO CALAMOS ADVISORS

The Trustees also considered benefits that accrue to Calamos Advisors and its affiliates from their relationship with the Fund. The Trustees concluded that, other than the services to be provided by Calamos Advisors and its affiliates pursuant to their agreements with the Fund and the fees payable by the Fund therefor, the Fund and Calamos Advisors may potentially benefit from their relationship with each other in other ways. The Trustees considered Calamos Advisors' use of commissions paid by the Fund on its portfolio brokerage transactions to obtain proprietary research products and services benefiting the Fund and/or other clients of Calamos Advisors. The Trustees concluded that Calamos Advisors' use of "soft" commission dollars to obtain research products and services was consistent with regulatory requirements and is beneficial to the Fund. They concluded that, although Calamos Advisors derives or may derive additional benefits through the use of soft dollars from the Fund's portfolio transactions, the Fund also benefits from the receipt of research products and services

acquired through commissions paid on the portfolio transactions of other clients of Calamos Advisors. They also concluded that the Fund's success could attract other business to Calamos Advisors or its other funds and that Calamos Advisors' success could enhance its ability to serve the Fund.

After full consideration of the above factors as well as other factors that were instructive in analyzing continuation of the management agreement for the one-year period ending August 1, 2007, the Trustees, including all of the Independent Trustees, concluded that the continuation of the management agreement with Calamos Advisors was in the best interest of the Fund and its shareholders.

Trustees & Officers (unaudited)

The management of the Trust+, including general supervision of duties performed for the Fund under the Investment Management Agreement, is the responsibility of its board of trustees.

The following table sets forth, as of October 31, 2006 each trustee's position(s) with the Trust, age, principal occupation during the past five years, number of portfolios overseen, other directorships, and the date on which the trustee first became a trustee of the Trust.

NAME AND AGE AT OCTOBER 31, 2006	POSITION(S) HELD WITH TRUST AND DATE FIRST ELECTED OR APPOINTED TO OFFICE	NUMBER OF PORTFOLIOS IN FUND COMPLEX@ OVERSEEN BY TRUSTEE	PRINCIPAL OCCUPATION(AND OTHER DIR
TRUSTEES WHO ARE INTERESTED PERSONS OF TRUST:			
John P. Calamos, Sr., 66*	Trustee and President (since 2003)	15	Chairman, CEO, and Co- Officer, Calamos Asset ("CAM"), Calamos Holdi Calamos Advisors LLC a ("Calamos Advisors"), Co-Chief Investment Of Financial Services LLC ("CFS"); Director, CAM
TRUSTEES WHO ARE NOT INTERESTED PERSONS OF TRUST:			
Joe F. Hanauer, 69	Trustee (since 2003)	15	Private investor; Dire holding company); Chai Move, Inc., (Internet information and produc Investments, L.P. (inv
Weston W. Marsh, 56	Trustee (since 2003)	15	Of Counsel, and former Peters (law firm)
John E. Neal, 56	Trustee (since 2003)	15	Private investor; Mana Capital Markets, Inc. (2000-2004); Director, Ltd. (landscaping comp Residential (publicly- Ranir LLC (oral produc CBA Commercial (commer securitization company Perfumary LLC (private company); Partner, Lin private equity)
William R. Rybak, 55	Trustee (since 2003)	15	Private investor; form President and Chief Fi Kampen Investments, In (investment manager); Investments (investmen Director, Private Banc company)
Stephen B. Timbers, 62	Trustee (since 2004);	15	Private investor; form

	Lead Independent Trustee (since 2005)		Northern Trust Corpora company); President an Officer, Northern Trus (investment manager); Northern Trust Global of Northern Trust Corp Vice President, The No Corporation; Director Securities, Inc.
David D. Tripple, 62	Trustee (since 2006)	15	Private investor; Trus Trust and Century Smal Pioneer Investment Man of UniCredito Italiano prior thereto, The Pio management)

\+ The Trust is defined as the CALAMOS Convertible and High Income Fund.

* John P. Calamos is an "interested person" of the Trust as defined in the Investment Company Act of 1940 (the "1940 Act") because he is an affiliate of Calamos Advisors and Calamos Financial Services, LLC.

