

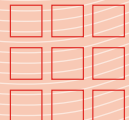
Semiannual Report



# RiverSource Short Duration U.S. Government Fund

**Semiannual Report for  
the Period Ended  
November 30, 2009**

- > RiverSource Short Duration U.S. Government Fund seeks to provide shareholders with a high level of current income and safety of principal consistent with investment in U.S. government and government agency securities.**



SINGLE-STRATEGY FUNDS

# Letter to Shareholders

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

Dear Fellow Shareholders,

We have been through an incredibly tumultuous and prolonged “financial winter” that has been referred to by many as the greatest economic crisis since the Great Depression.

## Signs of life

Following five consecutive quarters of negative performance, the broad U.S. equity market, which is widely measured by the S&P 500 Index, rebounded in the second quarter of 2009 with its largest quarterly gain in over a decade, and continued

through the third quarter. From its low on March 9 through September 30, the S&P 500 Index has risen more than 50%. This resurgence has not been confined just to the U.S. The Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) Index, which measures performance of international stocks, also surged 50% over the six months ended September 30.

These economic signs of life, or “green shoots,” may be indicative of a much anticipated turnaround in the extended market recession and have re-ignited hopes for a sustainable global economic recovery. Many investors who had long been holding cash on the sidelines — earning minimal return — have regained their appetite for long-term investing and re-entered the marketplace in search of higher returns on their investments.

## Challenges remain

Markets have reacted in unprecedented ways in recent years, challenging conventional wisdom and reshaping the financial landscape as we once knew it. However, one fundamental truth remains: letting your emotions steer your financial decisions more often than not will derail your investment plans. Short-term decision making in uncertain markets can lead to long-term detractor from investment results. Due to emotional investor behavior such as selling low when one is fearful and buying high when chasing returns, the average investor in a U.S. equity mutual fund earned far less than the broad U.S. equity market.\*

Market uncertainty can also be an investment opportunity. While fear and anxiety can derail your long-term investment plan, we urge you to renew

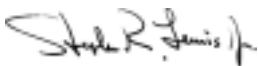
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your commitment to your financial goals and talk to your financial professional about opportunities the market decline may have created. At September 30, the S&P 500 Index was still 32% below its 2007 high.

RiverSource Investments offers an expanded line of products and services that can help you stay the course as you seek your financial goals:

- > *Advanced Alpha*<sup>®</sup> strategies offer alternative investment funds that seek to deliver above-average market returns, for those investors with above-average risk tolerance
- > *Advice-Built*<sup>®</sup> solutions are a series of diversified funds that can function as a total portfolio solution or form the core of a large portfolio
- > Single-Strategy funds are a wide array of mutual funds of varying objectives, disciplines and styles that enable you to create your own customized and diversified portfolio

We are hopeful that we are on the path to recovery and that the worst is behind us. We must bear in mind, however, that markets are cyclical in nature. Preparation and planning are essential steps as you evaluate your financial goals. Thank you for choosing to invest with *RiverSource* mutual funds.



Stephen R. Lewis, Jr.  
Chairman of the Boards



Patrick T. Bannigan  
President,  
RiverSource Family of Funds

For more information about any of the funds in the *RiverSource* Family of Funds, go online to [RiverSource.com](http://RiverSource.com) (for *RiverSource* and *Threadneedle* funds) or [Seligman.com](http://Seligman.com) (for *Seligman* funds); or call 1(800) 221-2450. Customer Service Representatives are available to answer your questions Monday through Friday from 7 a.m. to 6 p.m. Central time.

## Letter to Shareholders *(continued)*

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**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 1(800) 221-2450. Read the prospectus carefully before investing.**

\* Source: Dalbar, “Quantitative Analysis of Investor Behavior – 2009”

Standard & Poor’s 500 Composite Stock Price 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.

The Morgan Stanley Capital International (MSCI) EAFE Index, an unmanaged index, is compiled from a composite of securities markets of Europe, Australia and the Far East. The index is widely recognized by investors in foreign markets as the measurement index for portfolios of non-North American securities.

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.

It’s important to know that alternative investments, such as those which comprise the *RiverSource Advanced Alpha* Strategies, involve substantial risks and may be more volatile than traditional investments, making them more suitable for investors with an above-average tolerance for risk. There is no guarantee that the strategies will be successful.

Diversification does not assure a profit or protect against loss.

*RiverSource*® mutual funds are distributed by RiverSource Fund Distributors, Inc., Member FINRA, and managed by RiverSource Investments, LLC. RiverSource is part of Ameriprise Financial, Inc.

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# Your Fund at a Glance

(Unaudited)

## FUND SUMMARY

- > RiverSource Short Duration U.S. Government Fund (the Fund) Class A shares rose 4.05% (excluding sales charge) for the six months ended Nov. 30, 2009.
- > The Fund outperformed its benchmark, the Barclays Capital U.S. 1-3 Year Government Index, which gained 1.52% for the same period.
- > The Fund also outperformed the Lipper Short U.S. Government Funds Index, representing the Fund's peer group, which advanced 2.50% during the same time frame.

## ANNUALIZED TOTAL RETURNS (for period ended Nov. 30, 2009)

	6 months*	1 year	3 years	5 years	10 years
RiverSource Short Duration U.S. Government Fund Class A (excluding sales charge)	+4.05%	+7.12%	+3.45%	+3.20%	+3.59%
Barclays Capital U.S. 1-3 Year Government Index <sup>(1)</sup> (unmanaged)	+1.52%	+3.21%	+5.29%	+4.37%	+4.73%
Lipper Short U.S. Government Funds Index <sup>(2)</sup>	+2.50%	+5.58%	+4.43%	+3.84%	+4.16%

\* 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 intermediary, visiting [riversource.com/funds](http://riversource.com/funds) or calling 1(800) 221-2450.*

The 3.00% sales charge applicable to Class A shares of the Fund 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 fees and expenses. The Fund's returns reflect the effect of fee waivers/expense reimbursements, if any. Without such waivers/reimbursements, the Fund's returns would be lower. See the Average Annual Total Returns table for performance of other share classes of the Fund.

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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. 1-3 Year Government Index, an unmanaged index, is made up of all publicly issued, non-convertible domestic debt of the U.S. government, or agency thereof, or any quasi-federal corporation. The index also includes corporate debt guaranteed by the U.S. government. Only notes and bonds with a minimum maturity of one year up to a maximum maturity of 2.9 years are included. The index reflects reinvestment of all distributions and changes in market prices.
- <sup>(2)</sup>The Lipper Short U.S. Government Funds Index includes the 30 largest short U.S. government funds tracked by Lipper Inc. The index's returns include net reinvested dividends.

## Your Fund at a Glance *(continued)*

### AVERAGE ANNUAL TOTAL RETURNS

at Nov. 30, 2009

	6 months*	1 year	3 years	5 years	10 years	Since inception**
<i>Without sales charge</i>						
Class A (inception 8/19/85)	+4.05%	+7.12%	+3.45%	+3.20%	+3.59%	N/A
Class B (inception 3/20/95)	+3.64%	+6.07%	+2.59%	+2.39%	+2.79%	N/A
Class C (inception 6/26/00)	+3.64%	+6.30%	+2.74%	+2.43%	N/A	+3.03%
Class I (inception 3/4/04)	+4.03%	+7.53%	+3.84%	+3.54%	N/A	+3.10%
Class R2 (inception 8/3/09)	N/A	N/A	N/A	N/A	N/A	+2.64%*
Class R4 (inception 3/20/95)	+3.86%	+7.23%	+3.58%	+3.36%	+3.75%	N/A
Class W (inception 12/1/06)	+3.79%	+7.05%	N/A	N/A	N/A	+3.31%
<i>With sales charge</i>						
Class A (inception 8/19/85)	+0.93%	+3.90%	+2.41%	+2.58%	+3.28%	N/A
Class B (inception 3/20/95)	-1.86%	+1.07%	+1.64%	+2.02%	+2.79%	N/A
Class C (inception 6/26/00)	+2.64%	+5.30%	+2.74%	+2.43%	N/A	+3.03%

\* Not annualized.

\*\* For classes with less than 10 years performance.

*Class A share performance reflects the maximum initial sales charge of 3.00%. Class B share performance reflects a contingent deferred sales charge (CDSC) applied as follows: first year 5%; second year 4%; third and fourth years 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 R2, Class R4, and Class W shares. Class I, Class R2 and Class R4 are available to qualifying institutional investors only. Class W shares are offered through qualifying discretionary accounts.*

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## STYLE MATRIX

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DURATION			QUALITY
SHORT	INT.	LONG	

Shading within the style matrix approximates 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.

## PORTFOLIO STATISTICS

Weighted average life <sup>(1)</sup>	2.6 years
Effective duration <sup>(2)</sup>	1.8 years
Weighted average bond rating <sup>(3)</sup>	AAA

- (1) **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.
- (2) **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.
- (3) **Weighted average bond rating** represents the average credit quality of the underlying bonds in the portfolio.

Shares of RiverSource Short Duration U.S. Government Fund are not insured or guaranteed by the U.S. government.

There are risks associated with an investment in a bond fund, including the impact of interest rates and credit. These and other risk considerations are discussed in the Fund's prospectus. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

## Your Fund at a Glance *(continued)*

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### **PORTFOLIO BREAKDOWN<sup>(1)</sup>** *(at Nov. 30, 2009; % of portfolio assets)*

Asset-Backed	8.3%
Commercial Mortgage-Backed	1.7%
FDIC - Insured Debt <sup>(2)</sup>	7.4%
Foreign Government	0.1%
Government Guaranteed <sup>(3)</sup>	0.1%
Residential Mortgage-Backed <sup>(4)</sup>	39.9%
U.S. Government Obligations & Agencies	38.7%
Other <sup>(5)</sup>	3.8%

<sup>(1)</sup> Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan) as of Nov. 30, 2009. The Fund's composition is subject to change.

