

Semiannual Report



# RiverSource Limited Duration Bond Fund

**Semiannual Report for  
the Period Ended  
January 31, 2009**

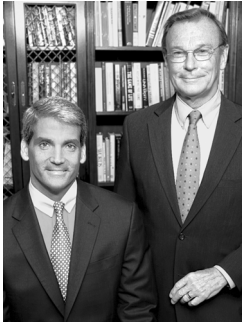
**> RiverSource Limited Duration Bond Fund seeks to provide shareholders with a level of current income consistent with preservation of capital.**



SINGLE-STRATEGY FUNDS

# Letter to Shareholders

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Patrick T. Bannigan (left)  
Stephen R. Lewis, Jr. (right)

Dear Fellow Shareholders,

2008 was an unprecedented year in many ways. Investors watched the precipitous decline in all the major U.S. and international equity indexes as concerns about the economy gave way to fear and selling of securities. In response to substantial losses in the markets and weakening economic indicators, the government stepped in swiftly and aggressively to encourage liquidity and credit availability in an attempt to make credit markets function. By the end of the calendar year, these

actions still needed time to gain traction in the markets.

During a severe economic environment like the one we are experiencing, it is essential that investors try not to let short-term losses in the market distract from a long-term investment plan. Such discipline may be easier said than done in the presence of negative news in the media. However, the financial choices you make today — practicing patience or locking in losses — will influence your portfolio's performance.

## **Getting back on track**

Whether you look at the glass as half empty or half full, every broad based market decline creates investment opportunities. The financial markets are expected to recover, although it is impossible to know when. In the meantime, make sure your portfolio is positioned to benefit from the next sources of growth.

Market recoveries often occur before the reported end of a recession. If you wait for validation of economic recovery before reinvesting in the markets, you may well miss out on market returns associated with an economic rebound.

Recession	Bear Market Ended	Time elapsed between bear market and recession end dates	Returns missed*
August 1929 - March 1933	June 1932	9 months	39.21%
August 1957 - April 1958	December 1957	4 months	9.94%
December 1969 - November 1970	June 1970	5 months	21.81%
November 1973 - March 1975	September 1974	6 months	34.47%
July 1981 - November 1982	July 1982	4 months	31.72%
July 1990 - March 1991	October 1990	5 months	25.33%

\* S&P 500® Index total returns for the number of months between the recession and bear market end dates.

Be sure your portfolio is on track today. Talk with your financial professional about opportunities that have been created in the markets and take advantage of our solutions and strategies that can help position portfolios for the next market recovery cycle.

### Our family of funds

We also want to share some good news with our fellow shareholders. Last November, RiverSource Investments, a wholly-owned subsidiary of Ameriprise Financial, Inc., acquired J. & W. Seligman & Co. Incorporated. Seligman's long heritage of investing and exceptional wealth of experience is a valuable addition to RiverSource Investments. Along with RiverSource and Threadneedle, Seligman joins our comprehensive family of mutual funds we offer investors.

For more information about any of our *RiverSource* Funds, go online to [RiverSource.com](http://RiverSource.com) or call (888) 791-3380. Customer Service Representatives are available to answer your questions Monday through Friday from 8 a.m. to 5 p.m. Central time.

## Letter to Shareholders *(continued)*

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In addition, we are excited to welcome John Maher and Leroy Richie to the RiverSource Funds' Boards of Directors. Mr. Maher and Mr. Richie join us from the Seligman Funds' Boards of Directors. The acquisition of Seligman creates several new opportunities for RiverSource Funds' shareholders, including access to talented portfolio managers and competitive mutual fund solutions to help you reach your investment goals. We hope you are as excited by these opportunities as we are. Thank you for investing with us.



Stephen R. Lewis, Jr.  
Chairman of the Boards



Patrick T. Bannigan  
President, RiverSource Funds

**You should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. For a free prospectus, which contains this and other important information about the funds, call (888) 791-3380. Read the prospectus carefully before investing.**

Asset allocation, diversification, and dollar cost averaging do not assure a profit or protect against loss and past performance is no guarantee of future results.

Standard & Poor's 500 Index (S&P 500 Index) is an unmanaged list of common stocks and is frequently used as a general measure of U.S. market performance.

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The RiverSource mutual fund shareholder reports have been awarded the Communications Seal from Dalbar Inc., an independent financial services research firm. The Seal recognizes communications demonstrating a level of excellence in the industry.

# Your Fund at a Glance

(Unaudited)

## FUND SUMMARY

- > RiverSource Limited Duration Bond Fund (the Fund) Class A shares declined 3.77% (excluding sales charge) for the six months ended Jan. 31, 2009.
- > The Fund underperformed its benchmark, the unmanaged Barclays Capital U.S. Intermediate Aggregate Bond Index (formerly known as the Lehman Brothers Intermediate Aggregate Bond Index), which gained 3.22% for the same period.
- > The Fund's peer group, as represented by the Lipper Short-Intermediate Investment Grade Debt Funds Index, decreased 1.70% during the same period.

## ANNUALIZED TOTAL RETURNS (for period ended Jan. 31, 2009)

	6 months*	1 year	3 years	5 years	Since inception 6/19/03
RiverSource Limited Duration Bond Fund Class A (excluding sales charge)	-3.77%	-6.34%	+1.05%	+1.48%	+1.37%
Barclays Capital U.S. Intermediate Aggregate Bond Index (unmanaged) <sup>(1)</sup>	+3.22%	+2.82%	+5.36%	+4.25%	+3.94%
Lipper Short-Intermediate Investment Grade Debt Funds Index <sup>(2)</sup>	-1.70%	-3.42%	+2.37%	+2.14%	+1.95%

\* Not annualized.

*The performance information shown represents past performance and is not a guarantee of future results. The investment return and principal value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by contacting your financial institution or visiting [riversource.com/funds](http://riversource.com/funds).*

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The 3.00% sales charge applicable to Class A shares of the Fund, which changed from 4.75% effective March 3, 2008, is not reflected in the table above. If reflected, returns would be lower than those shown. The performance of other classes may vary from that shown because of differences in expenses. See the Average Annual Total Returns table for performance of other share classes of the Fund.

The indices do not reflect the effects of sales charges, expenses (excluding Lipper) and taxes. It is not possible to invest directly in an index.

- <sup>(1)</sup>The Barclays Capital U.S. Intermediate Aggregate Bond Index is an unmanaged index of intermediate duration fixed-income securities. The index reflects reinvestment of all distributions and changes in market prices.
- <sup>(2)</sup>The Lipper Short-Intermediate Investment Grade Debt Funds Index includes the 30 largest short-intermediate investment grade debt funds tracked by Lipper Inc. The index's returns include net reinvested dividends.

# Your Fund at a Glance *(continued)*

## AVERAGE ANNUAL TOTAL RETURNS

at Jan. 31, 2009

<i>Without sales charge</i>	<b>6 months*</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since inception</b>
Class A ( <i>inception 6/19/03</i> )	-3.77%	-6.34%	+1.05%	+1.48%	+1.37%
Class B ( <i>inception 6/19/03</i> )	-4.25%	-7.16%	+0.23%	+0.70%	+0.60%
Class I ( <i>inception 6/19/03</i> )	-4.24%	-7.06%	+0.27%	+0.72%	+0.60%
Class R4 ( <i>inception 3/4/04</i> )	-3.70%	-6.10%	+1.40%	N/A	+1.71%
Class W ( <i>inception 6/19/03</i> )	-3.68%	-5.98%	+1.36%	+1.75%	+1.61%
Class W ( <i>inception 12/1/06</i> )	-3.90%	-6.41%	N/A	N/A	-0.61%

*With sales charge*

Class A ( <i>inception 6/19/03</i> )	-6.67%	-10.81%	-0.57%	+0.50%	+0.49%
Class B ( <i>inception 6/19/03</i> )	-8.95%	-11.66%	-0.99%	+0.35%	+0.44%
Class C ( <i>inception 6/19/03</i> )	-5.18%	-7.96%	+0.27%	+0.72%	+0.60%

at Dec. 31, 2008

<i>Without sales charge</i>	<b>6 months*</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since inception</b>
Class A ( <i>inception 6/19/03</i> )	-5.52%	-6.04%	+0.85%	+1.46%	+1.25%
Class B ( <i>inception 6/19/03</i> )	-5.89%	-6.75%	+0.07%	+0.68%	+0.50%
Class C ( <i>inception 6/19/03</i> )	-5.99%	-6.85%	+0.07%	+0.68%	+0.48%
Class I ( <i>inception 3/4/04</i> )	-5.45%	-5.79%	+1.17%	N/A	+1.57%
Class R4 ( <i>inception 6/19/03</i> )	-5.43%	-5.69%	+1.15%	+1.71%	+1.49%
Class W ( <i>inception 12/1/06</i> )	-5.65%	-6.11%	N/A	N/A	-1.00%

*With sales charge*

Class A ( <i>inception 6/19/03</i> )	-8.33%	-10.47%	-0.76%	+0.48%	+0.36%
Class B ( <i>inception 6/19/03</i> )	-10.51%	-11.26%	-1.15%	+0.33%	+0.34%
Class C ( <i>inception 6/19/03</i> )	-6.91%	-7.75%	+0.07%	+0.68%	+0.48%

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*On March 3, 2008, the maximum sales charge for Class A shares changed from 4.75% to 3.00%. Class A share performance for each period of one year, three years, five years and since inception reflects the maximum sales charge of 4.75%, which was in effect at the beginning of each of those periods. Class A share performance for each six-month period reflects the maximum sales charge of 3.00%, which was in effect at the beginning of each of those periods. Class B share performance reflects a contingent deferred sales charge (CDSC) applied as follows: first year 5%; second and third years 4%; fourth year 3%; fifth year 2%; sixth year 1%; no sales charge thereafter. Class C shares may be subject to a 1% CDSC if shares are sold within one year after purchase. Sales charges do not apply to Class I, Class R4 and Class W shares. Class I and Class R4 shares are available to institutional investors only. Class W shares are offered through qualifying discretionary accounts.*

*\* Not annualized.*

# Your Fund at a Glance *(continued)*

## STYLE MATRIX

DURATION			QUALITY
SHORT	INT.	LONG	

Shading within the style matrix indicates areas in which the Fund is designed to generally invest.

The style matrix can be a valuable tool for

constructing and monitoring your portfolio. It provides a frame of reference for distinguishing the types of stocks or bonds owned by a mutual fund, and may serve as a guideline for helping you build a portfolio.

Investment products, including shares of mutual funds, are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

## ANNUAL OPERATING EXPENSE RATIO

*(as of the current prospectus)*

	Total fund expenses	Net fund expenses <sup>(a)</sup>
Class A	1.08%	0.89%
Class B	1.84%	1.65%
Class C	1.83%	1.64%
Class I	0.67%	0.53%
Class R4	0.98%	0.77%
Class W	1.14%	0.98%

<sup>(a)</sup> The Investment Manager and its affiliates have contractually agreed to waive certain fees and to absorb certain expenses until July 31, 2009, unless sooner terminated at the discretion of the Fund's Board. Any amounts waived will not be reimbursed by the Fund. Under this agreement, net fund expenses (excluding fees and expenses of acquired funds) will not exceed 0.89% for Class A, 1.65% for Class B, 1.64% for Class C, 0.53% for Class I, 0.77% for Class R4 and 0.98% for Class W.

## PORTFOLIO STATISTICS

Weighted average life <sup>(1)</sup>	5.5 years
Effective duration <sup>(2)</sup>	3.3 years
Weighted average bond rating <sup>(3)</sup>	AA+

<sup>(1)</sup> **Weighted average life** measures a bond's maturity, which takes into consideration the possibility that the issuer may call the bond before its maturity date.

<sup>(2)</sup> **Effective duration** measures the sensitivity of a security's price to parallel shifts in the yield curve (the graphical depiction of the levels of interest rates from two years out to 30 years). Positive duration means that as rates rise, the price decreases, and negative duration means that as rates rise, the price increases.

<sup>(3)</sup> **Weighted average bond rating** represents the average credit quality of the underlying bonds in the portfolio.

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**SECTOR DIVERSIFICATION** *(at Jan. 31, 2009; % of portfolio assets)*

Asset-Backed	1.1%
Commercial Mortgage-Backed	5.1%
Consumer Discretionary	0.8%
Consumer Staples	1.7%
Energy	2.2%
Financials	1.8%
Foreign Government	0.8%
Health Care	0.2%
Industrials	1.3%
Mortgage-Backed	39.8%
Telecommunication	7.1%
U.S. Government Obligations & Agencies	16.6%
Utilities	5.8%
Other <sup>(1)</sup>	15.7%

<sup>(1)</sup> Cash & Cash Equivalents. Of the 15.7%, 8.1% is due to security lending activity and 7.6% is the fund's cash equivalent position.

**QUALITY BREAKDOWN** *(at Jan. 31, 2009; % of portfolio assets excluding cash equivalents and equities)*

AAA bonds	71.8%
AA bonds	1.2%
A bonds	11.0%
BBB bonds	15.3%
Non-investment grade bonds	0.7%
Non-rated bonds	—%

Bond ratings apply to the underlying holdings of the Fund and not the Fund itself. Whenever possible, the Standard and Poor's rating is used to determine the credit quality of a security. Standard and Poor's rates the creditworthiness of corporate bonds, with 15 categories, ranging from AAA (highest) to D (lowest). Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. If Standard and Poor's doesn't rate a security, then Moody's rating is used. RiverSource Investments, LLC, the Fund's investment manager, rates a security using an internal rating system when Moody's doesn't provide a rating. Ratings for 0.04% of the bond portfolio assets were determined through internal analysis.