** Overseeing two portfolios in fund complex

@ The Fund Complex consists of CALAMOS Investment Trust, CALAMOS Advisors Trust, CALAMOS Convertible Opportunities and Income Fund, CALAMOS Convertible and High Income Fund, CALAMOS Strategic Total Return Fund and CALAMOS Global Total Return Fund.

Trustees & Officers (unaudited)

OFFICERS. Mr. John Calamos is president of the Trust. The preceding table gives more information about Mr. John Calamos. The following table sets forth as of October 31, 2006 each other officer's name, position with the Trust, age, principal occupation during the past five years, other directorships, and the date on which he or she first became and officer of the Trust. Each officer serves until his or her successor is chosen and qualified or until his or her resignation or removal by the board of trustees.

NAME AND AGE AT OCTOBER 31, 2006	POSITION(S) HELD WITH TRUST AND DATE FIRST ELECTED OR APPOINTED TO OFFICE	PRINCIPAL OCCUPATION(DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS
Nimish S. Bhatt, 43	Treasurer (since 2004)	Senior Vice President and Director o CAM, CHLLC, Calamos Advisors and CFS Senior Vice President, Alternative I Tax Services, The BISYS Group, Inc.,
Nick P. Calamos, 45*	Vice President (since 2003)	Senior Executive Vice President and Investment Officer, CAM, CHLLC, Cala CFS

Patrick H. Dudasik, 51	Vice President (since 2003)	Executive Vice President, Chief Fina and Treasurer, CAM and CHLLC (since Advisors and CFS (since 2001); Admin Officer, CAM and CHLLC (2004-2005), and CFS (2001-2005)
James S. Hamman, Jr., 37	Secretary (since 2003)	Executive Vice President, Secretary Counsel, CAM and CHLLC (since 2004), Advisors and CFS (since 1998); Chief Officer (2004-2005)
Mark Mickey, 55	Chief Compliance Officer (since 2005)	Chief Compliance Officer, Calamos Fu and Chief Compliance Officer, Calamo (2005-2006); Director of Risk Assess Internal Audit, Calamos Advisors (20 President, Mark Mickey Consulting (2 Executive Vice President and Head of AMRO, Inc., prior thereto

* Mr. Nick Calamos resigned from the board of trustees effective June 28, 2006.

The mailing address of the Trustees and Officers is Calamos Funds; Attn: Secretary, 2020 Calamos Court, Naperville, IL 60563-2787

PROXY VOTING POLICIES. A description of the CALAMOS Proxy Voting Policies and Procedures is available by calling (800) 582-6959, by visiting its website at www.calamos.com or by writing CALAMOS at: CALAMOS INVESTMENTS, Attn: Client Services, 2020 Calamos Court, Naperville, IL 60563, and on the Securities and Exchange Commission's website at www.sec.gov.

Other Information (unaudited)

CHANGE IN DATE OF 2007 SHAREHOLDER MEETING. The 2007 annual meeting of shareholders of the Fund is expected to be held on June 28, 2007, rather than in March, as it was held in 2006. Any shareholder wishing to submit a proposal for inclusion in the Fund's proxy materials for the 2007 annual meeting must do so not later than February 9, 2007. Any shareholder wishing to submit a proposal in the manner prescribed by Rule 14a-4(c)(1), and therefore outside of the process prescribed by Rule 14a-8, under the Securities Exchange Act of 1934, must submit written notice of such proposal to the Fund not later than April 23, 2007.

This page intentially left blank

This page intentionally left blank

About Closed-End Funds

WHAT IS A CLOSED-END FUND?

A closed-end fund is a publicly traded investment company that raises its initial investment capital through the issuance of a fixed number of shares to investors in a public offering. Shares of a closed-end fund are listed on a stock exchange or traded in the over-the-counter market. Like all investment companies, a closed-end fund is professionally managed and offers investors a unique investment solution based on its investment objective approved by the fund's Board of Directors.

ADVANTAGES OF CLOSED-END FUND INVESTING

- DEFINED ASSET POOL ALLOWS EFFICIENT PORTFOLIO MANAGEMENT--Although closed-end fund shares trade actively on a securities exchange, this doesn't affect the closed-end fund manager because there are no new investors buying into or selling out of the fund's portfolio.

- MORE FLEXIBILITY IN THE TIMING AND PRICE OF TRADES--Investors can purchase and sell shares of closed-end funds throughout the trading day, just like the shares of other publicly traded securities.