<sup>(2)</sup> Debt guaranteed under the FDIC's Temporary Liquidity Guarantee Program (TLGP).

<sup>(3)</sup> Debt guaranteed by the HM Treasury, United Kingdom.

<sup>(4)</sup> Of the 39.9%, 3.7% is due to forward commitment residential mortgage-backed securities activity. Short-term securities are held as collateral for these commitments.

<sup>(5)</sup> Cash & Cash Equivalents.

### **QUALITY BREAKDOWN** *(at Nov. 30, 2009; % of portfolio assets excluding cash equivalents)*

AAA bonds	91.8%
AA bonds	3.1%
A bonds	2.2%
BBB bonds	1.5%
Non-investment grade bonds	0.5%
Non-rated bonds	0.9%

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 Investment Manager) rates a security using an internal rating system when Moody's doesn't provide a rating.

# 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 ongoing expenses of any funds in which the Fund 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 ongoing expenses charged by 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 indicated and held until Nov. 30, 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.

## Fund Expenses Example *(continued)*

	Beginning account value June 1, 2009 <sup>(a)</sup>	Ending account value Nov. 30, 2009	Expenses paid during the period <sup>(b)</sup>	Annualized expense ratio
<b>Class A</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,040.50	\$4.45	.86%
Hypothetical (5% return before expenses)	\$1,000	\$1,020.98	\$4.40	.86%
<b>Class B</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,036.40	\$8.36	1.62%
Hypothetical (5% return before expenses)	\$1,000	\$1,017.13	\$8.28	1.62%
<b>Class C</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,036.40	\$8.36	1.62%
Hypothetical (5% return before expenses)	\$1,000	\$1,017.13	\$8.28	1.62%
<b>Class I</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,040.30	\$2.48	.48%
Hypothetical (5% return before expenses)	\$1,000	\$1,022.91	\$2.46	.48%
<b>Class R2</b>				
Actual <sup>(d)</sup>	\$1,000	\$1,026.40	\$4.23	1.28%
Hypothetical (5% return before expenses)	\$1,000	\$1,018.85	\$6.55	1.28%
<b>Class R4</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,038.60	\$4.03	.78%
Hypothetical (5% return before expenses)	\$1,000	\$1,021.39	\$4.00	.78%

	<b>Beginning account value June 1, 2009<sup>(a)</sup></b>	<b>Ending account value Nov. 30, 2009</b>	<b>Expenses paid during the period<sup>(b)</sup></b>	<b>Annualized expense ratio</b>
<b>Class W</b>				
Actual <sup>(c)</sup>	\$1,000	\$1,037.90	\$4.80	.93%
Hypothetical (5% return before expenses)	\$1,000	\$1,020.63	\$4.76	.93%

<sup>(a)</sup> The beginning account values for Class R2 are as of the close of business on Aug. 3, 2009 (when shares of the class became publicly available) for actual expense calculations, and as of June 1, 2009 for hypothetical expense calculations.

<sup>(b)</sup> Expenses for Classes A, B, C, I, R4 and W are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period, multiplied by 185/365 (to reflect the one-half year period). Actual expenses for Class R2 are equal to the annualized expense ratio for the class as indicated above, multiplied by the average account value over the period, multiplied by 119/365 (to reflect the period from Aug. 3, 2009 to Nov. 30, 2009). Hypothetical expenses for Class R2 are equal to the annualized expense ratio for the class as indicated above, multiplied by the average account value over the period, multiplied by 185/365 (to reflect the one-half year period).

<sup>(c)</sup> Based on the actual return for the six months ended Nov. 30, 2009: +4.05% for Class A, +3.64% for Class B, +3.64% for Class C, +4.03% for Class I, +3.86% for Class R4 and +3.79% for Class W.

<sup>(d)</sup> Based on the actual return for Class R2 of +2.64% for the period from Aug. 3, 2009 (when shares of the Class became publicly available) to Nov. 30, 2009.

# Portfolio of Investments

Nov. 30, 2009 (Unaudited)

(Percentages represent value of investments compared to net assets)

## Investments in Securities

Bonds (91.6%)				Bonds (continued)			
Issuer	Coupon rate	Principal amount	Value(a)	Issuer	Coupon rate	Principal amount	Value(a)
<b>Foreign Agencies (0.1%)(c)</b>				<b>U.S. Government Obligations &amp; Agencies (cont.)</b>			
KFW				Private Export Funding U.S. Govt Guaranty			
04-16-12	2.25%	\$395,000	\$404,966	10-15-14	3.05%	\$5,675,000	\$5,833,686
<b>U.S. Government Obligations &amp; Agencies (40.0%)</b>				U.S. Treasury			
Federal Home Loan Banks				07-31-11			
05-20-11	2.63	2,565,000	2,643,825	01-15-12	1.13	17,000,000	17,132,804
09-16-11	1.23	14,000,000	14,004,844	06-15-12	1.88	6,690,000(l)	6,856,728
09-28-11	1.25	14,000,000	14,009,142	11-15-12	1.38	13,890,000(l)	13,999,606
09-29-11	1.30	12,000,000	12,008,400	02-29-16	2.63	3,000,000	3,030,936
12-28-11	1.00	14,550,000(l)	14,578,429	11-15-16	4.63	1,000,000	1,127,109
08-24-12	2.30	17,000,000	17,066,147	02-15-19	2.75	2,885,000	2,789,434
09-28-12	0.66	4,325,000(i)	4,341,448	05-15-19	3.13	965,000	960,250
10-18-13	3.63	2,000,000(l)	2,137,056	02-15-29	5.25	2,475,000(l)	2,864,040
11-17-17	5.00	500,000(l)	555,827	02-15-31	5.38	375,000(l)	441,504
Federal Home Loan Mtge Corp				02-15-36			
06-15-11	6.00	500,000(l)	541,494	11-15-39	4.38	1,755,000	1,808,473
12-15-11	1.13	11,525,000(l)	11,599,773	U.S. Treasury Inflation-Indexed Bond			
02-24-12	2.05	5,880,000	5,899,351	04-15-14	1.25	3,183,866(g)	3,331,682
03-23-12	2.13	3,105,000	3,181,892	<b>Total</b>			
08-17-12	2.18	6,425,000	6,447,076	<b>281,401,258</b>			
08-17-12	2.25	9,640,000	9,670,925	<b>Asset-Backed (8.6%)</b>			
08-20-12	5.50	2,610,000(l)	2,909,628	Amerquest Mtge Securities			
08-24-12	2.25	6,705,000	6,777,535	Series 2005-R6 CI A2			
07-15-14	5.00	900,000	1,010,865	08-25-35			
06-13-18	4.88	5,405,000	5,969,487	0.44			
Federal Natl Mtge Assn				1,974,161(j)			
06-09-10	3.26	580,000	588,684	1,734,792			
08-12-10	3.25	870,000	887,466	Asset Backed Securities Home Equity			
03-02-11	2.00	12,935,000	12,991,733	Series 2005-HE2 CI M1			
04-15-11	2.13	7,700,000	7,744,475	02-25-35			
04-29-11	0.60	3,121,000(i)	3,121,120	0.69			
10-29-12	1.88	15,000,000	15,096,630	2,146,738(i)			
11-19-12	4.75	730,000(l)	802,952	1,818,925			
04-09-13	3.25	14,350,000(l)	15,172,915	Banc of America Funding			
07-17-13	4.38	5,020,000	5,476,740	Collateralized Mtge Obligation			
01-02-14	5.13	9,000,000	9,726,660	Series 2009-R14A CI 1A1			
02-05-14	2.75	7,335,000(l)	7,564,414	09-26-37			
02-13-17	5.00	2,500,000(l)	2,805,813	1.33			
				4,897,922(d,i)			
				4,702,006			
				Bank of America Credit Card Trust			
				Series 2008-A5 CI A5			
				12-16-13			
				1.44			
				2,025,000(i)			
				2,028,871			
				Bear Stearns Asset Backed Securities Trust			
				Series 2006-HE9 CI 1A1			
				11-25-36			
				0.29			
				1,118,670(i)			
				1,007,841			
				Countrywide Asset-Backed Cdfs			
				Series 2005-SD1 CI A1C			
				05-25-35			
				0.63			
				2,799,406(d,i)			
				2,623,763			