# Fund Expenses Example

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(Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments; and (2) ongoing costs, which may include management fees; distribution and service (12b-1) fees; and other Fund fees and expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. In addition to the ongoing expenses which the Fund bears directly, the Fund's shareholders indirectly bear the expenses of the funds in which it invests (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds). The Fund's indirect expense from investing in the acquired funds is based on the Fund's pro rata portion of the cumulative expenses charged by the acquired funds using the expense ratio of each of the acquired funds as of the acquired fund's most recent shareholder report.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six months ended Jan. 31, 2009.

## Actual Expenses

The first line of the table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading titled "Expenses paid during the period" to estimate the expenses you paid on your account during this period.

## Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads). Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<b>Beginning account value Aug. 1, 2008</b>	<b>Ending account value Jan. 31, 2009</b>	<b>Expenses paid during the period<sup>(a)</sup></b>	<b>Annualized expense ratio</b>
<b>Class A</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 962.30	\$4.38	.89%
Hypothetical (5% return before expenses)	\$1,000	\$1,020.61	\$4.51	.89%
<b>Class B</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 957.50	\$8.10	1.65%
Hypothetical (5% return before expenses)	\$1,000	\$1,016.80	\$8.34	1.65%
<b>Class C</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 957.60	\$8.05	1.64%
Hypothetical (5% return before expenses)	\$1,000	\$1,016.85	\$8.29	1.64%
<b>Class I</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 963.00	\$2.61	.53%
Hypothetical (5% return before expenses)	\$1,000	\$1,022.41	\$2.69	.53%
<b>Class R4</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 963.20	\$3.79	.77%
Hypothetical (5% return before expenses)	\$1,000	\$1,021.21	\$3.90	.77%
<b>Class W</b>				
Actual <sup>(b)</sup>	\$1,000	\$ 961.00	\$4.77	.97%
Hypothetical (5% return before expenses)	\$1,000	\$1,020.21	\$4.91	.97%

<sup>(a)</sup> Expenses are equal to the Fund's annualized expense ratio as indicated above, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

<sup>(b)</sup> Based on the actual return for the six months ended Jan. 31, 2009: -3.77% for Class A, -4.25% for Class B, -4.24% for Class C, -3.70% for Class I, -3.68% for Class R4 and -3.90% for Class W.

# Portfolio of Investments

## RiverSource Limited Duration Bond Fund

Jan. 31, 2009 (Unaudited)

(Percentages represent value of investments compared to net assets)

### Investments in Securities

Bonds (106.7%)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>U.S. Government Obligations &amp; Agencies (21.0%)</b>				<b>Asset-Backed (cont.)</b>			
Federal Home Loan Mtge Corp				Countrywide Asset-backed Cfts			
07-17-15	4.38%	\$3,735,000(o)	\$4,025,709	Series 2005-10 CI AF6			
03-15-31	6.75	640,000	835,955	02-25-36	4.92%	\$103,765	\$77,634
04-16-37	6.00	750,000	765,688	Countrywide Asset-backed Cfts			
Federal Home Loan Mtge Corp				Series 2006-4 CI 1A1M			
Sub Nts				07-25-36	0.65	99,278(i)	69,051
12-14-18	5.00	1,502,000(o)	1,414,867	Dunkin Securitization			
Federal Natl Mtge Assn				Series 2006-1 CI A2 (AMBAC)			
01-02-14	5.13	2,229,000(o)	2,270,348	06-20-31	5.78	575,000(d,j)	388,487
04-15-15	5.00	1,750,000	1,949,546	Natl Collegiate Student Loan Trust			
U.S. Treasury				Collateralized Mtge Obligation			
06-30-10	2.88	1,990,000	2,052,808	Interest Only			
10-31-10	1.50	1,220,000(o)	1,234,297	Series 2006-2 CI AIO			
12-15-10	4.38	690,000(o)	735,605	08-25-11	0.00	600,000(g)	60,000
12-31-13	1.50	3,670,000(o)	3,616,385	Natl Collegiate Student Loan Trust			
08-15-18	4.00	665,000	730,045	Collateralized Mtge Obligation			
11-15-18	3.75	1,945,000	2,094,532	Interest Only			
02-15-26	6.00	215,000(m,o)	274,562	Series 2006-3 CI AIO			
02-15-29	5.25	2,470,000(o)	2,919,617	01-25-12	5.88	700,000(g)	126,547
02-15-38	4.38	150,000	170,016	Natl Collegiate Student Loan Trust			
05-15-38	4.50	955,000(o)	1,108,994	Collateralized Mtge Obligation			
U.S. Treasury Inflation-Indexed Bond				Interest Only			
01-15-14	2.00	3,171,253(e)	3,153,423	Series 2007-2 CI AIO			
01-15-15	1.63	5,123,894(e)	4,963,852	07-25-12	50.00	300,000(g)	25,860
<b>Total</b>			<b>34,316,249</b>	Renaissance Home Equity Loan Trust			
				Series 2005-4 CI A3			
				02-25-36	5.57	195,986	187,190
				Renaissance Home Equity Loan Trust			
				Series 2007-2 CI M4			
				06-25-37	6.31	75,000(n)	6,888
				Renaissance Home Equity Loan Trust			
				Series 2007-2 CI M5			
				06-25-37	6.66	50,000(n)	3,604
				Renaissance Home Equity Loan Trust			
				Series 2007-2 CI M6			
				06-25-37	7.01	70,000(n)	4,341

See accompanying Notes to Portfolio of Investments.

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Asset-Backed (cont.)</b>			
Residential Asset Securities Series 2007-KS3 CI A12			
04-25-37	0.57%	\$750,000(i)	\$347,555
<b>Total</b>			<b>2,218,603</b>

### Commercial Mortgage-Backed (6.5%)(f)

Banc of America Commercial Mtge Series 2007-1 CI A3			
01-15-49	5.45	675,000	442,154
Bear Stearns Commercial Mtge Securities Series 2004-PWR5 CI A3			
07-11-42	4.57	350,000	318,700
CDC Commercial Mtge Trust Series 2002-FX1 CI A2			
11-15-30	5.68	350,000	342,073
Citigroup Commercial Mtge Trust Series 2006-C5 CI A4			
10-15-49	5.43	150,000	108,025
Citigroup/Deutsche Bank Commercial Mtge Trust Series 2005-CD1 CI ASB			
07-15-44	5.23	175,000	147,271
Commercial Mtge Acceptance Series 1999-C1 CI A2			
06-15-31	7.03	82,019	81,899
Commercial Mtge Pass-Through Cfts Series 2006-CN2A CI BFL			
02-05-19	0.75	150,000(d,i)	120,071
CS First Boston Mtge Securities Series 2001-CP4 CI A4			
12-15-35	6.18	425,000	401,218
CS First Boston Mtge Securities Series 2003-CPN1 CI A2			
03-15-35	4.60	175,000	148,497
CS First Boston Mtge Securities Series 2004-C2 CI A1			
05-15-36	3.82	65,574	61,242
Federal Natl Mtge Assn #735029 09-01-13	5.32	353,412	363,686
GE Capital Commercial Mtge Series 2005-C1 CI A5			
06-10-48	4.77	400,000	339,596

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Commercial Mortgage-Backed (cont.)</b>			
General Electric Capital Assurance Series 2003-1 CI A3			
05-12-35	4.77%	\$79,768(d)	\$79,378
General Electric Capital Assurance Series 2003-1 CI A4			
05-12-35	5.25	150,000(d)	131,627
Greenwich Capital Commercial Funding Series 2004-GG1 CI A5			
06-10-36	4.88	175,000	159,947
GS Mtge Securities II Series 2006-GG6 CI A4			
04-10-38	5.55	375,000	286,897
GS Mtge Securities II Series 2007-EOP CI J			
03-06-20	1.28	350,000(d,i)	212,821
GS Mtge Securities II Series 2007-GG10 CI F			
08-10-45	5.80	225,000	33,267
JPMorgan Chase Commercial Mtge Securities Series 2003-LN1 CI A1			
10-15-37	4.13	196,139	182,827
JPMorgan Chase Commercial Mtge Securities Series 2003-ML1A CI A1			
03-12-39	3.97	84,080	78,648
JPMorgan Chase Commercial Mtge Securities Series 2003-ML1A CI A2			
03-12-39	4.77	375,000	318,202
JPMorgan Chase Commercial Mtge Securities Series 2004-C2 CI A2			
05-15-41	5.10	350,000	303,204
JPMorgan Chase Commercial Mtge Securities Series 2004-CBX CI A3			
01-12-37	4.18	150,000	146,362
JPMorgan Chase Commercial Mtge Securities Series 2004-LN2 CI A1			
07-15-41	4.48	432,818	410,629
JPMorgan Chase Commercial Mtge Securities Series 2005-LDP4 CI AM			
10-15-42	5.00	625,000	368,492
JPMorgan Chase Commercial Mtge Securities Series 2006-LDP6 CI ASB			
04-15-43	5.49	450,000	364,011

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

Bonds (continued)				Bonds (continued)					
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)		
<b>Commercial Mortgage-Backed (cont.)</b>				<b>Commercial Mortgage-Backed (cont.)</b>					
JPMorgan Chase Commercial Mtge Securities Series 2007-CB20 CI A4	02-12-51	5.79%	\$300,000	\$189,253	Wachovia Bank Commercial Mtge Trust Series 2005-C20 CI A5	07-15-42	5.09%	\$325,000	\$275,599
JPMorgan Chase Commercial Mtge Securities Series 2007-CB20 CI AM	02-12-51	5.90	550,000	220,434	Wachovia Bank Commercial Mtge Trust Series 2006-C24 CI A3	03-15-45	5.56	1,375,000	937,896
JPMorgan Chase Commercial Mtge Securities Series 2007-CB20 CI E	02-12-51	6.20	225,000(d)	32,161	Wachovia Bank Commercial Mtge Trust Series 2006-C27 CI APB	07-15-45	5.73	275,000	227,302
LB-UBS Commercial Mtge Trust Series 2004-C2 CI A3	03-15-29	3.97	250,000	221,787	Wachovia Bank Commercial Mtge Trust Series 2006-C29 CI A4	11-15-48	5.31	75,000	51,006
LB-UBS Commercial Mtge Trust Series 2006-C4 CI AAB	06-15-32	5.86	275,000	221,027	Wachovia Bank Commercial Mtge Trust Series 2006-C29 CI AM	11-15-48	5.34	535,000	218,725
LB-UBS Commercial Mtge Trust Series 2006-C6 CI A4	09-15-39	5.37	250,000	165,723	<b>Total</b>				<b>10,570,783</b>
LB-UBS Commercial Mtge Trust Series 2008-C1 CI A1	04-15-41	5.61	45,997	43,447	<b>Mortgage-Backed (50.4%)(f,q)</b>				
Merrill Lynch Mtge Trust Series 2008-C1 CI A1	02-12-51	4.71	112,747	105,652	Adjustable Rate Mtge Trust Collateralized Mtge Obligation Series 2007-1 CI 3A21	03-25-37	6.18	303,801(h)	173,819
Morgan Stanley Capital I Series 2003-T11 CI A2	06-13-41	4.34	100,955	99,460	Banc of America Alternative Loan Trust Collateralized Mtge Obligation Series 2003-11 CI 1A1	01-25-34	6.00	135,619	96,017
Morgan Stanley Capital I Series 2004-HQ4 CI A5	04-14-40	4.59	300,000	260,320	Banc of America Alternative Loan Trust Collateralized Mtge Obligation Series 2006-9 CI 1CB1	01-25-37	6.00	800,118	425,563
Morgan Stanley Capital I Series 2007-IQ15 CI A4	06-11-49	5.88	300,000	192,984	Banc of America Funding Collateralized Mtge Obligation Series 2006-2 CI N1	11-25-46	7.25	26,824(d,k)	3,058
SBA CMBS Trust Series 2006-1A CI B	11-15-36	5.45	225,000(d)	152,095	Bear Stearns Adjustable Rate Mtge Trust Collateralized Mtge Obligation Series 2005-8 CI A4	08-25-35	5.10	350,000(d,h)	240,933
TIAA Seasoned Commercial Mtge Trust Series 2007-C4 CI A3	08-15-39	6.09	475,000	355,720	ChaseFlex Trust Collateralized Mtge Obligation Series 2005-2 CI 2A2	06-25-35	6.50	252,541	225,156
Wachovia Bank Commercial Mtge Trust Series 2003-C7 CI A2	10-15-35	5.08	775,000(d)	649,448					

See accompanying Notes to Portfolio of Investments.