- LOWER EXPENSE RATIOS--The expense ratios of closed-end funds are oftentimes less than those of mutual funds. Over time, a lower expense ratio could enhance investment performance.

- CLOSED-END STRUCTURE MAKES SENSE FOR LESS-LIQUID ASSET CLASSES--A closed-end structure makes sense for investors considering less-liquid asset classes, such as high-yield bonds or micro-cap stocks.

- ABILITY TO PUT LEVERAGE TO WORK--Closed-end funds may issue senior securities (such as preferred stock or debentures) or borrow money to "leverage" their investment positions.

- NO MINIMUM INVESTMENT REQUIREMENTS

OPEN-END MUTUAL FUNDS VERSUS CLOSED-END FUNDS

OPEN-END FUND	CLOSED-END FUND
Issues new shares on an ongoing basis	Issues a fixed number of shares
Issues one class of shares	Can issue senior securities such as preferred stock and bonds
Sold at NAV plus any sales charge	Price determined by the marketplace
Sold through the fund's distributor	Traded in the secondary market
Fund redeems shares at NAV calculated at the close of business day	Fund does not redeem shares

Leverage

USING LEVERAGE TO ENHANCE TOTAL RETURN

Closed-end funds can use leverage which utilizes borrowed money to increase the return on invested capital. The Fund invests the borrowed assets into securities, which we believe will provide a greater total return to investors than the cost of the borrowing.

HIGHLIGHTS ON LEVERAGE

- Leveraging the portfolio allows the investment team to potentially enhance the in come and total returns of the Fund.

- In a rising-rate environment, the cost of leverage typically increases. To protect against increases, the investment team has locked in the cost of leverage for a longer term. In leveraged closed-end funds that invest in interest-rate sensitive securities (high-quality traditional fixed income), rising rates can negatively impact a fund in two ways increasing the cost of leverage and decreasing the value of securities.

- This portfolio does not have notable sensitivity to rising interest rates. Much of the cost of leverage has been locked in, and the portfolio seeks to invest in securities that should be more economically sensitive and less interest rate-sensitive.

MANAGING THE INTEREST RATE RISK OF LEVERAGE

In general, leverage can expose a closed-end fund to the risk of fluctuations in short-term interest rates. As we discussed in the Investment Team Interview, Calamos Investments has taken steps to mitigate some of this risk to our shareholders. Specifically, we hedged the Fund's preferred shares (used these shares as principal) to enter into interest rate swap agreements. In its simplest form, an interest rate swap involves two parties agreeing to exchange or "swap" one set of cash flows for another set. In essence, the agreement allows a party that desires to avoid a variable rate (Calamos) to pay a fixed rate to a party that desires variability.

THE DEALER MARKET FOR INTEREST RATE SWAPS

(FLOW CHART)

Under these agreements, the Fund pays a potentially higher rate for borrowing initially, but that rate is fixed for a period of three to five years, thereby potentially reducing the interest costs that the Fund would otherwise pay over the period based on a floating or variable rate.

Level Rate Distribution Policy

USING A LEVEL RATE DISTRIBUTION POLICY TO PROMOTE DEPENDABLE INCOME AND TOTAL RETURN

The goal of the level rate distribution policy is to provide investors a predictable, though not assured, level of cash flow, which can either serve as a stable income stream or, through reinvestment, contribute significantly to long-term total return.

We understand the importance that investors place on the stability of dividends and their ability to contribute to long-term total return, which is why we have instituted a level rate distribution policy for the Fund. Under the policy, monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. There is no guarantee that the Fund will realize capital gains in any given year. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for distributions via Form 1099-DIV.

Distributions from the Fund are generally subject to Federal income taxes. For purposes of maintaining the level rate distribution policy, the Fund may realize short-term capital gains on securities that, if sold at a later date, would have resulted in long-term capital gains. Maintenance of a level rate distribution policy may increase transaction and tax costs associated with the Fund.

Automatic Dividend Reinvestment Plan

MAXIMIZING INVESTMENT WITH AN AUTOMATIC DIVIDEND REINVESTMENT PLAN

The Automatic Dividend Reinvestment Plan offers a simple, cost-efficient and convenient way to reinvest your dividends and capital gains distributions in additional shares of the Fund, allowing you to increase your investment in the Fund.

BENEFITS

- COMPOUNDED GROWTH: By automatically reinvesting with the Plan, you gain the potential to allow your dividends and capital gains to compound over time.