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>Asset-Backed (cont.)</b>				<b>Asset-Backed (cont.)</b>			
Credit-Based Asset Servicing and Securitization LLC				Residential Asset Mtge Products			
Series 2007-CB4 CI A1A				Series 2004 RS8 CI A14			
04-25-37	0.33%	\$2,774,542(i)	\$2,065,203	06-25-32	5.06%	\$2,536,544	\$2,509,053
First Franklin Mtge Loan Asset-backed Cdfs				Residential Asset Mtge Products			
Series 2005-FFH3 CI 2A3				Series 2006 RS4 CI A2			
09-25-35	0.65	535,125(i)	520,507	07-25-36	0.35	980,017	937,972
First Franklin Mtge Loan Asset-backed Cdfs				Small Business Administration			
Series 2006-FF18 CI A2A				Series 2002-P10B CI 1			
12-25-37	0.31	529,301(i)	517,969	08-10-12	5.20	287,212	302,333
GSAA Trust				Structured Asset Investment Loan Trust			
Series 2006-10 CI AV1				Series 2005-9 CI A5			
06-25-36	0.32	496,789(i)	482,601	11-25-35	0.47	2,587,236(i)	2,418,241
GSAA Trust				Structured Asset Securities			
Series 2006-15 CI AV1				Collateralized Mtge Obligation			
09-25-36	0.29	2,749,472(i)	2,736,751	Series 2006-NC1 CI A6			
Morgan Stanley Capital I				05-25-36	0.29	1,496,367(i)	1,422,056
Series 2006-WMC1 CI A2B				Structured Asset Securities			
12-25-35	0.44	2,127,540(i)	1,920,912	Series 2007-WF2 CI A2			
Morgan Stanley Home Equity Loan Trust				08-25-37	0.94	1,929,730(i)	1,894,988
Series 2006-2 CI A3				Target Credit Card Master Trust			
02-25-36	0.41	1,298,578(i)	1,159,378	Series 2005-1 CI A			
NovaStar Home Equity Loan				10-27-14	0.30	10,250,000(i)	10,071,203
Series 2006-4 CI A2A (MGIC)				<b>Total</b>			<b>60,508,363</b>
09-25-36	0.28	201,066(b,i)	198,868				
RAAC Series				<b>Commercial Mortgage-Backed (1.7%)(f)</b>			
Series 2006-SP4 CI A1				Bear Stearns Commercial Mtge Securities			
11-25-36	0.34	2,441,864(i)	2,275,609	Series 2004-PWR6 CI A4			
RBSSP Resecuritization Trust				11-11-41	4.52	1,575,000	1,543,893
Collateralized Mtge Obligation				Federal Home Loan Mtge Corp			
Series 2009-10 CI 4A1				Multifamily Structured Pass-Through Cdfs			
07-26-36	0.38	3,616,720(d,i)	3,399,716	Series K001 CI A2			
RBSSP Resecuritization Trust				04-25-16	5.65	4,976,687	5,556,530
Collateralized Mtge Obligation				JPMorgan Chase Commercial Mtge Securities			
Series 2009-10 CI 7A1				Series 2004-CBX CI A3			
03-26-37	0.33	3,607,399(d,i)	3,499,177	01-12-37	4.18	5,225,173	5,220,320
RBSSP Resecuritization Trust				<b>Total</b>			<b>12,320,743</b>
Collateralized Mtge Obligation							
Series 2009-11 CI 2A1				<b>Residential Mortgage-Backed (41.2%)(f,h)</b>			
04-26-36	0.38	5,545,225(d,i)	5,323,416	Citigroup Mtge Loan Trust			
RBSSP Resecuritization Trust				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Series 2006-AR9 CI 1A1			
Series 2009-12 CI 2A1				11-25-36	0.31	346,262(i)	312,713
10-26-32	4.77	2,958,400(d)	2,936,212				

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>Residential Mortgage-Backed (cont.)</b>				<b>Residential Mortgage-Backed (cont.)</b>			
Citigroup Mtge Loan Trust				Federal Home Loan Mtge Corp #C00351			
Collateralized Mtge Obligation				07-01-24	8.00%	\$189,740	\$218,274
Series 2009-3 Cl 3A2				Federal Home Loan Mtge Corp #C00385			
01-19-34	4.68%	\$2,915,000(d,i)	\$2,813,554	01-01-25	9.00	324,557	365,525
Citigroup Mtge Loan Trust				Federal Home Loan Mtge Corp #C80329			
Collateralized Mtge Obligation				08-01-25	8.00	61,159	70,380
Series 2009-7 Cl 4A2				Federal Home Loan Mtge Corp #E00398			
09-25-35	4.56	5,600,980(d,i)	777,136	10-01-10	7.00	73,383	75,174
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #E81240			
Collateralized Mtge Obligation				06-01-15	7.50	2,224,465	2,419,918
Series 2006-0A11 Cl A3B1				Federal Home Loan Mtge Corp #E90650			
09-25-46	0.42	1,929,708(i)	1,503,874	07-01-12	5.50	64,859	67,125
Countrywide Alternative Loan Trust				Federal Home Loan Mtge Corp #E92454			
Collateralized Mtge Obligation				11-01-17	5.00	1,933,567	2,076,792
Series 2007-OH3 Cl A3				Federal Home Loan Mtge Corp #E96624			
09-25-47	0.74	3,533,775(i)	411,515	05-01-18	5.00	1,081,369	1,159,441
Countrywide Home Loans				Federal Home Loan Mtge Corp #G00363			
Collateralized Mtge Obligation				06-01-25	8.00	241,044	277,388
Series 2005-R2 Cl 2A1				Federal Home Loan Mtge Corp #G00501			
06-25-35	7.00	3,663,216(d)	3,197,832	05-01-26	9.00	426,479	492,581
Credit Suisse First Boston Mtge Securities				Federal Home Loan Mtge Corp #G04710			
Collateralized Mtge Obligation				09-01-38	6.00	1,540,062	1,654,006
Series 2003-1 Cl 1A1				Federal Home Loan Mtge Corp #G10669			
02-25-33	7.00	1,082,029	1,072,486	03-01-12	7.50	583,936	618,969
Federal Home Loan Mtge Corp				Federal Home Loan Mtge Corp #G11243			
12-01-24	4.50	3,000,000(e)	3,140,157	04-01-17	6.50	8,914,777	9,679,223
12-01-39	5.50	3,250,000(e)	3,459,219	Federal Home Loan Mtge Corp #G12100			
12-01-39	6.00	1,000,000(e)	1,072,656	11-01-13	5.00	1,831,813	1,914,657
Federal Home Loan Mtge Corp #1G2547				Federal Home Loan Mtge Corp			
12-01-36	6.10	1,263,020(i)	1,350,997	Collateralized Mtge Obligation			
Federal Home Loan Mtge Corp #1G2598				Interest Only			
01-01-37	6.08	1,769,703(i)	1,876,756	Series 11 Cl B			
Federal Home Loan Mtge Corp #1J0614				01-01-20	2.97	6,050(j)	1,703
09-01-37	5.68	2,676,846(i)	2,836,145	Federal Home Loan Mtge Corp			
Federal Home Loan Mtge Corp #1Q0140				Collateralized Mtge Obligation			
08-01-36	6.16	671,445(i)	713,424	Interest Only			
Federal Home Loan Mtge Corp #A18107				Series 2471 Cl SI			
01-01-34	5.50	2,301,780	2,460,656	03-15-32	20.43	1,076,553(j)	167,108
Federal Home Loan Mtge Corp #A75929				Federal Home Loan Mtge Corp			
04-01-38	7.00	286,033	313,593	Collateralized Mtge Obligation			
Federal Home Loan Mtge Corp #B10459				Interest Only			
10-01-18	5.50	888,147	959,347	Series 3517 Cl JI			
				12-15-12	36.33	2,392,322(j)	34,010

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>Residential Mortgage-Backed (cont.)</b>				<b>Residential Mortgage-Backed (cont.)</b>			
Federal Home Loan Mtge Corp				Federal Natl Mtge Assn #303885			
Collateralized Mtge Obligation				05-01-26	7.50%	\$320,902	\$364,630
Interest Only				Federal Natl Mtge Assn #313007			
Series 3550 CI GS				07-01-11	7.50	52,608	53,723
07-15-39	22.65%	\$11,454,955(j)	\$1,288,223	Federal Natl Mtge Assn #336512			
Federal Home Loan Mtge Corp				02-01-26	6.00	41,141	44,478
Collateralized Mtge Obligation				Federal Natl Mtge Assn #357485			
Interest Only				02-01-34	5.50	9,120,105	9,742,480
Series 3578				Federal Natl Mtge Assn #407327			
04-15-12	31.61	47,665,045(j)	989,240	01-01-14	5.50	225,820	243,782
Federal Home Loan Mtge Corp				Federal Natl Mtge Assn #456374			
Collateralized Mtge Obligation				12-01-13	5.50	399,367	431,133
Interest Only				Federal Natl Mtge Assn #508402			
Series 3600 CI DI				08-01-14	6.50	201,949	219,381
01-15-13	0.00	38,102,622(j)	1,089,497	Federal Natl Mtge Assn #545818			
Federal Home Loan Mtge Corp				07-01-17	6.00	8,721,925	9,483,305
Collateralized Mtge Obligation				Federal Natl Mtge Assn #545864			
Series 2617 CI HD				08-01-17	5.50	7,601,596	8,241,641
06-15-16	7.00	3,482,095	3,674,096	Federal Natl Mtge Assn #545910			
Federal Home Loan Mtge Corp				08-01-17	6.00	1,380,415	1,500,915
Multifamily Structured Pass-Through Cfts				Federal Natl Mtge Assn #555063			
Series K003 CI A1				11-01-17	5.50	5,735,799	6,228,394
07-25-13	2.23	4,954,482	5,029,633	Federal Natl Mtge Assn #555367			
Federal Natl Mtge Assn				03-01-33	6.00	6,931,029	7,507,035
12-01-39	6.00	15,000,000(e)	16,078,124	Federal Natl Mtge Assn #579485			
12-01-39	6.50	3,000,000(e)	3,240,468	04-01-31	6.50	1,708,678	1,884,678
Federal Natl Mtge Assn #125032				Federal Natl Mtge Assn #593829			
11-01-21	8.00	90,237	102,852	12-01-28	7.00	1,286,492	1,433,875
Federal Natl Mtge Assn #190129				Federal Natl Mtge Assn #601416			
11-01-23	6.00	711,314	766,214	11-01-31	6.50	605,488	661,066
Federal Natl Mtge Assn #190988				Federal Natl Mtge Assn #630993			
06-01-24	9.00	162,405	177,471	09-01-31	7.50	1,911,680	2,175,876
Federal Natl Mtge Assn #254384				Federal Natl Mtge Assn #648040			
06-01-17	7.00	209,372	228,247	06-01-32	6.50	1,816,568	1,980,308
Federal Natl Mtge Assn #254454				Federal Natl Mtge Assn #648349			
08-01-17	7.00	414,555	451,927	06-01-17	6.00	5,038,743	5,478,462
Federal Natl Mtge Assn #254723				Federal Natl Mtge Assn #651284			
05-01-23	5.50	6,178,295	6,649,749	07-01-17	6.00	989,513	1,075,922
Federal Natl Mtge Assn #255501				Federal Natl Mtge Assn #662866			
09-01-14	6.00	416,860	441,656	11-01-17	6.00	954,675	1,036,552
Federal Natl Mtge Assn #256901				Federal Natl Mtge Assn #665752			
09-01-37	6.50	1,736,083	1,871,952	09-01-32	6.50	934,841	1,019,105