Bonds (continued)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>				<b>Mortgage-Backed (cont.)</b>			
Citicorp Mtge Securities				Countrywide Alternative Loan Trust			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Series 2005-5 CI 3A1				Series 2007-OH3 CI A3			
08-25-35	5.00%	\$411,505	\$294,050	09-25-47	0.89%	\$751,067(i)	\$80,261
Countrywide Alternative Loan Trust				Countrywide Home Loans			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Interest Only				Series 2005-HYB8 CI 4A1			
Series 2007-8CB CI A13				12-20-35	5.56	631,519(h)	374,486
05-25-37	7.73	267,862(g)	36,744	Countrywide Home Loans			
Countrywide Alternative Loan Trust				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Series 2005-R2 CI 2A1			
Series 2003-11T1 CI A1				06-25-35	7.00	296,340(d)	205,436
07-25-18	4.75	123,444	120,127	Countrywide Home Loans			
Countrywide Alternative Loan Trust				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Series 2006-HYB1 CI 1A1			
Series 2003-20CB CI 1A1				03-20-36	5.32	271,069(h)	116,799
10-25-33	5.50	944,492	737,331	Downey Savings & Loan Assn Mtge Loan Trust			
Countrywide Alternative Loan Trust				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Interest Only			
Series 2005-6CB CI 1A1				Series 2005-AR5 CI X1			
04-25-35	7.50	236,759	149,480	08-19-45	0.00	1,306,990(g,p)	—
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp			
Collateralized Mtge Obligation				02-01-39	4.50	800,000(b)	803,500
Series 2006-22R CI 1A2				02-01-39	5.50	1,000,000(b)	1,023,125
05-25-36	6.00	408,439	329,042	02-01-39	6.00	2,000,000(b)	2,063,750
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #1B3592			
Collateralized Mtge Obligation				09-01-37	6.00	271,945(h)	282,224
Series 2006-2CB CI A11				Federal Home Loan Mtge Corp #A10892			
03-25-36	6.00	545,007	278,294	07-01-33	6.00	134,063	139,137
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #A12692			
Collateralized Mtge Obligation				10-01-32	6.00	108,004	112,853
Series 2006-31CB CI A16				Federal Home Loan Mtge Corp #A13092			
11-25-36	6.00	240,000	151,380	09-01-33	5.00	1,010,737	1,030,415
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #A13854			
Collateralized Mtge Obligation				09-01-33	6.00	183,205	191,150
Series 2006-43CB CI 1A4				Federal Home Loan Mtge Corp #A28602			
02-25-37	6.00	523,935	348,460	11-01-34	6.50	835,412	874,224
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #A83607			
Collateralized Mtge Obligation				12-01-38	5.50	1,998,148	2,046,158
Series 2007-25 CI 1A1				Federal Home Loan Mtge Corp #B11835			
11-25-37	6.50	885,005	470,401	01-01-19	5.50	691,402	715,318
				Federal Home Loan Mtge Corp #C77372			
				03-01-33	6.00	298,485	310,549

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>			
Federal Home Loan Mtge Corp #D96300			
10-01-23	5.50%	\$283,709	\$291,064
Federal Home Loan Mtge Corp #E74288			
12-01-13	6.00	101,063	105,425
Federal Home Loan Mtge Corp #E96941			
06-01-18	4.50	112,698	114,765
Federal Home Loan Mtge Corp #E99684			
10-01-18	5.00	225,962	233,076
Federal Home Loan Mtge Corp #G01864			
01-01-34	5.00	461,194	470,173
Federal Home Loan Mtge Corp #G02757			
06-01-36	5.00	1,467,064	1,492,417
Federal Home Loan Mtge Corp Collateralized Mtge Obligation Interest Only Series 2795 CI IY			
07-15-17	34.18	150,044(g)	6,084
Federal Home Loan Mtge Corp Collateralized Mtge Obligation Interest Only Series 2817 CI SA			
06-15-32	77.27	288,700(g)	17,205
Federal Home Loan Mtge Corp Collateralized Mtge Obligation Series 2576 CI KJ			
02-15-33	5.50	123,208	125,206
Federal Home Loan Mtge Corp Collateralized Mtge Obligation Series 2641 CI KC			
01-15-18	6.50	147,165	156,712
Federal Natl Mtge Assn			
02-01-24	4.50	550,000(b)	557,563
02-01-24	5.00	1,350,000(b)	1,381,219
01-01-39	4.50	6,500,000(b)	6,542,652
02-01-39	5.00	3,900,000(b)	3,964,591
02-01-39	5.50	2,900,000(b)	2,967,969
02-01-39	6.00	3,000,000(b)	3,091,874
02-01-39	7.00	2,500,000(b)	2,625,780
Federal Natl Mtge Assn #252440			
05-01-29	7.00	334,135	355,097
Federal Natl Mtge Assn #254684			
03-01-18	5.00	991,133(m)	1,019,842

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn #254916			
09-01-23	5.50%	\$239,760	\$246,038
Federal Natl Mtge Assn #255408			
09-01-24	5.50	830,022	850,513
Federal Natl Mtge Assn #255788			
06-01-15	5.50	450,476	467,304
Federal Natl Mtge Assn #440730			
12-01-28	6.00	149,402	156,199
Federal Natl Mtge Assn #493945			
04-01-29	6.50	90,718(m)	95,259
Federal Natl Mtge Assn #518159			
09-01-14	7.00	303,006	315,722
Federal Natl Mtge Assn #545869			
07-01-32	6.50	64,463(m)	68,049
Federal Natl Mtge Assn #555340			
04-01-33	5.50	375,872(m)	387,904
Federal Natl Mtge Assn #555528			
04-01-33	6.00	804,008	833,388
Federal Natl Mtge Assn #555734			
07-01-23	5.00	108,766	111,029
Federal Natl Mtge Assn #555794			
09-01-28	7.50	68,610	73,080
Federal Natl Mtge Assn #582154			
05-01-31	6.50	92,663(m)	97,268
Federal Natl Mtge Assn #597374			
09-01-31	7.00	89,854	95,632
Federal Natl Mtge Assn #611831			
02-01-31	7.50	35,411	37,718
Federal Natl Mtge Assn #643381			
06-01-17	6.00	147,847	154,320
Federal Natl Mtge Assn #646147			
06-01-32	7.00	615,000	655,495
Federal Natl Mtge Assn #649876			
08-01-32	6.50	75,289	79,541
Federal Natl Mtge Assn #650009			
09-01-31	7.50	57,218	60,946
Federal Natl Mtge Assn #654208			
10-01-32	6.50	188,398	197,643
Federal Natl Mtge Assn #655679			
08-01-32	6.50	123,765	129,838
Federal Natl Mtge Assn #661815			
10-01-32	6.00	118,207	122,705

See accompanying Notes to Portfolio of Investments.

**Bonds (continued)**

Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn #662061			
09-01-32	6.50%	\$845,406	\$886,892
Federal Natl Mtge Assn #677089			
01-01-33	5.50	618,333	635,711
Federal Natl Mtge Assn #678028			
09-01-17	6.00	116,921	122,040
Federal Natl Mtge Assn #683100			
02-01-18	5.50	158,383	164,289
Federal Natl Mtge Assn #683116			
02-01-33	6.00	458,615	475,373
Federal Natl Mtge Assn #689093			
07-01-28	5.50	107,887	111,593
Federal Natl Mtge Assn #708959			
06-01-18	4.50	414,540	422,661
Federal Natl Mtge Assn #709093			
06-01-33	6.00	143,003	148,139
Federal Natl Mtge Assn #710780			
05-01-33	6.00	395,714	409,927
Federal Natl Mtge Assn #711224			
06-01-33	5.50	57,074	58,642
Federal Natl Mtge Assn #711501			
05-01-33	5.50	136,359	140,950
Federal Natl Mtge Assn #711503			
06-01-33	5.50	111,810	115,077
Federal Natl Mtge Assn #724867			
06-01-18	5.00	191,326	197,879
Federal Natl Mtge Assn #725424			
04-01-34	5.50	3,345,273(m)	3,437,197
Federal Natl Mtge Assn #725425			
04-01-34	5.50	1,181,513	1,211,755
Federal Natl Mtge Assn #725431			
08-01-15	5.50	145,146	150,847
Federal Natl Mtge Assn #725684			
05-01-18	6.00	282,382	294,328
Federal Natl Mtge Assn #725773			
09-01-34	5.50	1,511,281	1,550,921
Federal Natl Mtge Assn #726940			
08-01-23	5.50	139,223	144,286
Federal Natl Mtge Assn #735212			
12-01-34	5.00	1,172,266	1,195,089

**Bonds (continued)**

Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn #735224			
02-01-35	5.50%	\$1,871,697	\$1,923,130
Federal Natl Mtge Assn #735578			
06-01-35	5.00	1,193,880	1,216,004
Federal Natl Mtge Assn #735841			
11-01-19	4.50	506,641	515,616
Federal Natl Mtge Assn #743347			
10-01-33	6.00	124,593	129,699
Federal Natl Mtge Assn #743579			
11-01-33	5.50	614,521	631,407
Federal Natl Mtge Assn #747339			
10-01-23	5.50	381,975	395,891
Federal Natl Mtge Assn #753074			
12-01-28	5.50	178,853	184,997
Federal Natl Mtge Assn #755056			
12-01-23	5.50	551,444	565,881
Federal Natl Mtge Assn #757581			
01-01-19	5.50	595,386	615,795
Federal Natl Mtge Assn #759330			
01-01-19	6.50	315,851	329,672
Federal Natl Mtge Assn #763754			
02-01-29	5.50	221,667	228,820
Federal Natl Mtge Assn #766641			
03-01-34	5.00	840,718	857,085
Federal Natl Mtge Assn #768117			
08-01-34	5.44	134,888(h)	136,893
Federal Natl Mtge Assn #779676			
06-01-34	5.00	1,206,699	1,230,192
Federal Natl Mtge Assn #829227			
08-01-35	6.00	1,165,648	1,203,872
Federal Natl Mtge Assn #831809			
09-01-36	6.00	2,732,058(m)	2,819,085
Federal Natl Mtge Assn #869867			
04-01-21	5.50	996,330	1,028,148
Federal Natl Mtge Assn #881629			
02-01-36	5.50	1,058,146	1,076,201
Federal Natl Mtge Assn #885827			
06-01-36	6.50	684,460	720,315
Federal Natl Mtge Assn #887648			
07-01-36	5.93	833,429(h)	864,900
Federal Natl Mtge Assn #974740			
04-01-23	6.00	981,974	1,022,611

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

Bonds (continued)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>				<b>Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn				IndyMac Index Mtge Loan Trust			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Interest Only				Interest Only			
Series 2003-119 CI GI				Series 2005-AR8 CI AX1			
12-25-33	14.83%	\$267,477(g)	\$37,613	04-25-35	0.80%	\$3,373,469(g,p,r)	\$-
Federal Natl Mtge Assn				Lehman XS Trust			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Interest Only				Series 2007-5H CI 1A1			
Series 2003-63 CI IP				05-25-37	6.50	787,561	347,758
07-25-33	29.96	656,649(g)	74,168	MASTR Alternative Loan Trust			
Federal Natl Mtge Assn				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Series 2004-2 CI 4A1			
Interest Only				02-25-19	5.00	257,714	225,017
Series 2003-71 CI IM				MASTR Alternative Loan Trust			
12-25-31	17.99	222,605(g)	20,656	Collateralized Mtge Obligation			
Federal Natl Mtge Assn				Series 2004-4 CI 2A1			
Collateralized Mtge Obligation				05-25-34	6.00	151,718	134,727
Interest Only				MASTR Alternative Loan Trust			
Series 2004-84 CI GI				Collateralized Mtge Obligation			
12-25-22	26.49	128,192(g)	8,811	Series 2004-7 CI 8A1			
Federal Natl Mtge Assn				08-25-19	5.00	156,582	145,487
Collateralized Mtge Obligation				MASTR Alternative Loan Trust			
Series 2003-133 CI GB				Collateralized Mtge Obligation			
12-25-26	8.00	54,149	57,088	Series 2004-8 CI 7A1			
Govt Natl Mtge Assn				09-25-19	5.00	220,312	197,408
02-01-39	5.50	1,000,000(b)	1,022,195	MASTR Alternative Loan Trust			
02-01-39	6.00	1,000,000(b)	1,028,750	Collateralized Mtge Obligation			
Govt Natl Mtge Assn #567717				Series 2005-3 CI 1A2			
06-15-32	7.50	22,842	24,372	04-25-35	5.50	800,000	634,025
Govt Natl Mtge Assn #604708				Residential Accredit Loans			
12-15-33	5.50	214,248	220,170	Collateralized Mtge Obligation			
Harborview Mtge Loan Trust				Series 2006-QS3 CI 1A10			
Collateralized Mtge Obligation				03-25-36	6.00	323,499	190,697
Series 2005-12 CI 2A11				Structured Asset Securities			
10-19-35	4.05	364,486(h)	166,179	Collateralized Mtge Obligation			
Harborview Mtge Loan Trust				Series 2003-33H CI 1A1			
Collateralized Mtge Obligation				10-25-33	5.50	445,382	367,736
Series 2005-16 CI 3A1B				Washington Mutual Mtge Pass-Through Ctfs			
01-19-36	0.67	282,954(h)	80,162	Collateralized Mtge Obligation			
				Series 2005-AR14 CI 2A1			
				12-25-35	5.28	246,706(h)	183,528

See accompanying Notes to Portfolio of Investments.