- POTENTIAL FOR LOWER COMMISSION COSTS: Additional shares are purchased in large blocks, with brokerage commissions shared among all plan participants. There is no cost to enroll in the Plan.

- CONVENIENCE: After enrollment, the Plan is automatic and includes detailed statements for participants. Participants can terminate their enrollment at any time.

For additional information about the Plan, please contact the Plan Agent, The Bank of New York, at 800.432.8224 or visit us on the web at www.calamos.com/chy.aspx. If you wish to participate in the Plan and your shares are held in your own name, simply call the Plan Agent. If your shares are not held in your name, please contact your brokerage firm, bank, or other nominee to request that they participate in the Plan on your behalf. If your brokerage firm, bank, or other nominee is unable to participate on your behalf, you may request that your shares be re-registered in your own name.

We're pleased to provide our shareholders with the additional benefit of the Fund's Dividend Reinvestment Plan and hope that it may serve your financial plan.

The Calamos Investments Advantage

Calamos' history is one of performing well for our clients through nearly 30 years of advances and declines in the market. We use proprietary risk-management strategies designed to control volatility, maintaining a balance between risk and reward throughout a market cycle.

DISCIPLINED INVESTMENT PHILOSOPHY AND PROCESS

Calamos Investments has developed a proprietary research and monitoring process that goes far beyond traditional security analysis. This process applies to each of our investment strategies, with emphasis varying by strategy. When combined with the company-specific research and industry insights of our investment team, the result is nimble dynamic management of a portfolio that allows us to anticipate and adapt to changing market conditions. In each of our investment strategies, from the most conservative to the most aggressive, our goals include maximizing return while controlling risk, protecting principal during volatile markets, avoiding short-term market timing, and maintaining a vigilant long-term outlook.

COMPREHENSIVE RISK MANAGEMENT

Our approach to risk management includes continual monitoring, adherence to our discipline, and a focus on assuring a consistent risk profile during all phases of the market cycle. Incorporating qualitative and quantitative factors as well as a strong sell discipline, this risk-control policy seeks to help preserve investors' capital over the long term.

PROVEN MANAGEMENT TEAM

The Calamos family of mutual funds benefit from our team's decades of experience in the investment industry. We follow a one-team, one-process approach that leverages the expertise of more than 50 investment professionals, led by John P. Calamos, Sr. and Nick P. Calamos, whose investment industry experience dates back to 1970 and 1983, respectively. Through the collective industry experience and educational achievements of our research and portfolio staff, we can respond to the challenges of the market with innovative and timely ideas.

SOUND PROPRIETARY RESEARCH

Over the years, we have invested significant time and resources in developing and refining sophisticated analytical models that are the foundation of the firm's research capabilities, which we apply in conjunction with our assessment of broad themes. We believe evolving domestic policies, the growing global economy, and new technologies present long-term investment opportunities for those who can detect them.

Calamos Closed-End Funds

INTELLIGENT ASSET ALLOCATION IN FOUR DISTINCT CLOSED-END FUNDS

Depending on which Calamos closed-end fund you currently own, you may want to consider one or more of our other closed-end strategies to help further diversify your investment portfolio.

Seek the advice of your financial advisor, who can help you determine your financial goals, risk tolerance, time horizon and income needs. To learn more, you can also visit our website at www.calamos.com.

FUND ASSET ALLOCATION AS OF 10/31/06

CALAMOS CONVERTIBLE OPPORTUNITIES AND INCOME FUND (CHI)

(PIE CHART)

Short-Term Investments	1.3%
Common Stocks	1.7%
Convertible Securities	42.2%
High Yield/Corporate Bonds	54.8%

FUND PROFILE

PROVIDING ENHANCED FIXED INCOME POTENTIAL

OBJECTIVE: The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of convertible securities and below investment-grade (high-yield) fixed-income securities.

CALAMOS CONVERTIBLE AND HIGH INCOME FUND (CHY)

(PIE CHART)

Short-Term Investments	2.0%
Convertible Securities	39.6%
High Yield/Corporate Bonds	58.4%

PROVIDING ENHANCED FIXED INCOME POTENTIAL

OBJECTIVE: The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of convertible securities and below investment-grade (high-yield) fixed-income securities.