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>Residential Mortgage-Backed (cont.)</b>				<b>Residential Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn #678940				Federal Natl Mtge Assn #883267			
02-01-18	5.50%	\$1,542,628	\$1,675,413	07-01-36	6.50%	\$3,790,090	\$4,157,169
Federal Natl Mtge Assn #686227				Federal Natl Mtge Assn #886764			
02-01-18	5.50	2,073,496	2,254,666	08-01-36	6.00	556,996(i)	591,767
Federal Natl Mtge Assn #696837				Federal Natl Mtge Assn #887403			
04-01-18	5.50	2,318,469	2,522,197	07-01-36	7.00	2,362,087	2,632,706
Federal Natl Mtge Assn #704610				Federal Natl Mtge Assn #888989			
06-01-33	5.50	8,445,941(n)	9,022,310	06-01-37	5.92	3,947,249(i)	4,223,557
Federal Natl Mtge Assn #722325				Federal Natl Mtge Assn #895834			
07-01-33	4.95	4,223,434(i)	4,466,307	04-01-36	6.02	1,054,608(i)	1,119,783
Federal Natl Mtge Assn #725425				Federal Natl Mtge Assn #919341			
04-01-34	5.50	6,943,650	7,429,968	05-01-37	6.50	2,813,003	3,042,383
Federal Natl Mtge Assn #725431				Federal Natl Mtge Assn #946609			
08-01-15	5.50	4,417,366	4,768,730	09-01-37	5.80	839,041(i)	889,888
Federal Natl Mtge Assn #725773				Federal Natl Mtge Assn #967656			
09-01-34	5.50	5,944,232	6,347,093	12-01-37	6.50	3,101,630	3,354,546
Federal Natl Mtge Assn #739243				Federal Natl Mtge Assn			
09-01-33	6.00	2,438,087	2,666,729	Collateralized Mtge Obligation			
Federal Natl Mtge Assn #739331				Interest Only			
09-01-33	6.00	1,222,996	1,322,340	Series 163 Cl 2			
Federal Natl Mtge Assn #743524				07-25-22	22.15	394,671(j)	68,631
11-01-33	5.00	2,610,233	2,747,117	Federal Natl Mtge Assn			
Federal Natl Mtge Assn #745275				Collateralized Mtge Obligation			
02-01-36	5.00	830,843	873,115	Interest Only			
Federal Natl Mtge Assn #745392				Series 2002-18 Cl SE			
12-01-20	4.50	807,308	854,653	02-25-32	32.60	2,121,184(j)	282,202
Federal Natl Mtge Assn #753508				Federal Natl Mtge Assn			
11-01-33	5.00	2,625,712	2,763,408	Collateralized Mtge Obligation			
Federal Natl Mtge Assn #791447				Interest Only			
10-01-34	6.00	3,868,086	4,176,248	Series 2003-26 Cl MI			
Federal Natl Mtge Assn #797046				03-25-23	15.70	1,112,303(j)	133,975
07-01-34	5.50	2,455,359	2,621,767	Federal Natl Mtge Assn			
Federal Natl Mtge Assn #799843				Collateralized Mtge Obligation			
11-01-34	2.63	870,143(i)	881,118	Interest Only			
Federal Natl Mtge Assn #815463				Series 2003-63 Cl IP			
02-01-35	5.50	1,429,644	1,526,536	07-25-33	8.63	2,946,794(j)	375,830
Federal Natl Mtge Assn #829597				Federal Natl Mtge Assn			
08-01-35	4.73	1,096,678(i)	1,137,467	Collateralized Mtge Obligation			
Federal Natl Mtge Assn #832641				Interest Only			
09-01-35	6.00	5,237,756	5,641,943	Series 2003-71 Cl IM			
Federal Natl Mtge Assn #881886				12-25-31	5.34	1,586,467(j)	183,717
04-01-36	5.36	677,886(i)	713,691				

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>Residential Mortgage-Backed (cont.)</b>				<b>Residential Mortgage-Backed (cont.)</b>			
Federal Natl Mtge Assn				Govt Natl Mtge Assn			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Interest Only				Series 2009-105 CI A			
Series 2008-40 CI AI				12-16-50	3.46%	\$7,150,000	\$7,225,969
08-25-12	12.75%	\$10,083,986(j)	\$194,310	Govt Natl Mtge Assn			
Federal Natl Mtge Assn				Collateralized Mtge Obligation			
Collateralized Mtge Obligation				Series 2009-63 CI A			
Interest Only				01-16-38	3.40	4,796,887	4,883,104
Series 36 CI 2				Govt Natl Mtge Assn			
08-01-18	18.30	3,458(j)	630	Collateralized Mtge Obligation			
Federal Natl Mtge Assn				Series 2009-71 CI A			
Collateralized Mtge Obligation				04-16-38	3.30	7,124,178	7,269,440
Interest Only				Govt Natl Mtge Assn			
Series 70 CI 2				Collateralized Mtge Obligation			
01-15-20	16.12	152,522(j)	34,822	Series 2009-90 CI AC			
Federal Natl Mtge Assn				01-16-33	3.14	5,400,000	5,436,471
Collateralized Mtge Obligation				Harborview Mtge Loan Trust			
Principal Only				Collateralized Mtge Obligation			
Series G-15 CI A				Series 2004-4 CI 3A			
06-25-21	2.49	19,892(k)	18,576	06-19-34	0.99	279,145(i)	175,361
Federal Natl Mtge Assn				Jefferies & Co			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Series 2003-W11 CI A1				Series 2009-R10 CI 1A1			
06-25-33	4.33	99,506(i)	90,614	06-26-47	0.36	534,040(d,i)	520,689
Federal Natl Mtge Assn				Jefferies & Co			
Collateralized Mtge Obligation				Collateralized Mtge Obligation			
Series 2004-60 CI PA				Series 2009-R10 CI 2A1			
04-25-34	5.50	2,560,497	2,745,857	05-26-48	0.33	844,723(d,i)	819,381
Govt Natl Mtge Assn #615740				Lehman XS Trust			
08-15-13	6.00	435,709	471,092	Series 2006-16N CI A1B			
Govt Natl Mtge Assn #648339				11-25-46	0.36	848,187(i)	797,555
10-15-35	5.50	1,307,964	1,400,096	LVII Resecuritization Trust			
Govt Natl Mtge Assn #716007				Collateralized Mtge Obligation			
08-15-39	6.00	6,117,582	6,556,507	Series 2009-3 CI A1			
Govt Natl Mtge Assn #781507				11-27-37	5.76	1,425,009(d,i)	1,425,009
09-15-14	6.00	2,031,813	2,150,806	Morgan Stanley Mtge Loan Trust			
Govt Natl Mtge Assn				Series 2006-13AX CI A1			
Collateralized Mtge Obligation				10-25-36	0.33	1,451,183(i)	883,057
Series 2004-3 CI JB				Structured Adjustable Rate Mtge Loan Trust			
05-20-29	5.00	152,358	153,772	Collateralized Mtge Obligation			
				Series 2005-18 CI 9A1			
				09-25-35	5.25	1,613,190(i)	1,551,997

See accompanying Notes to Portfolio of Investments.

# Portfolio of Investments *(continued)*

## Bonds (continued)

Issuer	Coupon rate	Principal amount	Value(a)
<b>Residential Mortgage-Backed (cont.)</b>			
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2005-14 Cl 2A1			
12-25-35	5.50%	\$2,541,096	2,316,467
Wells Fargo Mtge Backed Securities Trust Collateralized Mtge Obligation Series 2006-12 Cl A1			
10-25-36	6.00	3,701,241	3,630,110
<b>Total</b>			<b>290,671,086</b>

### Total Bonds

(Cost: \$630,044,809) \$645,306,416

## FDIC-Insured Debt (7.6%)(o)

Issuer	Coupon rate	Principal amount	Value(a)
<b>U.S. Agencies</b>			
Bank of America FDIC Govt Guaranty			
04-30-12	2.10%	\$4,175,000(l)	\$4,267,476
06-15-12	3.13	3,810,000	3,998,039
06-22-12	2.38	3,055,000(l)	3,152,500
Citigroup Funding FDIC Govt Guaranty			
07-12-12	2.13	15,000,000(l)	15,354,159
General Electric Capital FDIC Govt Guaranty			
12-28-12	2.63	7,580,000(l)	7,850,432
Goldman Sachs Group FDIC Govt Guaranty			
07-15-11	1.63	7,750,000	7,863,414
JPMorgan Chase & Co FDIC Govt Guaranty			
02-23-11	1.65	2,940,000(l)	2,983,625
Morgan Stanley FDIC Govt Guaranty			
02-10-12	0.55	8,300,000	8,357,411

### Total FDIC-Insured Debt

(Cost: \$52,703,058) \$53,827,056

## Government Guaranteed (0.1%)(m)

Issuer	Coupon rate	Principal amount	Value(a)
UK Barclays Bank Govt Guaranty			
03-05-12	2.70%	\$780,000(c,d)	\$805,449
<b>Total Government Guaranteed</b>			<b>\$805,449</b>
(Cost: \$779,329)			

## U.S. Government Agencies (1.4%)

Issuer	Coupon rate	Principal amount	Value(a)
Federal Home Loan Bank Disc Nts			
12-18-09	0.05%	\$10,000,000	\$9,999,775
<b>Total U.S. Government Agencies</b>			<b>\$9,999,775</b>
(Cost: \$9,999,788)			

## Money Market Fund (2.5%)

	Shares	Value(a)
RiverSource Short-Term Cash Fund, 0.20%	17,695,714(p)	\$17,695,714
<b>Total Money Market Fund</b>		<b>\$17,695,714</b>
(Cost: \$17,695,714)		

## Investments of Cash Collateral Received for Securities on Loan (12.4%)

	Shares	Value(a)
<b>Cash Collateral Reinvestment Fund</b>		
JPMorgan Prime Money Market Fund	87,374,221	\$87,374,221
<b>Total Investments of Cash Collateral Received for Securities on Loan</b>		<b>\$87,374,221</b>
(Cost: \$87,374,221)		
<b>Total Investments in Securities</b>		<b>\$815,008,631</b>
(Cost: \$798,596,919)(q)		

See accompanying Notes to Portfolio of Investments.