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Mortgage-Backed (cont.)</b>			
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2005-10 Cl A1 10-25-35	5.00%	\$1,526,200	\$1,090,577
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2005-5 Cl 2A1 05-25-35	5.50	542,455	392,433
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2006-AR6 Cl 5A1 03-25-36	5.11	526,317(h)	381,912
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2007-15 Cl A1 11-25-37	6.00	878,783	586,039
<b>Total</b>			<b>82,390,863</b>

### Banking (1.0%)

Bank of America Sr Unsecured 05-01-18	5.65	320,000	290,072
Citigroup Sr Unsecured 02-14-11	5.13	140,000(o)	134,232
	5.50	735,000	672,360
Goldman Sachs Group Sr Nts 02-15-19	7.50	130,000(b)	126,946
Manufacturers & Traders Trust Sub Nts 12-01-21	5.63	615,000	448,101
<b>Total</b>			<b>1,671,711</b>

### Brokerage (—%)

Lehman Brothers Holdings Sr Unsecured 05-02-18	6.88	45,000(b,n,r)	6,300
	6.88	395,000(n,r)	55,300
<b>Total</b>			<b>61,600</b>

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Consumer Products (0.2%)</b>			
Clorox Sr Unsecured 10-15-12	5.45%	\$245,000	\$250,646
	5.00	105,000	105,531
<b>Total</b>			<b>356,177</b>

### Electric (5.1%)

CenterPoint Energy Houston Electric LLC Series U 03-01-14	7.00	455,000	465,355
Cleveland Electric Illuminating 1st Mtge 11-15-18	8.88	700,000	800,037
Consumers Energy 1st Mtge 09-15-18	5.65	95,000	92,293
Consumers Energy 1st Mtge Series H 02-17-09	4.80	810,000	809,382
Detroit Edison 10-01-13	6.40	285,000	298,819
Dominion Resources Sr Nts 01-15-19	8.88	145,000	164,517
Duke Energy Carolinas LLC 1st Refunding Mtge 10-01-15	5.30	540,000	546,176
Duke Energy Carolinas LLC Sr Unsecured 02-01-14	6.30	430,000	441,032
Duke Energy Carolinas LLC Sr Unsecured Series D 03-01-10	7.38	320,000	331,054
Exelon Sr Unsecured 06-15-10	4.45	580,000	561,728
FirstEnergy Sr Unsecured Series B 11-15-11	6.45	125,000	124,505
Indiana Michigan Power Sr Nts 03-15-19	7.00	1,240,000	1,231,956

See accompanying Notes to Portfolio of Investments.



Bonds (continued)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>Independent Energy (2.5%)</b>				<b>Media Cable (0.9%)</b>			
Anadarko Petroleum				Comcast			
Sr Unsecured				03-15-11	5.50%	\$290,000	\$295,186
09-15-09	2.40%	\$105,000(i)	\$103,141	03-15-16	5.90	1,230,000	1,199,020
09-15-16	5.95	540,000	487,162	Total			1,494,206
EnCana Holdings Finance				<b>Media Non Cable (2.7%)</b>			
05-01-14	5.80	285,000(c)	268,364	British Sky Broadcasting Group			
EnCana				02-23-09	6.88	775,000(c)	776,112
Sr Unsecured				02-15-18	6.10	730,000(c,d)	617,211
11-01-11	6.30	605,000(c)	582,576	Reed Elsevier Capital			
10-15-13	4.75	600,000(c)	541,988	08-01-11	6.75	360,000	350,555
Nexen				RR Donnelley & Sons			
Sr Unsecured				Sr Unsecured			
11-20-13	5.05	55,000(c)	50,373	01-15-17	6.13	1,040,000	790,578
05-15-37	6.40	410,000(c)	302,022	Thomson Reuters			
XTO Energy				08-15-09	4.25	310,000(c)	309,347
Sr Unsecured				07-15-13	5.95	330,000(c)	324,166
06-15-13	4.63	40,000	37,825	10-01-14	5.70	810,000(c)	746,756
02-01-14	4.90	775,000	742,141	07-15-18	6.50	475,000(c)	440,384
01-31-15	5.00	470,000	421,238	Total			4,355,109
06-30-15	5.30	665,000	600,901	<b>Non Captive Diversified (-%)</b>			
Total			4,137,731	General Electric Capital			
<b>Integrated Energy (0.2%)</b>				Sr Unsecured			
Marathon Oil				01-10-39	6.88	85,000	75,313
Sr Unsecured				<b>Oil Field Services (0.1%)</b>			
03-15-18	5.90	330,000	294,712	Weatherford Intl			
<b>Life Insurance (1.0%)</b>				03-01-19	9.63	155,000(c)	157,757
MetLife				<b>Railroads (0.8%)</b>			
Sr Unsecured Series A				Burlington Northern Sante Fe			
08-15-18	6.82	180,000	182,192	Sr Unsecured			
Metropolitan Life Global Funding I				01-15-15	4.88	205,000	192,855
Sr Secured				CSX			
04-10-13	5.13	760,000(d,o)	727,249	Sr Unsecured			
Pricoa Global Funding I				03-15-12	6.30	205,000	204,761
Sr Secured				03-15-13	5.75	485,000	466,780
10-18-12	5.40	535,000(d)	487,077	04-01-15	6.25	505,000	484,559
Principal Life Income Funding Trusts				Total			1,348,955
Sr Secured				<b>REITS (0.2%)</b>			
12-14-12	5.30	310,000	298,968	Brandywine Operating Partnership LP			
Total			1,695,486	05-01-17	5.70	95,000	47,429

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

Bonds (continued)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>REITS (cont.)</b>				<b>Wirelines (5.9%)</b>			
ERP Operating LP				AT&T			
Sr Unsecured				Sr Unsecured			
06-15-17	5.75%	\$210,000	\$169,499	03-15-11	6.25%	\$1,700,000	\$1,778,322
Simon Property Group L				02-01-18	5.50	220,000(o)	218,583
Sr Unsecured				Telecom Italia Capital			
12-01-16	5.25	50,000	37,613	11-15-13	5.25	465,000(c)	418,165
Total			254,541	10-01-15	5.25	560,000(c)	476,607
				Telefonica Europe			
				09-15-10	7.75	705,000(c)	745,264
				TELUS			
				Sr Unsecured			
				06-01-11	8.00	2,115,000(c)	2,172,342
				Verizon New York			
				Sr Unsecured Series A			
				04-01-12	6.88	3,650,000	3,733,738
				Total			9,543,021
				<b>Total Bonds</b>			
				(Cost: \$184,617,131)			\$174,114,353
<b>Retailers (0.1%)</b>							
Home Depot							
Sr Unsecured							
03-01-11	5.20	100,000	100,472				
<b>Supermarkets (0.1%)</b>							
Kroger							
04-15-12	6.75	110,000	117,141				
<b>Technology (0.2%)</b>							
Tyco Electronics Group							
10-01-12	6.00	5,000(c)	4,629				
01-15-14	5.95	420,000(c)	382,637				
Total			387,266				
<b>Transportation Services (0.9%)</b>							
Erac USA Finance							
10-15-17	6.38	1,125,000(d)	677,299				
FedEx							
Sr Nts							
01-15-19	8.00	685,000	717,334				
Total			1,394,633				
<b>Treasury (1.0%)</b>							
U.S. Treasury							
01-31-11	0.88	1,630,000(b)	1,627,588				
<b>Wireless (0.3%)</b>							
Rogers Communications							
08-15-18	6.80	435,000(c)	449,138				

See accompanying Notes to Portfolio of Investments.

**Municipal Bonds (0.2%)**

Name of issuer and title of issue	Coupon rate	Principal amount	Value(a)
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**Tobacco**

Tobacco Settlement Financing Corporation Revenue Bonds Series 2007A-1 06-01-46	6.71%	\$455,000	\$245,554
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**Total Municipal Bonds**

(Cost: \$454,955)	\$245,554
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**Investments of Cash Collateral Received for Securities on Loan (10.2%)**

	Shares	Value(a)
<b>Cash Collateral Reinvestment Fund</b>		
JPMorgan Prime Money Market Fund	16,667,353	\$16,667,353

**Total Investments of Cash Collateral Received for Securities on Loan**

(Cost: \$16,667,353)	\$16,667,353
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**Total Investments in Securities**

(Cost: \$217,490,701)(s)	\$206,778,522
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**Money Market Fund (9.7%)**

	Shares	Value(a)
RiverSource Short-Term Cash Fund, 0.47%	15,751,262(l)	\$15,751,262

**Total Money Market Fund**

(Cost: \$15,751,262)	\$15,751,262
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**Futures Contracts Outstanding at Jan. 31, 2009**

Contract description	Number of contracts long/(short)	Notional market value	Expiration date	Unrealized appreciation/(depreciation)
U.S. Long Bond, 20-year	(45)	\$(5,701,641)	March 2009	\$(112,931)
U.S. Treasury Note, 2-year	13	2,829,125	March 2009	32,212
U.S. Treasury Note, 5-year	(137)	(16,189,548)	March 2009	(194,445)
U.S. Treasury Note, 10-year	(58)	(7,114,969)	March 2009	(50,255)
<b>Total</b>				<b>\$(325,419)</b>

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

## Credit Default Swap Contracts Outstanding at Jan. 31, 2009

Counterparty	Referenced entity	Buy/sell protection	Pay/receive fixed rate	Expiration date	Notional amount	Unrealized appreciation
Goldman Sachs	Home Depot	Buy	.50%	March 20, 2011	\$95,000	\$3,035
Goldman Sachs	ConAgra Foods	Buy	.18	Sept. 20, 2011	185,000	1,702
Citibank	Reed Elsevier Capital	Buy	.26	Sept. 20, 2011	85,000	3,443
Goldman Sachs	FirstEnergy	Buy	.60	Dec. 20, 2011	115,000	491
JPMorgan Chase Bank	Kroger	Buy	.36	March 20, 2012	110,000	1,853
JPMorgan Chase Bank	Cardinal Health	Buy	.225	June 20, 2012	175,000	2,361
Citibank	Clorox	Buy	.31	Dec. 20, 2012	145,000	2,383
JPMorgan Chase Bank	NiSource Finance	Buy	.55	Dec. 20, 2012	185,000	34,620
Total						\$49,888

## Notes to Portfolio of Investments

- (a) Securities are valued by using procedures described in Note 1 to the financial statements.
- (b) At Jan. 31, 2009, the cost of securities purchased, including interest purchased, on a when-issued and/or other forward-commitment basis was \$29,129,476. See Note 1 to the financial statements.
- (c) Foreign security values are stated in U.S. dollars. For debt securities, principal amounts are denominated in U.S. dollar currency unless otherwise noted. At Jan. 31, 2009, the value of foreign securities represented 7.0% of net assets.
- (d) Represents a security sold under Rule 144A, which is exempt from registration under the Securities Act of 1933, as amended. This security may be determined to be liquid under guidelines established by the Fund's Board of Directors. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At Jan. 31, 2009, the value of these securities amounted to \$6,707,292 or 4.1% of net assets.
- (e) Inflation-indexed bonds are securities in which the principal amount is adjusted for inflation and the semiannual interest payments equal a fixed percentage of the inflation-adjusted principal amount.
- (f) Mortgage-backed securities represent direct or indirect participations in, or are secured by and payable from, mortgage loans secured by real property, and include single- and multi-class pass-through securities and collateralized mortgage obligations. These securities may be issued or guaranteed by U.S. government agencies or instrumentalities, or by private issuers, generally originators and investors in mortgage loans, including savings associations, mortgage bankers, commercial banks, investment bankers and special purpose entities. The maturity dates shown represent the original maturity of the underlying obligation. Actual maturity may vary based upon prepayment activity on these obligations. Unless otherwise noted, the coupon rates presented are fixed rates.

## Notes to Portfolio of Investments (continued)

- (g) Interest only represents securities that entitle holders to receive only interest payments on the underlying mortgages. The yield to maturity of an interest only is extremely sensitive to the rate of principal payments on the underlying mortgage assets. A rapid (slow) rate of principal repayments may have an adverse (positive) effect on yield to maturity. The principal amount shown is the notional amount of the underlying mortgages. The interest rate disclosed represents yield based upon the estimated timing and amount of future cash flows at Jan. 31, 2009.
- (h) Adjustable rate mortgage; interest rate varies to reflect current market conditions; rate shown is the effective rate on Jan. 31, 2009.
- (i) Interest rate varies either based on a predetermined schedule or to reflect current market conditions; rate shown is the effective rate on Jan. 31, 2009.
- (j) The following abbreviations are used in the portfolio security descriptions to identify the insurer of the issue:
- AMBAC – Ambac Assurance Corporation  
FSA – Financial Security Assurance
- (k) Identifies issues considered to be illiquid as to their marketability (see Note 1 to the financial statements). Information concerning such security holdings at Jan. 31, 2009, is as follows:

Security	Acquisition dates	Cost
Banc of America Funding* Series 2006-2 CI N1 7.25% 2046	11-14-06 thru 07-18-08	\$26,600

\* Represents a security sold under Rule 144A, which is exempt from registration under the Securities Act of 1933, as amended.

- (l) Affiliated Money Market Fund – See Note 6 to the financial statements. The rate shown is the seven-day current annualized yield at Jan. 31, 2009.
- (m) At Jan. 31, 2009, investments in securities included securities valued at \$543,602 that were partially pledged as collateral to cover initial margin deposits on open interest rate futures contracts.
- (n) This position is in bankruptcy.
- (o) At Jan. 31, 2009, security was partially or fully on loan. See Note 5 to the financial statements.
- (p) Negligible market value.
- (q) Represents comparable securities held to satisfy future delivery requirements of the following open forward sale commitments at Jan. 31, 2009:

Security	Principal amount	Settlement date	Proceeds receivable	Value
Federal Natl Mtge Assn 02-01-24 5.50%	\$550,000	02-18-09	\$569,873	\$566,672

# Portfolio of Investments *(continued)*

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## Notes to Portfolio of Investments *(continued)*

- (r) Non-income producing. For long-term debt securities, item identified is in default as to payment of interest and/or principal.
- (s) At Jan. 31, 2009, the cost of securities for federal income tax purposes was approximately \$217,491,000 and the approximate aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	\$2,700,000
Unrealized depreciation	(13,412,000)
Net unrealized depreciation	\$(10,712,000)

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## Fair Value Measurements

Statement of Financial Accounting Standards No. 157 (SFAS 157) seeks to implement more uniform reporting relating to the fair valuation of securities for financial statement purposes. Mutual funds are required to implement the requirements of this standard for fiscal years beginning after Nov. 15, 2007. While uniformity of presentation is the objective of the standard, it is likely that there may be a range of practices utilized and it may be some period of time before industry practices become more uniform. For this reason care should be exercised in interpreting this information and/or using it for comparison with other mutual funds.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level.