CALAMOS STRATEGIC TOTAL RETURN FUND (CSQ)

(PIE CHART)

Short-Term Investments	0.6%
Common Stocks	44.5%
Convertible Securities	27.5%
High Yield/Corporate Bonds	27.4%

PROVIDING DEFENSIVE EQUITY

OBJECTIVE: The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of equity, convertible and below investment-grade (high-yield) fixed-income securities.

CALAMOS GLOBAL TOTAL RETURN FUND (CGO)

(PIE CHART)

Short-Term Investments	0.3%
Common Stocks	54.2%
Convertible Securities	17.2%
High Yield/Corporate Bonds	28.3%

PROVIDING DEFENSIVE GLOBAL EQUITY

OBJECTIVE: The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of global equity, global convertible and below investment-grade (high-yield) fixed-income securities.

(CALAMOS INVESTMENTS(R) LOGO)

Calamos Investments | 2020 Calamos Court | Naperville, IL 60563-2787 | 800.582.6959 | www.calamos.com

A description of the Calamos Proxy Voting Policies and Procedures and the Fund's proxy voting record for the 12 month period ended June 30, 2006 are available free of charge upon request by calling 800.582.6959, by visiting the Calamos website at www.calamos.com, by writing Calamos at: Calamos investments, Attn: Client Services, 2020 Calamos Court, Naperville, IL 60563 or by visiting the SEC website at http://www.sec.gov.

The Funds file a complete list of their portfolio holdings with the SEC for the first and third quarters each fiscal year on Form N-Q. The Forms N-Q are available free of charge, upon request, by calling or writing Calamos Investments at the phone number or address provided above or by visiting the SEC website at http://www.sec.gov. You may also review or, for a fee, copy the forms 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 800.732.0330.

On April 27, 2006, the Fund submitted a CEO annual certification to the NYSE on which the Fund's chief executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's corporate governance listing standards. In addition, the Fund's report to the SEC on Form N-CSR contains certifications by the fund's principal executive officer and principal financial officer as required by Rule 30a-2(a) under the 1940 Act, relating to, among other things, the quality of the Fund's disclosure controls and procedures and internal control over financial reporting.

FOR 24 HOUR SHAREHOLDER ASSISTANCE
800.432.8224

TO OBTAIN INFORMATION
800.582.6959

VISIT OUR WEB SITE
www.calamos.com

INVESTMENT ADVISOR
Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787

FUND ACCOUNTING AGENT
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02111

CUSTODIAN AND TRANSFER AGENT
The Bank of New York
P.O. Box 11258
Church Street Station
New York, NY 10286
800.524.4458

INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM
Deloitte & Touche LLP
Chicago, IL

LEGAL COUNSEL
Bell, Boyd & Lloyd LLC
Chicago, IL

(C) 2006 Calamos Holdings LLC. All Rights Reserved.
Calamos(R), CALAMOS INVESTMENTS(R), Strategies for Serious Money(R)
and the Calamos(R) logo are registered trademarks of Calamos Holdings LLC.

CHYANR 1791 2006

ITEM 2. CODE OF ETHICS.

(a) The registrant has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions.

(b) Not applicable.

(c) The registrant has not amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(d) The registrant has not granted a waiver or an implicit waiver from its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(e) Not applicable.

(f) (1) The registrant's Code of Ethics is attached as an Exhibit hereto.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Trustees has determined that, for the period covered by the shareholder report presented in Item 1 hereto, it has four audit committee financial experts serving on its audit committee, each of whom is an independent Trustee for purpose of this N-CSR item: John E. Neal, Stephen B. Timbers, David D. Tripple and William Rybak. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the

purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligation, or liabilities that are greater than the duties, obligations and liabilities imposed on such person as a member of audit committee and Board of Trustees in the absence of such designation or identification.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

a) Audit Fee - $34,717 and $61,906 are the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the registrant for the audit of the registrant; annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(b) Audit-Related Fees - $27,192 and $31,908 are the aggregate fees billed in each of the last two fiscal years for assurance and related services rendered by the principal accountant to the registrant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item 4.

(c) Tax Fees - $4,850 and $4,579 are the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the registrant for tax compliance, tax advice, tax planning and tax return preparation.

There were no fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the investment adviser for tax compliance, tax advice and tax planning that were required to be pre-approved by the audit committee as described in paragraph (e)(1) of this Item 4.