## Investments in Derivatives

### Futures Contracts Outstanding at Nov. 30, 2009

Contract description	Number of contracts long/(short)	Notional market value	Expiration date	Unrealized appreciation/(depreciation)
U.S. Long Bond, 20-year	12	\$1,472,625	March 2010	\$24,545
U.S. Treasury Note, 2-year	75	16,341,797	April 2010	45,590
U.S. Treasury Note, 5-year	(51)	(5,980,547)	April 2010	(160,585)
U.S. Treasury Note, 10-year	209	25,066,938	March 2010	233,803
Total				\$143,353

### Notes to Portfolio of Investments

- (a) Securities are valued by using policies described in Note 2 to the financial statements.
- (b) The following abbreviation is used in the portfolio security description to identify the insurer of the issue:  
MGIC – Mortgage Guaranty Insurance Corporation
- (c) Foreign security values are stated in U.S. dollars. At Nov. 30, 2009, the value of foreign securities, excluding short-term securities, represented 0.2% 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 Nov. 30, 2009, the value of these securities amounted to \$32,843,340 or 4.7% of net assets.
- (e) At Nov. 30, 2009, the cost of securities purchased, including interest purchased, on a when-issued and/or other forward-commitment basis was \$26,726,155. See Note 2 to the financial statements.
- (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.
- (g) 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.

# Portfolio of Investments *(continued)*

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

- (h) Represents comparable securities held to satisfy future delivery requirements of the following open forward sale commitments at Nov. 30, 2009:

Security	Principal amount	Settlement date	Proceeds receivable	Value
Federal Natl Mtge Assn 12-01-39 5.50%	\$16,000,000	12-14-09	\$16,793,124	\$17,015,008

- (i) Interest rate varies either based on a predetermined schedule or to reflect current market conditions; rate shown is the effective rate on Nov. 30, 2009.
- (j) Interest only represents securities that entitle holders to receive only interest payments on the underlying mortgages. The yield to maturity of an interest only security 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 Nov. 30, 2009.
- (k) Principal only represents securities that entitle holders to receive only principal payments on the underlying mortgages. The yield to maturity of a principal only is sensitive to the rate of principal payments on the underlying mortgage assets. A slow (rapid) rate of principal repayments may have an adverse (positive) effect on yield to maturity. Interest rate disclosed represents yield based upon the estimated timing of future cash flows at Nov. 30, 2009.
- (l) At Nov. 30, 2009, security was partially or fully on loan. See Note 7 to the financial statements.
- (m) This debt is guaranteed by the HM Treasury, United Kingdom.
- (n) At Nov. 30, 2009, investments in securities included securities valued at \$455,372 that were partially pledged as collateral to cover initial margin deposits on open interest rate futures contracts.
- (o) This debt is guaranteed under the FDIC's Temporary Liquidity Guarantee Program (TLGP) and is backed by the full faith and credit of the United States.
- (p) Affiliated Money Market Fund – See Note 8 to the financial statements. The rate shown is the seven-day current annualized yield at Nov. 30, 2009.
- (q) At Nov. 30, 2009, the cost of securities for federal income tax purposes was approximately \$798,597,000 and the approximate aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	\$21,924,000
Unrealized depreciation	(5,512,000)
Net unrealized appreciation	\$16,412,000

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## Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 – Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 – Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 – Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Fund Administrator, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Fund Administrator. Inputs used in a valuation model

# Portfolio of Investments *(continued)*

## Fair Value Measurements *(continued)*

may include, but are not limited to, financial statement analysis, discount rates and estimated cash flows, and comparable company data.

The following table is a summary of the inputs used to value the Fund's investments as of Nov. 30, 2009:

Description	Fair value at Nov. 30, 2009			Total
	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs	Level 3 significant unobservable inputs	
Bonds				
Foreign Government Obligations & Agencies	\$—	\$404,966	\$—	\$404,966
U.S. Government Obligations & Agencies	54,903,145	226,498,113	—	281,401,258
Asset-Backed Securities	—	40,647,836	19,860,527	60,508,363
Commercial Mortgage-Backed Securities	—	12,320,743	—	12,320,743
Residential Mortgage-Backed Securities	—	284,741,940	5,929,146	290,671,086
<b>Total Bonds</b>	<b>54,903,145</b>	<b>564,613,598</b>	<b>25,789,673</b>	<b>645,306,416</b>
Short-Term Securities				
U.S. Government Agencies	—	9,999,775	—	9,999,775
<b>Total Short-Term Securities</b>	<b>—</b>	<b>9,999,775</b>	<b>—</b>	<b>9,999,775</b>
Other				
FDIC-Insured Debt Securities	—	53,827,056	—	53,827,056
Government Guaranteed	—	805,449	—	805,449
Affiliated Money Market Fund(a)	17,695,714	—	—	17,695,714
Investments of Cash Collateral Received for Securities on Loan	87,374,221	—	—	87,374,221
<b>Total Other</b>	<b>105,069,935</b>	<b>54,632,505</b>	<b>—</b>	<b>159,702,440</b>
Investments in Securities	159,973,080	629,245,878	25,789,673	815,008,631
Other Financial Instruments(b)	143,353	—	—	143,353
<b>Total</b>	<b>\$160,116,433</b>	<b>\$629,245,878</b>	<b>\$25,789,673</b>	<b>\$815,151,984</b>

(a) Money market fund that is a sweep investment for cash balances in the Fund at Nov. 30, 2009.

(b) Other Financial Instruments are derivative instruments, which are valued at the unrealized appreciation (depreciation) on the instrument. Derivative descriptions are located in the Investments in Derivatives section of the Portfolio of Investments.

## Fair Value Measurements (continued)

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

	Asset-Backed Securities	Residential Mortgage-Backed Securities	Total
Balance as of May 31, 2009	\$—	\$6,308,870	\$6,308,870
Accrued discounts/premiums	24,328	65,987	90,315
Realized gain (loss)	46,561	276,744	323,305
Change in unrealized appreciation (depreciation)*	95,423	415,714	511,137
Net purchases (sales)	19,694,215	(4,074,381)	15,619,837
Transfers in and/or out of Level 3	—	2,936,212	2,936,212
Balance as of Nov. 30, 2009	\$19,860,527	\$5,929,146	\$25,789,673

\* Change in unrealized appreciation (depreciation) relating to securities held at Nov. 30, 2009 was \$530,340.

### How to find information about the Fund's quarterly 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 filed on Form N-Q, can be obtained without charge, upon request, by calling the RiverSource Family of Funds at 1(800) 221-2450.

# Statement of Assets and Liabilities

Nov. 30, 2009 (Unaudited)

## Assets

Investments in securities, at value	
Unaffiliated issuers* (identified cost \$693,526,984)	\$ 709,938,696
Affiliated money market fund (identified cost \$17,695,714)	17,695,714
Investments of cash collateral received for securities on loan (identified cost \$87,374,221)	87,374,221
<b>Total investments in securities (identified cost \$798,596,919)</b>	<b>815,008,631</b>
Capital shares receivable	1,184,366
Dividends and accrued interest receivable	3,339,477
Receivable for investment securities sold	22,868,026
<b>Total assets</b>	<b>842,400,500</b>

## Liabilities

Forward sale commitments, at value (proceeds receivable \$16,793,124)	17,015,008
Disbursements in excess of cash	31,301
Dividends payable to shareholders	315,353
Capital shares payable	944,397
Payable for investment securities purchased	31,757,492
Payable upon return of securities loaned	87,374,221
Variation margin payable on futures contracts	15,344
Accrued investment management services fees	27,768
Accrued distribution fees	147,881
Accrued transfer agency fees	10,644
Accrued administrative services fees	3,966
Accrued plan administration services fees	1,546
Other accrued expenses	655,775
<b>Total liabilities</b>	<b>138,300,696</b>
<b>Net assets applicable to outstanding capital stock</b>	<b>\$ 704,099,804</b>

## Represented by

Capital stock – \$.01 par value	\$ 1,483,565
Additional paid-in capital	792,754,667
Excess of distributions over net investment income	(517,772)
Accumulated net realized gain (loss)	(105,953,837)
Unrealized appreciation (depreciation) on investments	16,333,181
<b>Total – representing net assets applicable to outstanding capital stock</b>	<b>\$ 704,099,804</b>
*Including securities on loan, at value	\$ 115,626,918

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**Net asset value per share**

	<b>Net assets</b>	<b>Shares outstanding</b>	<b>Net asset value per share</b>
Class A	\$531,544,102	112,007,326	\$4.75 <sup>(1)</sup>
Class B	\$ 77,530,554	16,338,338	\$4.75
Class C	\$ 28,399,208	5,984,363	\$4.75
Class I	\$ 59,449,516	12,514,613	\$4.75
Class R2	\$ 3,043,745	641,411	\$4.75
Class R4	\$ 4,127,685	869,397	\$4.75
Class W	\$ 4,994	1,053	\$4.74

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<sup>(1)</sup> The maximum offering price per share for Class A is \$4.90. 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 Nov. 30, 2009 (Unaudited)