The following table is a summary of the inputs used to value the Fund's investments as of Jan. 31, 2009:

Description	Fair value at Jan. 31, 2009			Total
	Level 1 Quoted prices in active markets for identical assets	Level 2 Other significant observable inputs	Level 3 Significant unobservable inputs	
Investments in securities	\$47,355,475	\$156,089,147	\$3,333,900	\$206,778,522
Other financial instruments*	(325,419)	49,888	–	(275,531)
<b>Total</b>	<b>\$47,030,056</b>	<b>\$156,139,035</b>	<b>\$3,333,900</b>	<b>\$206,502,991</b>

\* Other financial instruments are derivative instruments, such as futures and swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

The following table is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

	Investments in securities
Balance as of July 31, 2008	\$1,497,366
Accrued discounts/premiums	(44,669)
Realized gain (loss)	(884)
Change in unrealized appreciation (depreciation)	(1,230,693)
Net purchases (sales)	(145,981)
Transfers in and/or out of Level 3	3,258,761
<b>Balance as of Jan. 31, 2009</b>	<b>\$3,333,900</b>

# Portfolio of Investments *(continued)*

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## **How to find information about the Fund's portfolio holdings**

- (i)** The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (Commission) for the first and third quarters of each fiscal year on Form N-Q;
- (ii)** The Fund's Forms N-Q are available on the Commission's website at <http://www.sec.gov>;
- (iii)** The Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC (information on the operations of the Public Reference Room may be obtained by calling 1-800-SEC-0330); and
- (iv)** The Fund's complete schedule of portfolio holdings, as disclosed in its annual and semiannual shareholder reports and in its filings on Form N-Q, can be found at [riversource.com/funds](http://riversource.com/funds).

# Statement of Assets and Liabilities

Jan. 31, 2009 (Unaudited)

## Assets

Investments in securities, at value	
Unaffiliated issuers* (identified cost \$185,072,086)	\$174,359,907
Affiliated money market fund (identified cost \$15,751,262)	15,751,262
Investments of cash collateral received for securities on loan (identified cost \$16,667,353)	16,667,353
<hr/>	
Total investments in securities (identified cost \$217,490,701)	206,778,522
Capital shares receivable	187,215
Dividends and accrued interest receivable	1,420,053
Receivable for investment securities sold	11,501,999
Variation margin receivable on futures contracts	39,710
Unrealized appreciation on swap contracts	49,888
<hr/>	
Total assets	219,977,387

## Liabilities

Forward sale commitments, at value (proceeds receivable \$569,873)	566,672
Disbursements in excess of cash	1,359
Dividends payable to shareholders	89,158
Capital shares payable	99,879
Payable for investment securities purchased	10,240,391
Payable for securities purchased on a forward-commitment basis	29,129,476
Payable upon return of securities loaned	16,667,353
Accrued investment management services fees	2,145
Accrued distribution fees	647
Accrued transfer agency fees	313
Accrued administrative services fees	313
Other accrued expenses	73,320
<hr/>	
Total liabilities	56,871,026
<hr/>	
Net assets applicable to outstanding capital stock	\$163,106,361

## Represented by

Capital stock — \$.01 par value	\$ 185,376
Additional paid-in capital	183,558,658
Excess of distributions over net investment income	(35,308)
Accumulated net realized gain (loss)	(9,617,856)
Unrealized appreciation (depreciation) on investments	(10,984,509)
<hr/>	
Total — representing net assets applicable to outstanding capital stock	\$163,106,361
<hr/>	
*Including securities on loan, at value	\$ 24,001,362

# Statement of Assets and Liabilities *(continued)*

Jan. 31, 2009 (Unaudited)

## Net asset value per share

	Net assets	Shares outstanding	Net asset value per share
Class A	\$58,650,538	6,667,287	\$8.80 <sup>(1)</sup>
Class B	\$ 7,220,501	821,026	\$8.79
Class C	\$ 1,737,439	197,630	\$8.79
Class I	\$95,484,551	10,850,122	\$8.80
Class R4	\$ 8,820	1,000	\$8.82
Class W	\$ 4,512	512	\$8.81

<sup>(1)</sup> The maximum offering price per share for Class A is \$9.07. The offering price is calculated by dividing the net asset value by 1.0 minus the maximum sales charge of 3.00%.

The accompanying Notes to Financial Statements are an integral part of this statement.

# Statement of Operations

Six months ended Jan. 31, 2009 (Unaudited)

## Investment income

Income:

Interest	\$ 4,025,645
Income distributions from affiliated money market fund	142,738
Fee income from securities lending	14,998
<b>Total income</b>	<b>4,183,381</b>

Expenses:

Investment management services fees	411,078
Distribution fees	
Class A	76,606
Class B	36,224
Class C	8,069
Class W	6
Transfer agency fees	
Class A	49,190
Class B	6,251
Class C	1,319
Class R4	2
Class W	5
Administrative services fees	59,949
Plan administration services fees – Class R4	11
Compensation of board members	2,857
Custodian fees	27,380
Printing and postage	16,215
Registration fees	24,155
Professional fees	18,144
Other	3,787
<b>Total expenses</b>	<b>741,248</b>
Expenses waived/reimbursed by the Investment Manager and its affiliates	(125,819)
Earnings and bank fee credits on cash balances	(120)
<b>Total net expenses</b>	<b>615,309</b>
<b>Investment income (loss) – net</b>	<b>3,568,072</b>

## Realized and unrealized gain (loss) – net

Net realized gain (loss) on:

Security transactions	(4,747,622)
Futures contracts	(1,916,647)
Swap transactions	(2,043)
<b>Net realized gain (loss) on investments</b>	<b>(6,666,312)</b>
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>(3,664,930)</b>
<b>Net gain (loss) on investments</b>	<b>(10,331,242)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (6,763,170)</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

# Statements of Changes in Net Assets

	Six months ended Jan. 31, 2009 (Unaudited)	Year ended July 31, 2008
<b>Operations and distributions</b>		
Investment income (loss) – net	\$ 3,568,072	\$ 7,605,255
Net realized gain (loss) on investments	(6,666,312)	132,521
Net change in unrealized appreciation (depreciation) on investments	(3,664,930)	(5,367,952)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>(6,763,170)</b>	<b>2,369,824</b>
Distributions to shareholders from:		
Net investment income		
Class A	(1,288,862)	(2,537,723)
Class B	(124,791)	(313,610)
Class C	(27,542)	(54,549)
Class I	(2,313,457)	(4,066,656)
Class R4	(206)	(418)
Class W	(95)	(245)
<b>Total distributions</b>	<b>(3,754,953)</b>	<b>(6,973,201)</b>
<b>Capital share transactions</b>		
Proceeds from sales		
Class A shares	12,605,783	26,521,034
Class B shares	1,353,321	2,841,062
Class C shares	399,153	331,683
Class I shares	11,418,965	32,583,257
Class W shares	–	71,191
Reinvestment of distributions at net asset value		
Class A shares	1,124,659	2,285,030
Class B shares	115,835	290,222
Class C shares	24,273	48,376
Class I shares	2,299,223	4,089,623
Payments for redemptions		
Class A shares	(13,952,597)	(26,063,812)
Class B shares	(1,160,045)	(5,246,848)
Class C shares	(191,090)	(338,047)
Class I shares	(17,664,557)	(7,224,331)
Class W shares	–	(71,091)
<b>Increase (decrease) in net assets from capital share transactions</b>	<b>(3,627,077)</b>	<b>30,117,349</b>
<b>Total increase (decrease) in net assets</b>	<b>(14,145,200)</b>	<b>25,513,972</b>
<b>Net assets at beginning of period</b>	<b>177,251,561</b>	<b>151,737,589</b>
<b>Net assets at end of period</b>	<b>\$163,106,361</b>	<b>\$177,251,561</b>
<b>Undistributed (excess of distributions over) net investment income</b>	<b>\$ (35,308)</b>	<b>\$ 151,573</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

# Financial Highlights

## Class A

Per share income and capital changes <sup>(a)</sup>					
Fiscal period ended July 31,	2009 <sup>(k)</sup>	2008	2007	2006	2005
Net asset value, beginning of period	\$9.34	\$9.58	\$9.57	\$9.79	\$9.76
<b>Income from investment operations:</b>					
Net investment income (loss)	.18 <sup>(b)</sup>	.43 <sup>(b)</sup>	.42 <sup>(b)</sup>	.37	.29
Net gains (losses) (both realized and unrealized)	(.53)	(.27)	.02	(.21)	.04
Total from investment operations	(.35)	.16	.44	.16	.33
<b>Less distributions:</b>					
Dividends from net investment income	(.19)	(.40)	(.43)	(.36)	(.30)
Distributions from realized gains	—	—	—	(.02)	—
Total distributions	(.19)	(.40)	(.43)	(.38)	(.30)
Net asset value, end of period	\$8.80	\$9.34	\$9.58	\$9.57	\$9.79

Ratios to average net assets/supplemental data					
Net assets, end of period (in millions)	\$59	\$63	\$62	\$71	\$83
Gross expenses prior to expense waiver/reimbursement <sup>(c),(d)</sup>	1.07% <sup>(e)</sup>	1.08%	1.11%	1.09%	1.05%
Net expenses after expense waiver/reimbursement <sup>(d),(f),(g)</sup>	.89% <sup>(e)</sup>	.89%	.89%	.90%	.94%
Net investment income (loss)	3.98% <sup>(e)</sup>	4.45%	4.34%	3.80%	2.89%
Portfolio turnover rate <sup>(h)</sup>	138%	218%	263%	328%	316%
Total return <sup>(i)</sup>	(3.77%) <sup>(j)</sup>	1.56%	4.63%	1.73%	3.35%

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(c)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(d)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(e)</sup> Adjusted to an annual basis.

<sup>(f)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(g)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(h)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(i)</sup> Total return does not reflect payment of a sales charge.

<sup>(j)</sup> Not annualized.

<sup>(k)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

# Financial Highlights *(continued)*

## Class B

Per share income and capital changes <sup>(a)</sup>					
Fiscal period ended July 31,	2009 <sup>(k)</sup>	2008	2007	2006	2005
Net asset value, beginning of period	\$9.34	\$9.58	\$9.57	\$9.79	\$9.76
<b>Income from investment operations:</b>					
Net investment income (loss)	.14 <sup>(b)</sup>	.36 <sup>(b)</sup>	.34 <sup>(b)</sup>	.30	.21
Net gains (losses) (both realized and unrealized)	(.54)	(.28)	.02	(.21)	.04
Total from investment operations	(.40)	.08	.36	.09	.25
<b>Less distributions:</b>					
Dividends from net investment income	(.15)	(.32)	(.35)	(.29)	(.22)
Distributions from realized gains	—	—	—	(.02)	—
Total distributions	(.15)	(.32)	(.35)	(.31)	(.22)
Net asset value, end of period	\$8.79	\$9.34	\$9.58	\$9.57	\$9.79

Ratios to average net assets/supplemental data					
Net assets, end of period (in millions)	\$7	\$7	\$10	\$15	\$25
Gross expenses prior to expense waiver/reimbursement <sup>(c),(d)</sup>	1.83% <sup>(e)</sup>	1.84%	1.87%	1.86%	1.82%
Net expenses after expense waiver/reimbursement <sup>(d),(f),(g)</sup>	1.65% <sup>(e)</sup>	1.65%	1.65%	1.66%	1.70%
Net investment income (loss)	3.22% <sup>(e)</sup>	3.69%	3.57%	3.02%	2.17%
Portfolio turnover rate <sup>(h)</sup>	138%	218%	263%	328%	316%
Total return <sup>(i)</sup>	(4.25%) <sup>(j)</sup>	.80%	3.84%	1.00%	2.56%

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(c)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(d)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(e)</sup> Adjusted to an annual basis.

<sup>(f)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(g)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(h)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(i)</sup> Total return does not reflect payment of a sales charge.

<sup>(j)</sup> Not annualized.

<sup>(k)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

## Class C

Per share income and capital changes <sup>(a)</sup>					
Fiscal period ended July 31,	2009 <sup>(k)</sup>	2008	2007	2006	2005
Net asset value, beginning of period	\$9.34	\$9.57	\$9.56	\$9.79	\$9.75
<b>Income from investment operations:</b>					
Net investment income (loss)	.14 <sup>(b)</sup>	.36 <sup>(b)</sup>	.35 <sup>(b)</sup>	.30	.21
Net gains (losses) (both realized and unrealized)	(.54)	(.27)	.01	(.22)	.05
Total from investment operations	(.40)	.09	.36	.08	.26
<b>Less distributions:</b>					
Dividends from net investment income	(.15)	(.32)	(.35)	(.29)	(.22)
Distributions from realized gains	—	—	—	(.02)	—
Total distributions	(.15)	(.32)	(.35)	(.31)	(.22)
Net asset value, end of period	\$8.79	\$9.34	\$9.57	\$9.56	\$9.79

Ratios to average net assets/supplemental data					
Net assets, end of period (in millions)	\$2	\$2	\$2	\$2	\$2
Gross expenses prior to expense waiver/reimbursement <sup>(c),(d)</sup>	1.82% <sup>(e)</sup>	1.83%	1.86%	1.86%	1.81%
Net expenses after expense waiver/reimbursement <sup>(d),(f),(g)</sup>	1.64% <sup>(e)</sup>	1.64%	1.64%	1.67%	1.70%
Net investment income (loss)	3.20% <sup>(e)</sup>	3.71%	3.59%	3.07%	2.14%
Portfolio turnover rate <sup>(h)</sup>	138%	218%	263%	328%	316%
Total return <sup>(i)</sup>	(4.24%) <sup>(j)</sup>	.91%	3.84%	.89%	2.67%

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(c)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(d)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(e)</sup> Adjusted to an annual basis.