(d) All Other Fees - $42,158 and $0 are the aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the registrant, other than the services reported in paragraph (a)-(c) of this Item 4.

There were no fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the investment adviser, other than the services reported in paragraphs (a)-

(c) of this Item 4, that were required to be pre-approved by the audit committee as described in paragraph (e)(1) of this Item 4.

(e) (1) Registrant's audit committee meets with the principal accountants and management to review and pre-approve all audit services to be provided by the principal accountants.

The audit committee shall pre-approve all non-audit services to be provided by the principal accountants to the registrant, including the fees and other compensation to be paid to the principal accountants; provided that the pre-approval of non-audit services is waived if (i) the services were not recognized by management at the time of the engagement as non-audit services, (ii) the aggregate fees for all non-audit services provided to the registrant are less than 5% of the total fees paid by the registrant to its principal accountants during the fiscal year in which the non-audit services are provided, and (iii) such services are promptly brought to the attention of the audit committee by management and the audit committee approves them prior to the

completion of the audit.

The audit committee shall pre-approve all non-audit services to be provided by the principal accountants to the investment adviser or any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the registrant if the engagement relates directly to the operations or financial reporting of the registrant, including the fees and other compensation to be paid to the principal accountants; provided that pre-approval of non-audit services to the adviser or an affiliate of the adviser is not required if (i) the services were not recognized by management at the time of the engagement as non-audit services, (ii) the aggregate fees for all non-audit services provided to the adviser and all entities controlling, controlled by or under common control with the adviser are less than 5% of the total fees for non-audit services requiring pre-approval under paragraph (e)(1) of this Item 4 paid by the registrant, the adviser or its affiliates to the registrant's principal accountants during the fiscal year in which the non-audit services are provided, and (iii) such services are promptly brought to the attention of the audit committee by management and the audit committee approves them prior to the completion of the audit.

(2) 100% of the services provided to the registrant described in paragraphs (b)-(d) of this Item 4 were pre-approved by the audit committee pursuant to paragraphs (e)(1) of this Item 4. There were no services provided to the investment adviser or any entity controlling, controlled by or under common control with the adviser described in paragraphs (b)-(d) of this Item 4 that were required pre-approved by the audit committee.

(f) No disclosures are required by this Item 4(f).

(g) $47,008 and $4,579 are the aggregate non-audit fees billed in each of the last two fiscal years for services rendered by the principal accountant to the registrant. $31,256 and $0 are the aggregate non-audit fees billed in each of the last two fiscal years for services rendered by the principal accountant to the investment adviser or any entity controlling, controlled by or under common control with the adviser. All of the aggregate fees billed by the principal accountant

for non-audit services to the registrant's investment adviser relate to services that began prior to the adoption of rules requiring audit committee pre-approval. However, the registrant's audit committee did approve such non-audit services.

(h) No disclosures are required by this Item 4(h).

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee. The members of the registrant's audit committee are John E. Neal, Joe F. Hanauer, Weston W. Marsh, William R. Rybak, David D. Tripple and Stephen B. Timbers.

ITEM 6. SCHEDULE OF INVESTMENTS

Included in the Report to Shareholders in Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The registrant has delegated the voting of proxies relating to its voting securities to its investment adviser, Calamos Advisors LLC ("Calamos"). A description of Proxy Voting Policies and Procedures of ("Calamos") are included

as an Exhibit hereto.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(a)(1) As of October 31, 2006, the registrant is lead by a team of investment professionals, including the following individuals who are responsible for the day-to-day management of the registrant's portfolio ("portfolio managers"):

NAME	POSITIONS HELD WITH THE REGISTRANT	PRINCIPAL OCCUPATION(S) DURING PAST FIVE
*John P. Calamos, Sr.	Trustee and President (since 2003)	Chairman, CEO and Co-Chief Investment Of Calamos Asset Management, Inc. ("CAM"), Calamos Holdings LLC ("CHLLC") and Calam Advisors LLC and its predecessor ("Calam Advisors"), and President and Co-Chief Investment Officer, Calamos Financial Se LLC and its predecessor ("CFS"); Directo
**Nick P. Calamos	Vice President (since 2003)	Senior Executive Vice President and Co-C Investment Officer, CAM, CHLLC, Calamos Advisors and CFS

* John P. Calamos, Sr. is an "interested person" of the registrant as defined in the Investment Company Act of 1940.