## Investment income

Income:	
Interest	\$12,004,428
Income distributions from affiliated money market fund	10,076
Income from securities lending – net	119,015
<b>Total income</b>	<b>12,133,519</b>
Expenses:	
Investment management services fees	1,686,583
Distribution fees	
Class A	668,648
Class B	460,126
Class C	106,616
Class R2	4,181
Class W	6
Transfer agency fees	
Class A	455,544
Class B	85,429
Class C	18,820
Class R2	62
Class R4	632
Class W	5
Administrative services fees	241,063
Plan administration services fees	
Class R2	2,091
Class R4	5,208
Compensation of board members	10,170
Custodian fees	6,705
Printing and postage	116,332
Registration fees	39,100
Licensing fees	188
Professional fees	14,675
Other	13,380
<b>Total expenses</b>	<b>3,935,564</b>
Expenses waived/reimbursed by the Investment Manager and its affiliates	(573,599)
<b>Total net expenses</b>	<b>3,361,965</b>
<b>Investment income (loss) – net</b>	<b>8,771,554</b>

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### **Realized and unrealized gain (loss) – net**

Net realized gain (loss) on:	
Security transactions	\$ (2,465,646)
Futures contracts	1,303,257
Net realized gain (loss) on investments	(1,162,389)
Net change in unrealized appreciation (depreciation) on investments	18,116,568
Net gain (loss) on investments	16,954,179
Net increase (decrease) in net assets resulting from operations	\$25,725,733

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

# Statements of Changes in Net Assets

	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31, 2009
<b>Operations and distributions</b>		
Investment income (loss) – net	\$ 8,771,554	\$ 22,192,236
Net realized gain (loss) on investments	(1,162,389)	(24,011,105)
Net change in unrealized appreciation (depreciation) on investments	18,116,568	4,441,905
Net increase (decrease) in net assets resulting from operations	25,725,733	2,623,036
Distributions to shareholders from:		
Net investment income		
Class A	(7,481,265)	(16,331,022)
Class B	(951,552)	(2,826,872)
Class C	(228,900)	(237,025)
Class I	(760,142)	(2,172,593)
Class R2	(22,527)	N/A
Class R4	(59,807)	(134,786)
Class W	(68)	(139)
Total distributions	(9,504,261)	(21,702,437)

	<b>Six months ended Nov. 30, 2009 (Unaudited)</b>	<b>Year ended May 31, 2009</b>
<b>Capital share transactions</b>		
Proceeds from sales		
Class A shares	\$ 42,364,516	\$ 226,294,351
Class B shares	4,259,880	33,777,836
Class C shares	3,125,110	7,040,083
Class I shares	17,406,287	13,901,496
Class R2 shares	407,355	N/A
Class R4 shares	1,105,889	2,274,007
Fund merger (Note 10)		
Class A shares	33,719,721	N/A
Class B shares	4,922,961	N/A
Class C shares	16,708,376	N/A
Class R2 shares	3,419,969	N/A
Reinvestment of distributions at net asset value		
Class A shares	6,694,460	14,899,763
Class B shares	874,055	2,659,409
Class C shares	160,442	215,459
Class I shares	741,008	2,176,497
Class R2 shares	3,304	N/A
Class R4 shares	59,015	134,521
Conversions from Class B to Class A		
Class A shares	25,761,662	20,630,333
Class B shares	(25,761,662)	(20,630,333)
Payments for redemptions		
Class A shares	(118,708,435)	(258,638,948)
Class B shares	(22,075,172)	(57,874,364)
Class C shares	(4,949,294)	(3,812,662)
Class I shares	(1,713,307)	(64,443,360)
Class R2 shares	(822,293)	N/A
Class R4 shares	(1,464,727)	(2,725,737)
Increase (decrease) in net assets from capital share transactions	(13,760,880)	(84,121,649)
Total increase (decrease) in net assets	2,460,592	(103,201,050)
Net assets at beginning of period	701,639,212	804,840,262
Net assets at end of period	\$ 704,099,804	\$ 701,639,212
Undistributed (excess of distributions over) net investment income	\$ (517,772)	\$ 430,828

Certain line items from the prior year have been renamed to conform to the current year presentation.

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

## Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. For the periods 2008 and after, per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of sales charges, if any, and are not annualized for periods of less than one year.

Class A Per share data	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31,				
		2009	2008	2007	2006	2005
Net asset value, beginning of period	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79	\$4.82
<b>Income from investment operations:</b>						
Net investment income (loss)	.06	.14	.19	.19	.15	.12
Net gains (losses) (both realized and unrealized)	.13	(.11)	.01	.05	(.10)	(.03)
Total from investment operations	.19	.03	.20	.24	.05	.09
<b>Less distributions:</b>						
Dividends from net investment income	(.07)	(.14)	(.19)	(.19)	(.16)	(.12)
Net asset value, end of period	\$4.75	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79
<b>Total return</b>	4.05%	.59%	4.27%	5.12%	1.00%	1.92%
<b>Ratios to average net assets<sup>(a)</sup></b>						
Gross expenses prior to expense waiver/reimbursement	1.03% <sup>(b)</sup>	1.02%	1.04%	1.03%	1.06%	1.01%
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	.86% <sup>(b)</sup>	.89%	.89% <sup>(d)</sup>	.89%	.89%	.93%
Net investment income (loss)	2.59% <sup>(b)</sup>	3.00%	3.93%	3.99%	3.27%	2.49%
<b>Supplemental data</b>						
Net assets, end of period (in millions)	\$532	\$529	\$539	\$514	\$641	\$894
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%	194%	169%

See accompanying Notes to Financial Highlights.

**Class B****Per share data**

	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31,				
		2009	2008	2007	2006	2005
Net asset value, beginning of period	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79	\$4.82
<b>Income from investment operations:</b>						
Net investment income (loss)	.04	.10	.15	.15	.12	.08
Net gains (losses) (both realized and unrealized)	.13	(.11)	.01	.05	(.11)	(.03)
Total from investment operations	.17	(.01)	.16	.20	.01	.05
<b>Less distributions:</b>						
Dividends from net investment income	(.05)	(.10)	(.15)	(.15)	(.12)	(.08)
Net asset value, end of period	\$4.75	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79
<b>Total return</b>	3.64%	(.18%)	3.48%	4.34%	.26%	1.16%

**Ratios to average net assets<sup>(a)</sup>**

Gross expenses prior to expense waiver/reimbursement	1.79% <sup>(b)</sup>	1.78%	1.80%	1.79%	1.82%	1.76%
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	1.62% <sup>(b)</sup>	1.65%	1.65% <sup>(d)</sup>	1.64%	1.64%	1.68%
Net investment income (loss)	1.87% <sup>(b)</sup>	2.26%	3.18%	3.23%	2.50%	1.73%

**Supplemental data**

Net assets, end of period (in millions)	\$78	\$113	\$159	\$216	\$338	\$588
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%	194%	169%

See accompanying Notes to Financial Highlights.

# Financial Highlights *(continued)*

<b>Class C</b>	<b>Six months ended Nov. 30, 2009 (Unaudited)</b>	<b>Year ended May 31,</b>				
		<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Per share data</b>						
Net asset value, beginning of period	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79	\$4.82
<b>Income from investment operations:</b>						
Net investment income (loss)	.04	.10	.15	.15	.12	.08
Net gains (losses) (both realized and unrealized)	.13	(.11)	.02	.05	(.11)	(.03)
Total from investment operations	.17	(.01)	.17	.20	.01	.05
<b>Less distributions:</b>						
Dividends from net investment income	(.05)	(.10)	(.16)	(.15)	(.12)	(.08)
Net asset value, end of period	\$4.75	\$4.63	\$4.74	\$4.73	\$4.68	\$4.79
<b>Total return</b>	3.64%	(.17%)	3.49%	4.34%	.26%	1.16%
<b>Ratios to average net assets<sup>(a)</sup></b>						
Gross expenses prior to expense waiver/reimbursement	1.79% <sup>(b)</sup>	1.78%	1.80%	1.80%	1.83%	1.77%
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	1.62% <sup>(b)</sup>	1.65%	1.65% <sup>(d)</sup>	1.64%	1.64%	1.68%
Net investment income (loss)	1.74% <sup>(b)</sup>	2.21%	3.18%	3.24%	2.51%	1.73%
<b>Supplemental data</b>						
Net assets, end of period (in millions)	\$28	\$13	\$10	\$10	\$15	\$24
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%	194%	169%

See accompanying Notes to Financial Highlights.

**Class I****Per share data**

	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31,				
		2009	2008	2007	2006	2005
Net asset value, beginning of period	\$4.64	\$4.74	\$4.74	\$4.69	\$4.79	\$4.83
<b>Income from investment operations:</b>						
Net investment income (loss)	.07	.16	.20	.20	.17	.14
Net gains (losses) (both realized and unrealized)	.11	(.11)	.01	.05	(.10)	(.04)
Total from investment operations	.18	.05	.21	.25	.07	.10
<b>Less distributions:</b>						
Dividends from net investment income	(.07)	(.15)	(.21)	(.20)	(.17)	(.14)
Net asset value, end of period	\$4.75	\$4.64	\$4.74	\$4.74	\$4.69	\$4.79
<b>Total return</b>	4.03%	1.18%	4.45%	5.50%	1.56%	2.06%

**Ratios to average net assets<sup>(a)</sup>**

Gross expenses prior to expense waiver/reimbursement	.59% <sup>(b)</sup>	.60%	.60%	.59%	.62%	.57%
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	.48% <sup>(b)</sup>	.51%	.51% <sup>(d)</sup>	.54%	.58%	.57%
Net investment income (loss)	2.95% <sup>(b)</sup>	3.49%	4.23%	4.37%	3.66%	2.98%

**Supplemental data**

Net assets, end of period (in millions)	\$59	\$42	\$93	\$55	\$62	\$31
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%	194%	169%

See accompanying Notes to Financial Highlights.