<sup>(f)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(g)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(h)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(i)</sup> Total return does not reflect payment of a sales charge.

<sup>(j)</sup> Not annualized.

<sup>(k)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

# Financial Highlights *(continued)*

## Class I

<b>Per share income and capital changes<sup>(a)</sup></b>					
<i>Fiscal period ended July 31,</i>	<b>2009<sup>(i)</sup></b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net asset value, beginning of period	\$9.35	\$9.58	\$9.57	\$9.79	\$9.76
<b>Income from investment operations:</b>					
Net investment income (loss)	.20 <sup>(b)</sup>	.46 <sup>(b)</sup>	.45 <sup>(b)</sup>	.40	.32
Net gains (losses) (both realized and unrealized)	(.55)	(.26)	.02	(.21)	.03
Total from investment operations	(.35)	.20	.47	.19	.35
<b>Less distributions:</b>					
Dividends from net investment income	(.20)	(.43)	(.46)	(.39)	(.32)
Distributions from realized gains	—	—	—	(.02)	—
Total distributions	(.20)	(.43)	(.46)	(.41)	(.32)
Net asset value, end of period	\$8.80	\$9.35	\$9.58	\$9.57	\$9.79

<b>Ratios to average net assets/supplemental data</b>					
Net assets, end of period (in millions)	\$95	\$106	\$79	\$66	\$70
Gross expenses prior to expense waiver/reimbursement <sup>(c),(d)</sup>	.66% <sup>(e)</sup>	.67%	.70%	.69%	.73%
Net expenses after expense waiver/reimbursement <sup>(d),(f),(g)</sup>	.53% <sup>(e)</sup>	.52%	.54%	.58%	.68%
Net investment income (loss)	4.35% <sup>(e)</sup>	4.83%	4.70%	4.17%	3.27%
Portfolio turnover rate <sup>(h)</sup>	138%	218%	263%	328%	316%
Total return	(3.70%) <sup>(i)</sup>	2.04%	4.99%	2.03%	3.62%

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(c)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(d)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(e)</sup> Adjusted to an annual basis.

<sup>(f)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(g)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(h)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(i)</sup> Not annualized.

<sup>(j)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

## Class R4

### Per share income and capital changes<sup>(a)</sup>

<i>Fiscal period ended July 31,</i>	<b>2009<sup>(i)</sup></b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net asset value, beginning of period	\$9.37	\$9.58	\$9.57	\$9.79	\$9.75
<b>Income from investment operations:</b>					
Net investment income (loss)	.20 <sup>(b)</sup>	.47 <sup>(b)</sup>	.43 <sup>(b)</sup>	.38	.30
Net gains (losses) (both realized and unrealized)	(.55)	(.26)	.02	(.21)	.05
Total from investment operations	(.35)	.21	.45	.17	.35
<b>Less distributions:</b>					
Dividends from net investment income	(.20)	(.42)	(.44)	(.37)	(.31)
Distributions from realized gains	—	—	—	(.02)	—
Total distributions	(.20)	(.42)	(.44)	(.39)	(.31)
Net asset value, end of period	\$8.82	\$9.37	\$9.58	\$9.57	\$9.79

### Ratios to average net assets/supplemental data

Net assets, end of period (in millions)	\$—	\$—	\$—	\$—	\$—
Gross expenses prior to expense waiver/reimbursement <sup>(c),(d)</sup>	.94% <sup>(e)</sup>	.98%	.98%	.92%	.95%
Net expenses after expense waiver/reimbursement <sup>(d),(f),(g)</sup>	.52% <sup>(e)</sup>	.51%	.73%	.74%	.77%
Net investment income (loss)	4.34% <sup>(e)</sup>	4.84%	4.48%	3.91%	3.22%
Portfolio turnover rate <sup>(h)</sup>	138%	218%	263%	328%	316%
Total return	(3.68%) <sup>(i)</sup>	2.14%	4.82%	1.88%	3.62%

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(c)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(d)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(e)</sup> Adjusted to an annual basis.

<sup>(f)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(g)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(h)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(i)</sup> Not annualized.

<sup>(j)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

# Financial Highlights *(continued)*

## Class W

<b>Per share income and capital changes<sup>(a)</sup></b>			
<i>Fiscal period ended July 31,</i>	<b>2009<sup>(k)</sup></b>	<b>2008</b>	<b>2007<sup>(b)</sup></b>
Net asset value, beginning of period	\$9.36	\$9.58	\$9.76
<b>Income from investment operations:</b>			
Net investment income (loss) <sup>(c)</sup>	.18	.47	.27
Net gains (losses) (both realized and unrealized)	(.55)	(.30)	(.18)
Total from investment operations	(.37)	.17	.09
<b>Less distributions:</b>			
Dividends from net investment income	(.18)	(.39)	(.27)
Net asset value, end of period	\$8.81	\$9.36	\$9.58

<b>Ratios to average net assets/supplemental data</b>			
Net assets, end of period (in millions)	\$—	\$—	\$—
Gross expenses prior to expense waiver/reimbursement <sup>(d),(e)</sup>	1.08% <sup>(f)</sup>	1.14%	1.12% <sup>(f)</sup>
Net expenses after expense waiver/reimbursement <sup>(e),(g),(h)</sup>	.97% <sup>(f)</sup>	.97%	.97% <sup>(f)</sup>
Net investment income (loss)	3.90% <sup>(f)</sup>	4.50%	4.34% <sup>(f)</sup>
Portfolio turnover rate <sup>(i)</sup>	138%	218%	263%
Total return	(3.90%) <sup>(j)</sup>	1.68%	1.00% <sup>(j)</sup>

<sup>(a)</sup> For a share outstanding throughout the period. Rounded to the nearest cent.

<sup>(b)</sup> For the period from Dec. 1, 2006 (inception date) to July 31, 2007.

<sup>(c)</sup> Per share amounts have been calculated using the average shares outstanding method.

<sup>(d)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances.

<sup>(e)</sup> In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

<sup>(f)</sup> Adjusted to an annual basis.

<sup>(g)</sup> The Investment Manager and its affiliates have agreed to waive/reimburse certain fees and expenses (excluding fees and expenses of acquired funds).

<sup>(h)</sup> Expense ratio is before reduction for earnings and bank fee credits on cash balances. Earnings and bank fee credits were less than 0.01% of average net assets for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008.

<sup>(i)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% and 124% for the six months ended Jan. 31, 2009 and for the year ended July 31, 2008, respectively.

<sup>(j)</sup> Not annualized.

<sup>(k)</sup> Six months ended Jan. 31, 2009 (Unaudited).

The accompanying Notes to Financial Statements are an integral part of this statement.

# Notes to Financial Statements

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(Unaudited as to Jan. 31, 2009)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RiverSource Limited Duration Bond Fund (the Fund) is a series of RiverSource Bond Series, Inc. and is registered under the Investment Company Act of 1940 (as amended) as a diversified, open-end management investment company. RiverSource Bond Series, Inc. has 10 billion authorized shares of capital stock that can be allocated among the separate series as designated by the Board of Directors (the Board). The Fund invests primarily in securities like those included in the Barclays Capital U.S. Intermediate Aggregate Bond Index (the Index). The Index includes securities issued by the U.S. government, corporate bonds, and mortgage- and asset-backed securities.

The Fund offers Class A, Class B, Class C, Class I, Class R4 and Class W shares.

- Class A shares are sold with a front-end sales charge.
- Class B shares may be subject to a contingent deferred sales charge (CDSC) and automatically convert to Class A shares during the ninth year of ownership. However, Class B shares are closed to new investors and new purchases.
- Class C shares may be subject to a CDSC.
- Class I and Class R4 shares are sold without a front-end sales charge or CDSC and are offered to qualifying institutional investors.
- Class W shares are sold without a front-end sales charge or CDSC and are offered through qualifying discretionary accounts.

At Jan. 31, 2009, RiverSource Life Insurance Company (RiverSource Life), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), parent company of RiverSource Investments, LLC (RiverSource Investments or the Investment Manager) owned 100% of Class R4 shares. The Investment Manager and the RiverSource affiliated funds-of-funds owned 100% of Class I shares and the Investment Manager owned 100% of Class W shares. At Jan. 31, 2009, RiverSource Life, the Investment Manager and the RiverSource affiliated funds-of-funds owned approximately 59% of the total outstanding Fund shares.

All classes of shares have identical voting, dividend and liquidation rights. Class specific expenses (e.g., distribution and service fees, transfer agency fees, plan administration services fees) differ among classes. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses on investments are allocated to each class of shares based upon its relative net assets.

## Notes to Financial Statements *(continued)*

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The Fund's significant accounting policies are summarized below:

### **Use of estimates**

Preparing financial statements that conform to U.S. generally accepted accounting principles requires management to make estimates (e.g., on assets, liabilities and contingent assets and liabilities) that could differ from actual results.

### **Valuation of securities**

Effective Aug. 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" (SFAS 157). SFAS 157 establishes an authoritative definition of fair value, sets out a hierarchy for measuring fair value, and requires additional disclosures about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the Statement of Operations for a fiscal period. There was no impact to the Fund's net assets or results of operations upon adoption. The fair valuation measurements disclosure can be found following the Notes to Portfolio of Investments.

All securities are valued at the close of each business day. Securities traded on national securities exchanges or included in national market systems are valued at the last quoted sales price. Debt securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service. When market quotes are not readily available, the pricing service, in determining fair values of debt securities, takes into consideration such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. The procedures adopted by the Board generally contemplate the use of fair valuation in the event that price quotations or valuations are not readily available, price quotations or valuations from other sources are not reflective of market value and thus deemed unreliable, or a significant event has occurred in relation to a security or class of securities (such as foreign securities) that is not reflected in price quotations or valuations from other sources. A fair value price is a good faith estimate of the value of a security at a given point in time.

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange, including significant movements in the U.S. market after foreign exchanges have closed.

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Accordingly, in those situations, Ameriprise Financial, as administrator to the Fund, will fair value foreign securities pursuant to procedures adopted by the Board, including utilizing a third party pricing service to determine these fair values. These procedures take into account multiple factors, including movements in the U.S. securities markets, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the New York Stock Exchange. Swap transactions are valued through an authorized pricing service, broker, or an internal model.

Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates; those maturing in 60 days or less are valued at amortized cost, which approximates fair value.

### **Illiquid securities**

At Jan. 31, 2009, investments in securities included issues that are illiquid which the Fund currently limits to 15% of net assets, at market value, at the time of purchase. The aggregate value of such securities at Jan. 31, 2009 was \$3,058 representing less than .01% of net assets. Certain illiquid securities may be valued by management at fair value according to procedures approved, in good faith, by the Board. According to Board guidelines, certain unregistered securities are determined to be liquid and are not included within the 15% limitation specified above. Assets are liquid if they can be sold or disposed of in the ordinary course of business within seven days at approximately the value at which the asset is valued by the Fund.

### **Securities purchased on a forward-commitment basis**

Delivery and payment for securities that have been purchased by the Fund on a forward-commitment basis, including when-issued securities and other forward-commitments, can take place one month or more after the transaction date. During this period, such securities are subject to market fluctuations, and they may affect the Fund's net assets the same as owned securities. The Fund designates cash or liquid securities at least equal to the amount of its forward-commitments. At Jan. 31, 2009, the Fund had outstanding when-issued securities of \$29,091,806 and other forward commitments of \$37,670.

The Fund also enters into transactions to sell purchase commitments to third parties at current market values and concurrently acquires other purchase commitments for similar securities at later dates. As an inducement for the Fund to "roll over" its purchase commitments, the Fund receives negotiated amounts in the form of reductions of the purchase price of the commitment. The Fund records the incremental difference between the forward purchase and sale of each forward roll as realized gain or loss. Losses may arise due to changes in the

## Notes to Financial Statements *(continued)*

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value of the securities or if a counterparty does not perform under the terms of the agreement. If a counterparty files for bankruptcy or becomes insolvent, the Fund's right to repurchase or sell securities may be limited.

### **Option transactions**

To produce incremental earnings, protect gains, and facilitate buying and selling of securities for investments, the Fund may buy and write options traded on any U.S. or foreign exchange or in the over-the-counter market where completing the obligation depends upon the credit standing of the other party. Cash collateral may be collected by the Fund to secure certain over-the-counter options (OTC options) trades. Cash collateral held by the Fund for such option trades must be returned to the counterparty upon closure, exercise or expiration of the contract. The Fund also may buy and sell put and call options and write covered call options on portfolio securities as well as write cash-secured put options. The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. The Fund also has the additional risk of being unable to enter into a closing transaction if a liquid secondary market does not exist.

Option contracts are valued daily at the closing prices on their primary exchanges and unrealized appreciation or depreciation is recorded. Option contracts, including OTC option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the New York Stock Exchange. The Fund will realize a gain or loss when the option transaction expires or closes. When options on debt securities or futures are exercised, the Fund will realize a gain or loss. When other options are exercised, the proceeds on sales for a written call option, the purchase cost for a written put option or the cost of a security for a purchased put or call option is adjusted by the amount of premium received or paid. At Jan. 31, 2009, and for the six months then ended, the Fund had no outstanding option contracts.