** Nick Calamos resigned from the board of trustees effective June 28, 2006.

(a)(2) The portfolio managers also have responsibility for the day-to-day management of accounts other than the registrant. Information regarding these other accounts is set forth below.

NUMBER OF OTHER ACCOUNTS MANAGED AND ASSETS BY ACCOUNT TYPE AS OF OCTOBER 31, 2006

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Accounts	Assets	Accounts	Assets	Accounts	Assets
John P. Calamos, Sr.	18	34,272,794,840	3	157,150,982	24,128	10,943,683
Nick P. Calamos	18	34,272,794,840	3	157,150,982	24,128	10,943,683

NUMBER OF ACCOUNTS AND ASSETS FOR WHICH ADVISORY FEE IS PERFORMANCE BASED AS OF OCTOBER 31, 2006

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Accounts	Assets	Accounts	Assets	Accounts	Assets

John P. Calamos, Sr.	1	298,575,715	2	95,215,600	1	9,326,764
Nick P. Calamos	1	298,575,715	2	95,215,600	1	9,326,764

The registrant's portfolio managers are responsible for managing the registrant and other accounts, including separate accounts and unregistered funds.

Other than potential conflicts between investment strategies, the side-by-side management of both the registrant and other accounts may raise potential conflicts of interest due to the interest held by Calamos in an account and certain trading practices used by the portfolio managers (e.g., cross trades between the registrant and another account and allocation of aggregated trades). Calamos has developed policies and procedures reasonably designed to mitigate those conflicts. For example, Calamos will only place cross-trades in securities held by the registrant in accordance with the rules promulgated under the Investment Company Act of 1940 and has adopted policies designed to

ensure the fair allocation of securities purchased on an aggregated basis.

The portfolio managers advise certain accounts under a performance fee arrangement. A performance fee arrangement may create an incentive for a portfolio manager to make investments that are riskier or more speculative than would be the case in the absence of performance fees. A performance fee arrangement may result in increased compensation to the portfolio managers from such accounts due to unrealized appreciation as well as realized gains in the client's account.

(a)(3) The portfolio managers have each entered into employment agreements that provide for compensation in the form of a minimum annual base salary, a maximum discretionary target bonus and participation in various benefits programs. The amounts paid to portfolio managers and the criteria utilized to determine the amounts are benchmarked against industry specific data provided by third party analytical agencies. The discretionary target bonus is set at a percentage of base salary. Portfolio performance, as measured by risk-adjusted portfolio performance over a rolling three-year period, is utilized to determine the discretionary target bonus. The portfolio managers are also eligible to receive annual equity awards under a long term incentive compensation program.

(a)(4) As of October 31, 2006, the end of the registrant's most recently completed fiscal year, the dollar range of securities beneficially owned by each portfolio manager in the registrant is shown below:

PORTFOLIO MANAGER	REGISTRANT
John P. Calamos, Sr.	Over $1,000,000
Nick P. Calamos	None

(b) Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) MAXIMUM NUMB APPROXIMATE DOLLA OF SHARES (OR UNI MAY YET BE PURCHAS THE PLANS OR PR
May 1 to May 31	N/A	N/A	N/A	N/A
June 1 to June 30	N/A	N/A	N/A	N/A
July 1 to July 31	N/A	N/A	N/A	N/A
August 1 to August 31	N/A	N/A	N/A	N/A
September 1 to September 30	N/A	N/A	N/A	N/A
October 1 to October 31	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No material changes.

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 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 were 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 registrant's second fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Code of Ethics

(a)(2)(i) Certification of Principal Executive Officer.

(a)(2)(ii) Certification of Principal Financial Officer.

SIGNATURES

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

Calamos Convertible and High Income Fund

By: /s/ John P. Calamos, Sr.

Name: John P. Calamos, Sr.
Title: Principal Executive Officer
Date: December 26, 2006

By: /s/ Patrick H. Dudasik

Name: Patrick H. Dudasik
Title: Principal Financial Officer
Date: December 26, 2006

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

Calamos Convertible and High Income Fund

By: /s/ John P. Calamos, Sr.

Name: John P. Calamos, Sr.
Title: Principal Executive Officer
Date: December 26, 2006

By: /s/ Patrick H. Dudasik

Name: Patrick H. Dudasik
Title: Principal Financial Officer
Date: December 26, 2006