# Financial Highlights *(continued)*

<b>Class R2</b>	<b>Period ended</b>
<b>Per share data</b>	<b>Nov. 30, 2009<sup>(f)</sup></b>
	<b>(Unaudited)</b>
Net asset value, beginning of period	\$4.66
<b>Income from investment operations:</b>	
Net investment income (loss)	.03
Net gains (losses) (both realized and unrealized)	.09
Total from investment operations	.12
<b>Less distributions:</b>	
Dividends from net investment income	(.03)
Net asset value, end of period	\$4.75
<b>Total return</b>	2.64%
<b>Ratios to average net assets<sup>(a)</sup></b>	
Gross expenses prior to expense waiver/reimbursement	1.39% <sup>(b)</sup>
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	1.28% <sup>(b)</sup>
Net investment income (loss)	1.91% <sup>(b)</sup>
<b>Supplemental data</b>	
Net assets, end of period (in millions)	\$3
Portfolio turnover rate <sup>(e)</sup>	191%

See accompanying Notes to Financial Highlights.

**Class R4****Per share data**

	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31,				
		2009	2008	2007	2006	2005
Net asset value, beginning of period	\$4.64	\$4.74	\$4.73	\$4.68	\$4.79	\$4.82
<b>Income from investment operations:</b>						
Net investment income (loss)	.06	.15	.19	.19	.16	.13
Net gains (losses) (both realized and unrealized)	.12	(.11)	.02	.05	(.11)	(.03)
Total from investment operations	.18	.04	.21	.24	.05	.10
<b>Less distributions:</b>						
Dividends from net investment income	(.07)	(.14)	(.20)	(.19)	(.16)	(.13)
Net asset value, end of period	\$4.75	\$4.64	\$4.74	\$4.73	\$4.68	\$4.79
<b>Total return</b>	3.86%	.93%	4.41%	5.31%	1.19%	2.10%
<b>Ratios to average net assets<sup>(a)</sup></b>						
Gross expenses prior to expense waiver/reimbursement	.89% <sup>(b)</sup>	.90%	.90%	.86%	.88%	.84%
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	.78% <sup>(b)</sup>	.76%	.76% <sup>(d)</sup>	.72%	.72%	.76%
Net investment income (loss)	2.69% <sup>(b)</sup>	3.15%	4.06%	4.09%	3.27%	2.66%
<b>Supplemental data</b>						
Net assets, end of period (in millions)	\$4	\$4	\$5	\$4	\$19	\$100
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%	194%	169%

See accompanying Notes to Financial Highlights.

# Financial Highlights *(continued)*

Class W Per share data	Six months ended Nov. 30, 2009 (Unaudited)	Year ended May 31,		
		2009	2008	2007 <sup>(g)</sup>
Net asset value, beginning of period	\$4.63	\$4.74	\$4.73	\$4.75
<b>Income from investment operations:</b>				
Net investment income (loss)	.06	.14	.18	.08
Net gains (losses) (both realized and unrealized)	.11	(.12)	.02	(.02)
Total from investment operations	.17	.02	.20	.06
<b>Less distributions:</b>				
Dividends from net investment income	(.06)	(.13)	(.19)	(.08)
Net asset value, end of period	\$4.74	\$4.63	\$4.74	\$4.73
<b>Total return</b>	3.79%	.52%	4.21%	1.42%
<b>Ratios to average net assets<sup>(a)</sup></b>				
Gross expenses prior to expense waiver/reimbursement	1.02% <sup>(b)</sup>	1.04%	1.06%	1.00% <sup>(b)</sup>
Net expenses after expense waiver/reimbursement <sup>(c)</sup>	.93% <sup>(b)</sup>	.96%	.95%	.95% <sup>(b)</sup>
Net investment income (loss)	2.55% <sup>(b)</sup>	2.95%	3.87%	4.02% <sup>(b)</sup>
<b>Supplemental data</b>				
Net assets, end of period (in millions)	\$—	\$—	\$—	\$—
Portfolio turnover rate <sup>(e)</sup>	191%	271%	209%	168%

## Notes to Financial Highlights

<sup>(a)</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 reported expense ratios.

<sup>(b)</sup> Annualized.

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

<sup>(d)</sup> For the year ended May 31, 2008, the ratio of net expenses after reduction for waiver/reimbursement, if any, and after reduction for earnings and bank fee credits was 0.88% for Class A, 1.64% for Class B, 1.64% for Class C, 0.50% for Class I and 0.75% for Class R4.

<sup>(e)</sup> Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 173% for the six months ended Nov. 30, 2009 and 199% for the year ended May 31, 2009.

<sup>(f)</sup> For the period from Aug. 3, 2009 (when shares became publicly available) to Nov. 30, 2009.

<sup>(g)</sup> For the period from Dec. 1, 2006 (when shares became publicly available) to May 31, 2007.

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

# Notes to Financial Statements

(Unaudited as of Nov. 30, 2009)

## 1. ORGANIZATION

RiverSource Short Duration U.S. Government Fund (the Fund) is a series of RiverSource Government Income Series, Inc. and is registered under the Investment Company Act of 1940, as amended (the 1940 Act) as a diversified, open-end management investment company. RiverSource Government Income Series, Inc. has 10 billion authorized shares of capital stock that can be allocated among the separate series as designated by the Fund's Board of Directors (the Board). The Fund invests in direct obligations of the U.S. government, such as Treasury bonds, bills and notes, and of its agencies and instrumentalities.

The Fund offers Class A, Class B, Class C, Class I, Class R2, Class R4 and Class W shares.

- Class A shares are offered with a front-end sales charge, which may be waived under certain circumstances.
- Class B shares may be subject to a contingent deferred sales charge (CDSC) and automatically convert to Class A shares one month after the completion of the eighth year of ownership if originally purchased in a RiverSource fund on or after May 21, 2005 or originally purchased in a Seligman fund on or after June 13, 2009. Class B shares originally purchased in a RiverSource fund prior to May 21, 2005 will convert to Class A shares in the ninth calendar year of ownership. Class B shares originally purchased in a Seligman fund prior to June 13, 2009 will convert to Class A shares in the month prior to the ninth year of ownership.
- Class C shares may be subject to a CDSC.
- Class I, Class R2 and Class R4 shares are offered without a front-end sales charge or CDSC to qualifying institutional investors. Class R2 became available effective Aug. 3, 2009.
- Class W shares are offered without a front-end sales charge or CDSC and are offered through qualifying discretionary accounts.

At Nov. 30, 2009, RiverSource Investments, LLC (RiverSource Investments or the Investment Manager) and affiliated funds-of-funds in the RiverSource Family of Funds owned 100% of Class I shares, and the Investment Manager owned 100% of Class W 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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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Adoption of new accounting standard

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification<sup>TM</sup> (Codification) as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification supersedes existing non-grandfathered, non-SEC accounting and reporting standards. The Codification did not change GAAP but rather organized it into a hierarchy where all guidance within the Codification carries an equal level of authority. The Codification became effective for financial statements issued for interim and annual periods ending after Sept. 15, 2009. The Codification did not have a material effect on the Fund's financial statements.

### 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

All securities are valued at the close of business of the New York Stock Exchange (NYSE). 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 by an independent pricing service using an evaluated bid. 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. 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 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.

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. Typically, those maturing in 60 days or less that originally had maturities of more than 60 days at acquisition date are valued at amortized cost using the

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market value on the 61st day before maturity. Short-term securities maturing in 60 days or less at acquisition date are valued at amortized cost. Amortized cost is an approximation of market value. Investments in money market funds are valued at net asset value.

### **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 Nov. 30, 2009, the Fund has outstanding when-issued securities of \$26,726,155.

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 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.

### **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 "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

## Notes to Financial Statements *(continued)*

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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.

### **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 (which includes net short-term capital gains) to shareholders. No provision for income or excise taxes is thus required.

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.

### **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.

## **3. INVESTMENTS IN DERIVATIVES**

The Fund may invest in certain derivative instruments, which are transactions whose values depend on or are derived from (in whole or in part) the value of one or more other assets, such as securities, currencies, commodities or indices. Such derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs, and to

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pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk, and credit risk.

### **Futures transactions**

The Fund may buy and sell financial futures contracts traded on any U.S. or foreign exchange to produce incremental earnings, hedge existing positions or protect against market changes in the value of equities, interest rates or foreign currencies. The Fund may also buy and write put and call options on these futures contracts. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

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.

Upon entering into futures contracts, the Fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. Additional risks include counterparty credit risk, 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.

### **Effects of derivative transactions on the financial statements**

The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

# Notes to Financial Statements *(continued)*

## Fair values of derivative instruments at Nov. 30, 2009

Risk exposure category	Asset derivatives		Liability derivatives	
	Statement of Assets and Liabilities		Statement of Assets and Liabilities	
	location	Fair value	location	Fair value
Interest rate contracts	Net assets – unrealized appreciation on investments	\$143,353*	N/A	N/A
Total		\$143,353		N/A

\* Includes cumulative appreciation (depreciation) of futures contracts as reported in the Futures Contracts Outstanding table following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

## Effect of derivative instruments in the Statement of Operations for the year ended Nov. 30, 2009

Amount of realized gain (loss) on derivatives recognized in income	
Risk exposure category	Futures
Interest rate contracts	\$1,303,257
Total	\$1,303,257

Change in unrealized appreciation (depreciation) on derivatives recognized in income	
Risk exposure category	Futures
Interest rate contracts	\$(760,076)
Total	\$(760,076)

## Volume of derivative activity

### Futures

The gross notional amount of long and short contracts outstanding was \$42.9 million and \$6.0 million, respectively, at Nov. 30, 2009. The monthly average gross notional amounts for long and short contracts was \$107.5 million and \$61.6 million, respectively, for the six months ended Nov. 30, 2009. The fair value of such contracts on Nov. 30, 2009 is set forth in the table above.

## 4. 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 an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.48% to 0.25% as the Fund's net assets increase. The

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management fee for the six months ended Nov. 30, 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, Inc. (Ameriprise Financial), parent company of the Investment Manager, an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.07% to 0.04% as the Fund's net assets increase. The fee for the six months ended Nov. 30, 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 Nov. 30, 2009, there were no expenses incurred for these particular items.