### **Futures transactions**

To gain exposure to or protect itself from market changes, the Fund may buy and sell financial futures contracts traded on any U.S. or foreign exchange. The Fund also may buy or write put and call options on these futures contracts. Risks of entering into futures contracts and related options include the possibility of an illiquid market and that a change in the value of the contract or option may not correlate with changes in the value of the underlying securities.

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Futures and options on futures are valued daily based upon the last sale price at the close of the market on the principal exchange on which they are traded. Upon entering into a futures contract, the Fund is required to deposit either cash or securities in an amount (initial margin) equal to a certain percentage of the contract value. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily changes in the contract value and are recorded as unrealized gains and losses. The Fund recognizes a realized gain or loss when the contract is closed or expires.

### **Foreign currency translations and forward foreign currency contracts**

Securities and other assets and liabilities denominated in foreign currencies are translated daily into U.S. dollars. Foreign currency amounts related to the purchase or sale of securities and income and expenses are translated at the exchange rate on the transaction date. The effect of changes in foreign exchange rates on realized and unrealized security gains or losses is reflected as a component of such gains or losses. In the Statement of Operations, net realized gains or losses from foreign currency transactions, if any, may arise from sales of foreign currency, closed forward contracts, exchange gains or losses realized between the trade date and settlement date on securities transactions, and other translation gains or losses on dividends, interest income and foreign withholding taxes.

The Fund may enter into forward foreign currency contracts for operational purposes and to protect against adverse exchange rate fluctuation. The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using foreign currency exchange rates from an independent pricing service. The Fund is subject to the credit risk that the counterparty will not complete its contract obligations. At Jan. 31, 2009, the Fund had no outstanding forward foreign currency contracts.

### **Forward sale commitments**

The Fund may enter into forward sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of forward sale commitments are not received until the contractual settlement date. During the time a forward sale commitment is outstanding, equivalent deliverable securities, or an offsetting forward purchase commitment deliverable on or before the sale commitment date, are used to satisfy the commitment.

Unsettled forward sale commitments are valued at the current market value of the underlying securities, generally according to the procedures described under “Valuation of securities” above. The forward sale commitment is

## Notes to Financial Statements *(continued)*

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“marked-to-market” daily and the change in market value is recorded by the Fund as an unrealized gain or loss. If the forward sale commitment is closed through the acquisition of an offsetting purchase commitment, the Fund realizes a gain or loss. If the Fund delivers securities under the commitment, the Fund realizes a gain or a loss from the sale of the securities based upon the market price established at the date the commitment was entered into. Forward sale commitments outstanding at period end are listed in the Notes to Portfolio of Investments.

### **Credit default swap transactions**

The Fund may enter into credit default swap contracts to increase or decrease its credit exposure to an issuer, obligation, portfolio, or index of issuers or obligations, to hedge its exposure on an obligation that it owns or in lieu of selling such obligations. As the purchaser of a credit default swap contract, the Fund purchases protection by paying a periodic interest rate on the notional amount to the counterparty. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized loss upon payment. If the credit event specified in the contract occurs, the Fund will be required to deliver either the referenced obligation or an equivalent cash amount to the protection seller and in exchange the Fund will receive the notional amount from the seller. The difference between the value of the obligation delivered and the notional amount received will be recorded as a realized gain (loss). As the seller of a credit default swap contract, the Fund sells protection to a buyer and will generally receive a periodic interest rate on the notional amount. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized gain upon receipt of the payment. If the credit event specified in the contract occurs, the Fund will receive the referenced obligation or an equivalent cash amount in exchange for the payment of the notional amount to the protection buyer. The difference between the value of the obligation received and the notional amount paid will be recorded as a realized gain (loss). As a protection seller, the maximum amount of the payment that may be made by the Fund may equal the notional amount (shown in the Credit Default Swap Contracts Outstanding table following the Portfolio of Investments), at par, of the underlying index or security as a result of the related credit event.

The notional amounts of credit default swap contracts are not recorded in the financial statements. Any premium paid or received by the Fund upon entering into a credit default swap contract is recorded as an asset or liability and amortized daily as a component of realized gain (loss) on the Statement of Operations. At Jan. 31, 2009, there were no credit default swap contracts outstanding which had a premium paid or received by the Fund. Credit default

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swap contracts are valued daily, and the change in value is recorded as unrealized appreciation (depreciation) until the termination of the swap, at which time a realized gain (loss) is recorded.

Credit default swap contracts can involve greater risks than if a fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to counterparty credit risk, leverage risk, hedging risk, correlation risk and liquidity risk. The Fund will enter into credit default swap agreements only with counterparties that meet certain standards of creditworthiness.

### **Guarantees and indemnifications**

Under the Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined and the Fund has no historical basis for predicting the likelihood of any such claims.

### **Federal taxes**

The Fund's policy is to comply with Subchapter M of the Internal Revenue Code that applies to regulated investment companies and to distribute substantially all of its taxable income to shareholders. No provision for income or excise taxes is thus required.

Financial Accounting Standards Board (FASB) Interpretation 48 (FIN 48), "Accounting for Uncertainty in Income Taxes," clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement 109, "Accounting for Income Taxes." FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Generally, the tax authorities can examine all the tax returns filed for the last three years.

Net investment income (loss) and net realized gains (losses) may differ for financial statement and tax purposes primarily because of futures contracts, recognition of unrealized appreciation (depreciation) for certain derivative investments, post-October losses, and losses deferred due to wash sales. The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal

## Notes to Financial Statements *(continued)*

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year in which amounts are distributed may differ from the year that the income or realized gains (losses) were recorded by the Fund.

### **Recent accounting pronouncements**

The Fund has adopted FASB Staff Position No. 133-1 and FIN No. 45-4 (FSP FAS 133-1 and FIN 45-4), “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45”. The amendments to FSP FAS 133-1 and FIN 45-4 require enhanced disclosures about a fund’s derivatives and guarantees. Funds are required to provide enhanced disclosures about (a) how and why a fund uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, (c) how derivative instruments and related hedged items affect a fund’s financial position, financial performance, and cash flows and (d) the current status of the payment/performance risk of the credit derivative. The amendments to FSP FAS 133-1 and FIN 45-4 also require additional disclosures about the current status of the payment/performance risk of a guarantee. At Jan. 31, 2009, the Fund did not own nor was it a party to any credit derivative contracts within the scope of these amendments.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (SFAS 161), “Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133,” which requires enhanced disclosures about a fund’s derivative and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after Nov. 15, 2008. As of Jan. 31, 2009, management does not believe the adoption of SFAS 161 will impact the financial statement amounts; however, additional footnote disclosures may be required about the use of derivative instruments and hedging items.

### **Dividends to shareholders**

Dividends from net investment income, declared daily and payable monthly, when available, are reinvested in additional shares of the Fund at net asset value or payable in cash. Capital gains, when available, are distributed along with the last income dividend of the calendar year.

### **Other**

Security transactions are accounted for on the date securities are purchased or sold. Dividend income, if any, is recognized on the ex-dividend date and interest income, including amortization of premium, market discount and original issue discount using the effective interest method, is accrued daily.

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## 2. EXPENSES AND SALES CHARGES

### Investment management services fees

Under an Investment Management Services Agreement, the Investment Manager determines which securities will be purchased, held or sold. The management fee is a percentage of the Fund's average daily net assets that declines from 0.48% to 0.29% annually as the Fund's assets increase. The management fee for the six months ended Jan. 31, 2009 was 0.48% of the Fund's average daily net assets.

### Administrative services fees

Under an Administrative Services Agreement, the Fund pays Ameriprise Financial a fee for administration and accounting services at a percentage of the Fund's average daily net assets that declines from 0.07% to 0.04% annually as the Fund's assets increase. The fee for the six months ended Jan. 31, 2009 was 0.07% of the Fund's average daily net assets.

### Other fees

Other expenses are for, among other things, certain expenses of the Fund or the Board including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the six months ended Jan. 31, 2009, other expenses paid to this company were \$406.

### Compensation of board members

Under a Deferred Compensation Plan (the Plan), non-interested board members may defer receipt of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of the Fund or other RiverSource funds. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

### Transfer agency fees

Under a Transfer Agency Agreement, RiverSource Service Corporation (the Transfer Agent) maintains shareholder accounts and records. The Fund pays the Transfer Agent an annual account-based fee at a rate equal to \$20.50 for Class A, \$21.50 for Class B and \$21.00 for Class C for this service. The Fund also pays the Transfer Agent an annual asset-based fee at a rate of 0.05% of the Fund's average daily net assets attributable to Class R4 shares and an annual asset-based fee at a rate of 0.20% of the Fund's average daily net assets attributable to Class W shares.

## Notes to Financial Statements *(continued)*

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The Transfer Agent charges an annual fee of \$5 per inactive account, charged on a pro rata basis for 12 months from the date the account becomes inactive. These fees are included in the transfer agency fees on the Statement of Operations.

### **Plan administration services fees**

Under a Plan Administration Services Agreement with the Transfer Agent, the Fund pays an annual fee at a rate of 0.25% of the Fund's average daily net assets attributable to Class R4 shares for the provision of various administrative, recordkeeping, communication and educational services.

### **Distribution fees**

The Fund has agreements with RiverSource Distributors, Inc. and RiverSource Fund Distributors, Inc. (collectively, the Distributor) for distribution and shareholder services. Under a Plan and Agreement of Distribution pursuant to Rule 12b-1, the Fund pays a fee at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Class A and Class W shares and a fee at an annual rate of up to 1.00% of the Fund's average daily net assets attributable to Class B and Class C shares. For Class B and Class C shares, up to 0.75% of the fee is reimbursed for distribution expenses.

The amount of distribution expenses incurred by the Distributor and not yet reimbursed ("unreimbursed expense") was approximately \$289,000 and \$14,000 for Class B and Class C shares, respectively. These amounts are based on the most recent information available as of Jan. 31, 2009, and may be recovered from future payments under the distribution plan or CDSC. To the extent the unreimbursed expense has been fully recovered, the distribution fee is reduced.

### **Sales charges**

Sales charges received by the Distributor for distributing Fund shares were \$18,395 for Class A, \$2,023 for Class B and \$272 for Class C for the six months ended Jan. 31, 2009.

### **Expenses waived/reimbursed by the Investment Manager and its affiliates**

For the six months ended Jan. 31, 2009, the Investment Manager and its affiliates waived/reimbursed certain fees and expenses such that net expenses (excluding fees and expenses of acquired funds\*) were as follows:

Class A . . . . .	0.89%
Class B . . . . .	1.65
Class C . . . . .	1.64
Class I . . . . .	0.53
Class R4 . . . . .	0.52
Class W . . . . .	0.97

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The waived/reimbursed fees and expenses for the transfer agency fees at the class level were as follows:

Class A . . . . .	\$15,229
Class B . . . . .	1,812
Class C . . . . .	411
Class R4 . . . . .	2

The waived/reimbursed fees and expenses for the plan administration services fees at the class level were as follows:

Class R4 . . . . .	\$11
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The management fees waived/reimbursed at the Fund level were \$108,354.

The Investment Manager and its affiliates have contractually agreed to waive certain fees and expenses until July 31, 2009, unless sooner terminated at the discretion of the Board, such that net expenses (excluding fees and expenses of acquired funds\*) will not exceed the following percentage of the Fund's average daily net assets:

Class A . . . . .	0.89%
Class B . . . . .	1.65
Class C . . . . .	1.64
Class I . . . . .	0.53
Class R4 . . . . .	0.77
Class W . . . . .	0.98

\* In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the funds in which it invests (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds). Because the acquired funds have varied expense and fee levels and the Fund may own different proportions of acquired funds at different times, the amount of fees and expenses incurred indirectly by the Fund will vary.

### **Bank fee credits**

During the six months ended Jan. 31, 2009, the Fund's transfer agency fees were reduced by \$120 as a result of bank fee credits from overnight cash balances.

### **Custodian fees**

Effective Dec. 15, 2008, the Fund pays custodian fees to JPMorgan Chase Bank, N.A. Prior to Dec. 15, 2008, the Fund paid custodian fees amounting to \$27,329 to Ameriprise Trust Company, a subsidiary of Ameriprise Financial.

# Notes to Financial Statements *(continued)*

## 3. SECURITIES TRANSACTIONS

Cost of purchases and proceeds from sales of securities (other than short-term obligations, but including mortgage dollar rolls) aggregated \$245,943,782 and \$240,174,290, respectively, for the six months ended Jan. 31, 2009. Realized gains and losses are determined on an identified cost basis.

## 4. CAPITAL SHARE TRANSACTIONS

Transactions in shares of capital stock for the periods indicated are as follows:

	Six months ended Jan. 31, 2009			
	Sold	Issued for reinvested distributions	Redeemed	Net increase (decrease)
Class A	1,398,642	125,870	(1,564,643)	(40,131)
Class B	150,511	12,971	(129,296)	34,186
Class C	45,100	2,718	(21,555)	26,263
Class I	1,253,235	257,083	(1,957,105)	(446,787)

	Year ended July 31, 2008			
	Sold	Issued for reinvested distributions	Redeemed	Net increase (decrease)
Class A	2,750,325	237,754	(2,705,890)	282,189
Class B	294,168	30,189	(547,491)	(223,134)
Class C	34,460	5,036	(35,142)	4,354
Class I	3,385,589	425,624	(748,491)	3,062,722
Class W	7,375	—	(7,375)	—

## 5. LENDING OF PORTFOLIO SECURITIES

Effective Dec. 1, 2008, the Fund has entered into a Master Securities Lending Agreement (“the Agreement”) with JPMorgan Chase Bank, National Association (“JPMorgan”). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers on behalf of the Fund. Pursuant to the Agreement, all loaned securities are initially collateralized in an amount equivalent to 102% (for securities denominated in U.S. dollars) or 105% (for all other securities) of the value of the loaned securities, including accrued interest in the case of fixed income securities. Collateral is maintained over the life of the loan thereafter in an amount not less than 100% of the market value of loaned securities, as determined at the close of each business day, except to the extent that a collateral shortfall is due to a diminution in the market value of authorized investments in which cash collateral is invested. Any additional collateral

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required to maintain those levels due to market fluctuations of the loaned securities is delivered the following business day. Collateral is either in the form of cash or U.S. government securities. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed on the Portfolio of Investments and the value of cash collateral received at period end is disclosed on the Statement of Assets and Liabilities along with the related obligation to return the collateral upon return of the securities loaned. At Jan. 31, 2009, securities valued at \$24,001,362 were on loan secured by cash collateral of \$16,667,353 invested in short-term securities or cash equivalents; and U.S. government securities valued at \$7,873,226.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Income of \$14,998 earned from securities lending from Dec. 1, 2008 through Jan. 31, 2009 is included in the Statement of Operations. The Fund also continues to earn interest and dividends on the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. Loans are subject to termination by the Funds or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Prior to Dec. 1, 2008, RiverSource Investments, LLC served as securities lending agent for the Fund under the Securities Lending Agency Agreement. For the period from Aug. 1, 2008 to Nov. 30, 2008 the Fund had no securities on loan.

## **6. AFFILIATED MONEY MARKET FUND**

The Fund may invest its daily cash balance in RiverSource Short-Term Cash Fund, a money market fund established for the exclusive use of the RiverSource funds and other institutional clients of RiverSource Investments. The cost of the Fund's purchases and proceeds from sales of shares of the RiverSource Short-Term Cash Fund aggregated \$33,510,949 and \$36,696,686, respectively, for the six months ended Jan. 31, 2009. The income distributions received with respect to the Fund's investment in RiverSource Short-Term Cash Fund can be found on

## Notes to Financial Statements *(continued)*

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the Statement of Operations and the Fund's invested balance in RiverSource Short-Term Cash Fund at Jan. 31, 2009, can be found in the Portfolio of Investments.

### **7. BANK BORROWINGS**

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on Oct. 16, 2008, replacing a prior credit facility. The credit facility agreement, which is a collective agreement between the Fund and certain other RiverSource funds, severally and not jointly, permits collective borrowings up to \$475 million. The borrowers shall have the right, upon written notice to the Administrative Agent to request an increase of up to \$175 million in the aggregate amount of the credit facility from new or existing lenders, provided that the aggregate amount of the credit facility shall at no time exceed \$650 million. Participation in such increase by any existing lender shall be at such lender's sole discretion. Interest is charged to each Fund based on its borrowings at a rate equal to the federal funds rate plus 0.75%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.06% per annum, in addition to an upfront fee equal to its pro rata share of 0.02% of the amount of the credit facility. The Fund had no borrowings during the six months ended Jan. 31, 2009.

Under the prior credit facility which was effective until Oct. 15, 2008, the Fund had entered into a revolving credit facility with a syndicate of banks headed by JPMorgan Chase Bank, N.A., whereby the Fund was permitted to borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, which was a collective agreement between the Fund and certain other RiverSource funds, severally and not jointly, permitted collective borrowings up to \$500 million. Interest was charged to each Fund based on its borrowings at a rate equal to the federal funds rate plus 0.30%. Each borrowing under the credit facility matured no later than 60 days after the date of borrowing. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.06% per annum.

### **8. CAPITAL LOSS CARRY-OVER AND POST-OCTOBER LOSS**

For federal income tax purposes, the Fund had a capital loss carry-over of \$2,205,797 at July 31, 2008, that if not offset by capital gains will expire in 2015.

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Because the measurement periods for a regulated investment company's income are different for excise tax purposes versus income tax purposes, special rules are in place to protect the amount of earnings and profits needed to support excise tax distributions. As a result, the Fund is permitted to treat net capital losses realized between Nov. 1, 2007 and its fiscal year end ("post-October loss") as occurring on the first day of the following tax year. At July 31, 2008, the Fund had a post-October loss of \$285,416 that is treated for income tax purposes as occurring on Aug. 1, 2008.

It is unlikely the Board will authorize a distribution of any net realized capital gains until the available capital loss carry-over has been offset or expires.

## **9. INFORMATION REGARDING PENDING AND SETTLED LEGAL PROCEEDINGS**

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.*, was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota. In response to defendants' motion to dismiss the complaint, the Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals on August 8, 2007.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of \$10 million and civil money penalties of \$7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various

## Notes to Financial Statements *(continued)*

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undertakings detailed at <http://www.sec.gov/litigation/admin/ia-2451.pdf>. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the RiverSource Funds' Boards of Directors/Trustees.

On November 7, 2008, RiverSource Investments, LLC, a subsidiary of Ameriprise Financial, Inc., acquired J. & W. Seligman & Co., Inc. (Seligman). In late 2003, Seligman conducted an extensive internal review concerning mutual fund trading practices. Seligman's review, which covered the period 2001-2003, noted one arrangement that permitted frequent trading in certain open-end registered investment companies managed by Seligman (the Seligman Funds); this arrangement was in the process of being closed down by Seligman before September 2003. Seligman identified three other arrangements that permitted frequent trading, all of which had been terminated by September 2002. In January 2004, Seligman, on a voluntary basis, publicly disclosed these four arrangements to its clients and to shareholders of the Seligman Funds. Seligman also provided information concerning mutual fund trading practices to the SEC and the Office of the Attorney General of the State of New York (NYAG). In September 2005, the New York staff of the SEC indicated that it was considering recommending to the Commissioners of the SEC the instituting of a formal action against Seligman and the distributor of the Seligman Funds, Seligman Advisors, Inc. (which is now known as RiverSource Fund Distributors, Inc.), relating to frequent trading in the Seligman Funds. Seligman responded to the staff in October 2005 that it believed that any action would be both inappropriate and unnecessary, especially in light of the fact that Seligman had previously resolved the underlying issue with the Independent Directors of the Seligman Funds and made recompense to the affected Seligman Funds.

In September 2006, the NYAG commenced a civil action in New York State Supreme Court against Seligman, Seligman Advisors, Inc., Seligman Data Corp. and Brian T. Zino (collectively, the Seligman Parties), alleging, in substance, that the Seligman Parties permitted various persons to engage in frequent trading and, as a result, the prospectus disclosure used by the registered investment companies then managed by Seligman is and has been misleading. The NYAG included other related claims and also claimed that the fees charged by Seligman to the Seligman Funds were excessive. On March 13, 2009, without admitting or denying any violations of law or wrongdoing, the Seligman Parties entered into a stipulation of settlement with the NYAG and settled the claims made by the NYAG. Under the terms of the settlement, Seligman will pay \$11.3 million to four Seligman Funds. This settlement resolved all outstanding matters between the Seligman Parties and the NYAG. In addition to the foregoing matter, the New York staff of the SEC indicated in September 2005 that it was considering

recommending to the Commissioners of the SEC the instituting of a formal action against Seligman and Seligman Advisors, Inc. relating to frequent trading in the Seligman Funds. Seligman responded to the staff in October 2005 that it believed that any action would be both inappropriate and unnecessary, especially in light of the fact that Seligman had previously resolved the underlying issue with the Independent Directors of the Seligman Funds and made recompense to the affected Seligman Funds. There have been no further developments with the SEC on this matter.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at [www.sec.gov](http://www.sec.gov).

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

## Proxy Voting

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The policy of the Board is to vote the proxies of the companies in which the Fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling RiverSource Funds at (888) 791-3380; contacting your financial institution; visiting [riversource.com/funds](http://riversource.com/funds); or searching the website of the Securities and Exchange Commission (SEC) at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting [riversource.com/funds](http://riversource.com/funds); or searching the website of the SEC at [www.sec.gov](http://www.sec.gov).

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**Through the RiverSource Investments family of funds, you can build a diversified portfolio that is designed to help you reach your goals.**

**Advanced Alpha<sup>SM</sup> Strategies**

RiverSource 120/20 Contrarian Equity Fund  
RiverSource Absolute Return Currency and  
Income Fund  
Threadneedle Global Extended Alpha Fund

**Advice-Built<sup>SM</sup> Solutions**

**RiverSource Income Builder Series**

RiverSource Income Builder Basic  
Income Fund  
RiverSource Income Builder Enhanced  
Income Fund  
RiverSource Income Builder Moderate  
Income Fund

**RiverSource Portfolio Builder Series**

RiverSource Portfolio Builder Aggressive Fund  
RiverSource Portfolio Builder  
Conservative Fund  
RiverSource Portfolio Builder Moderate Fund  
RiverSource Portfolio Builder Moderate  
Aggressive Fund  
RiverSource Portfolio Builder Moderate  
Conservative Fund  
RiverSource Portfolio Builder Total Equity Fund

**RiverSource Retirement Plus<sup>®</sup> Series**

RiverSource Retirement Plus 2010 Fund  
RiverSource Retirement Plus 2015 Fund  
RiverSource Retirement Plus 2020 Fund  
RiverSource Retirement Plus 2025 Fund  
RiverSource Retirement Plus 2030 Fund  
RiverSource Retirement Plus 2035 Fund  
RiverSource Retirement Plus 2040 Fund  
RiverSource Retirement Plus 2045 Fund

**RiverSource Strategic Allocation Fund**

**RiverSource Balanced Fund**

**Single-Strategy Funds**

**Growth Funds**

RiverSource Partners Aggressive Growth Fund  
RiverSource Disciplined Large Cap  
Growth Fund  
RiverSource Global Technology Fund  
RiverSource Growth Fund  
RiverSource Mid Cap Growth Fund  
RiverSource Partners Small Cap Growth Fund

**Blend Funds**

RiverSource Disciplined Equity Fund  
RiverSource Disciplined Small and Mid Cap  
Equity Fund  
RiverSource Large Cap Equity Fund  
RiverSource Precious Metals and Mining Fund  
RiverSource Recovery and Infrastructure Fund  
RiverSource S&P 500 Index Fund\*  
RiverSource Small Cap Advantage Fund  
RiverSource Partners Small Cap Equity Fund  
RiverSource Small Company Index Fund

**Value Funds**

RiverSource Disciplined Large Cap Value Fund  
RiverSource Disciplined Small Cap Value Fund  
RiverSource Diversified Equity Income Fund  
RiverSource Dividend Opportunity Fund  
RiverSource Equity Value Fund  
RiverSource Partners Fundamental Value Fund  
RiverSource Large Cap Value Fund  
RiverSource Mid Cap Value Fund  
RiverSource Real Estate Fund  
RiverSource Partners Select Value Fund  
RiverSource Partners Small Cap Value Fund

**Global/International Funds**

RiverSource Disciplined International  
Equity Fund  
Threadneedle Emerging Markets Fund  
Threadneedle European Equity Fund  
Threadneedle Global Equity Fund  
Threadneedle Global Equity Income Fund  
RiverSource Partners International Select  
Growth Fund  
Threadneedle International Opportunity Fund  
RiverSource Partners International Select  
Value Fund  
RiverSource Partners International Small  
Cap Fund

### Taxable Income Funds

RiverSource Cash Management Fund\*\*  
RiverSource Diversified Bond Fund  
RiverSource Emerging Markets Bond Fund  
RiverSource Floating Rate Fund  
RiverSource Global Bond Fund  
RiverSource High Yield Bond Fund  
RiverSource Income Opportunities Fund  
RiverSource Inflation Protected  
Securities Fund  
RiverSource Limited Duration Bond Fund  
RiverSource Short Duration  
U.S. Government Fund  
RiverSource Strategic Income Allocation Fund  
RiverSource U.S. Government Mortgage Fund

### Tax-Exempt Funds

RiverSource California Tax-Exempt Fund  
RiverSource Intermediate Tax-Exempt Fund  
RiverSource Minnesota Tax-Exempt Fund  
RiverSource New York Tax-Exempt Fund  
RiverSource Tax-Exempt Bond Fund  
RiverSource Tax-Exempt High Income Fund  
RiverSource Tax-Exempt Money Market Fund\*\*

*You should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. For a free prospectus of any of the funds listed above, which contains this and other important information about the funds, contact your financial institution or visit [riversource.com/funds](http://riversource.com/funds). Read the prospectus carefully before investing.*

Investment products, including shares of mutual funds, involve risks including possible loss of principal and fluctuation in value. Investing in certain funds involves special risks, such as those related to investments in foreign securities, small- and mid-capitalization stocks, fixed income securities (especially high-yield securities), and funds which focus their investments in a particular sector, such as real estate, technology and precious metals. See each fund's prospectus for specific risks associated with the fund.

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**\*\* An investment in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to maintain the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.**

**RiverSource Limited Duration Bond Fund**

734 Ameriprise Financial Center  
Minneapolis, MN 55474

[riversource.com/funds](http://riversource.com/funds)



This report must be accompanied or preceded by the Fund's current prospectus. *RiverSource*® mutual funds are distributed by RiverSource Distributors, Inc., and RiverSource Fund Distributors, Inc., Members FINRA, and managed by RiverSource Investments, LLC. RiverSource is part of Ameriprise Financial, Inc. © 2009 RiverSource Investments, LLC.