### **Compensation of board members**

Under a Deferred Compensation Plan (the Plan), the board members who are not "interested persons" of the Fund under the 1940 Act 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 funds in the RiverSource Family of Funds. The Fund's liability for these amounts is adjusted for market value changes and remains in the funds until distributed in accordance with the Plan.

### **Transfer agency fees**

Under a Transfer Agency Agreement, RiverSource Service Corporation (the Transfer Agent) maintains Fund shareholder accounts and records and provides Fund shareholder services. 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 Transfer Agent also charges an annual fee of \$3 per account serviced directly by the Fund or its designated agent for Class A, Class B and Class C shares. 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 R2 and 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. The Transfer Agent charges an annual fee of \$5 per inactive account, charged on a pro rata basis for the 12 month period from the date the account becomes inactive. These fees are included in the transfer agency fees in the Statement of Operations.

## Notes to Financial Statements *(continued)*

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In connection with the acquisition of Seligman U.S. Government Securities Fund (see Note 10), the Fund assumed the obligations of Seligman U.S. Government Securities Fund, which, together with certain other associated investment companies (together, the Guarantors), has severally, but not jointly, guaranteed the performance and observance of all terms and conditions of a lease entered into by Seligman Data Corp. (SDC), the former transfer agent of Seligman U.S. Government Securities Fund, including the payment of rent by SDC (the Guaranty). The lease and the Guaranty expire in January 2019. At Nov. 30, 2009, the Fund's total potential future obligation over the life of the Guaranty is \$99,095. Seligman U.S. Government Securities Fund expensed \$50,896 related to the Guaranty prior to acquisition by the Fund. This amount is included within other accrued expenses in the Fund's Statement of Assets and Liabilities.

### **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 R2 and Class R4 shares for the provision of various administrative, recordkeeping, communication and educational services.

### **Distribution fees**

The Fund has an agreement with RiverSource Fund Distributors, Inc. (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, a fee at an annual rate of up to 0.50% of the Fund's average daily net assets attributable to Class R2 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, of the 1.00% fee, up to 0.75% is reimbursed for distribution expenses.

The amount of distribution expenses incurred by the Distributor and not yet reimbursed (unreimbursed expense) was approximately \$3,765,000 and \$112,000 for Class B and Class C shares, respectively. These amounts are based on the most recent information available as of Oct. 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, including front-end and CDSCs, received by the Distributor for distributing Fund shares were \$167,725 for Class A, \$15,049 for Class B and \$1,577 for Class C for the six months ended Nov. 30, 2009.

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

For the six months ended Nov. 30, 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 . . . . .	0.86%
Class B . . . . .	1.62
Class C . . . . .	1.62
Class I . . . . .	0.48
Class R2 . . . . .	1.28
Class R4 . . . . .	0.78
Class W . . . . .	0.93

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

Class A . . . . .	\$167,915
Class B . . . . .	29,366
Class C . . . . .	6,863

The management fees waived/reimbursed at the Fund level were \$369,455.

The Investment Manager and its affiliates have contractually agreed to waive certain fees and expenses until July 31, 2010, 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 class' average daily net assets:

Class A . . . . .	0.86%
Class B . . . . .	1.62
Class C . . . . .	1.62
Class I . . . . .	0.48
Class R2 . . . . .	1.28
Class R4 . . . . .	0.78
Class W . . . . .	0.93

\* 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.

## 5. SECURITIES TRANSACTIONS

Cost of purchases of securities (other than short-term obligations, but including mortgage dollar rolls) aggregated \$1,379,087,754 for the six months ended Nov. 30, 2009 including \$68,506,478\* from Seligman U.S. Government

## Notes to Financial Statements *(continued)*

Securities Fund that was acquired in the fund merger as described in Note 10. Proceeds from sales of securities (other than short-term obligations, but including mortgage dollar rolls) aggregated \$1,430,081,661 for the six months ended Nov. 30, 2009, including \$2,166,264\* of sales to realign the Fund's portfolio following the fund merger. Realized gains and losses are determined on an identified cost basis.

\* Amounts are excluded for purposes of calculating the Fund's portfolio turnover rate.

### 6. CAPITAL SHARE TRANSACTIONS

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

	Six months ended Nov. 30, 2009	Year ended May 31, 2009*
<b>Class A</b>		
Sold	9,023,928	48,901,406
Fund merger	7,186,369	N/A
Converted from Class B**	5,515,899	4,370,833
Reinvested distributions	1,430,117	3,226,458
Redeemed	(25,385,665)	(56,089,954)
Net increase (decrease)	(2,229,352)	408,743
<b>Class B</b>		
Sold	908,581	7,298,534
Fund merger	1,049,408	N/A
Reinvested distributions	187,039	575,044
Converted to Class A**	(5,515,913)	(4,370,833)
Redeemed	(4,722,335)	(12,533,807)
Net increase (decrease)	(8,093,220)	(9,031,062)
<b>Class C</b>		
Sold	666,421	1,525,411
Fund merger	3,561,144	N/A
Reinvested distributions	34,220	46,643
Redeemed	(1,054,007)	(827,332)
Net increase (decrease)	3,207,778	744,722
<b>Class I</b>		
Sold	3,700,308	2,986,449
Reinvested distributions	157,996	469,925
Redeemed	(366,289)	(13,974,458)
Net increase (decrease)	3,492,015	(10,518,084)

	Six months ended Nov. 30, 2009	Year ended May 31, 2009*
<b>Class R2</b>		
Sold	86,367	N/A
Fund merger	728,900	N/A
Reinvested distributions	701	N/A
Redeemed	(174,557)	N/A
Net increase (decrease)	641,411	N/A
<b>Class R4</b>		
Sold	235,697	491,850
Reinvested distributions	12,601	29,090
Redeemed	(312,962)	(590,144)
Net increase (decrease)	(64,664)	(69,204)

\* Certain line items from the prior year have been renamed to conform to the current year presentation.

\*\* Automatic conversion of Class B shares to Class A shares based on the original purchase date.

## 7. LENDING OF PORTFOLIO SECURITIES

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 in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is delivered the following business day. 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 in the Portfolio of Investments. The values of such investments and any uninvested cash collateral balance are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned. At Nov. 30, 2009, securities valued at \$115,626,918 were on loan, secured by U.S. government securities valued at \$30,176,610 and by cash collateral of \$87,374,221 invested in short-term securities or in cash equivalents.

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

## Notes to Financial Statements *(continued)*

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indemnification does not extend to losses associated with declines in the value of cash collateral investments. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

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. Net income of \$119,015 earned from securities lending for the six months ended Nov. 30, 2009 is included in the Statement of Operations. The Fund also continues to earn interest and dividends on the securities loaned.

### **8. 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 funds in the RiverSource Family of Funds and other institutional clients of RiverSource Investments. The cost of the Fund's purchases and proceeds from sales of shares of RiverSource Short-Term Cash Fund aggregated \$55,852,309 and \$63,585,816, respectively, for the six months ended Nov. 30, 2009. The income distributions received with respect to the Fund's investment in RiverSource Short-Term Cash Fund can be found in the Statement of Operations and the Fund's invested balance in RiverSource Short-Term Cash Fund at Nov. 30, 2009, can be found in the Portfolio of Investments.

### **9. 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. 15, 2009, replacing a prior credit facility. The credit facility agreement, which is a collective agreement between the Fund and certain other funds in the RiverSource Family of Funds, severally and not jointly, permits collective borrowings up to \$300 million. The borrowers shall have the right, upon written notice to the Administrative Agent to request an increase of up to \$200 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 \$500 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 sum of the federal funds rate plus (A) 1.25% per annum plus (B) if one-month LIBOR exceeds the federal funds rate, the

amount of such excess. 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 0.10% per annum, in addition to an upfront fee equal to its pro rata share of 0.04% of the amount of the credit facility. Prior to Oct. 15, 2009, the credit facility agreement, which was a collective agreement between the Fund and certain other funds in the RiverSource Family of Funds, severally and not jointly, permitted collective borrowings up to \$475 million. Interest was charged to each Fund based on its borrowings at a rate equal to the federal funds rate plus 0.75%. 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, 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 Nov. 30, 2009.

## 10. FUND MERGER

At the close of business on Aug. 28, 2009, RiverSource Short Duration U.S. Government Fund acquired the assets and assumed the identified liabilities of Seligman U.S. Government Securities Fund. The reorganization was completed after shareholders approved the plan on June 29, 2009.

The aggregate net assets of RiverSource Short Duration U.S. Government Fund immediately before the acquisition were \$655,221,348 and the combined net assets immediately after the acquisition were \$713,992,375.

The merger was accomplished by a tax-free exchange of 8,071,788 shares of Seligman U.S. Government Securities Fund valued at \$58,771,027.

In exchange for Seligman U.S. Government Securities Fund shares and net assets, RiverSource Short Duration U.S. Government Fund issued the following number of shares:

	Shares
Class A . . . . .	7,186,369
Class B . . . . .	1,049,408
Class C . . . . .	3,561,144
Class R2 . . . . .	728,900

For financial reporting purposes, net assets received and shares issued by the RiverSource Short Duration U.S. Government Fund were recorded at fair value; however, the Seligman U.S. Government Fund's cost of investments was carried forward to align ongoing reporting of the RiverSource Short Duration U.S. Government Fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

## Notes to Financial Statements *(continued)*

The components of Seligman U.S. Government Securities Fund's net assets at the merger date were as follows:

<b>Total net assets</b>	<b>Capital stock</b>	<b>Unrealized appreciation</b>	<b>Accumulated net realized loss</b>	<b>Excess of distributions over net investment income</b>
\$58,771,027	\$62,781,203	\$1,514,018	\$(5,308,301)	\$(215,893)

The financial statements reflect the operations of the RiverSource Short Duration U.S. Government Fund for the period prior to the merger and the combined Fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the Seligman U.S. Government Fund that have been included in the combined Fund's Statement of Operations since the merger was completed. Assuming the merger had been completed on June 1, 2009, the RiverSource Short Duration U.S. Government Fund's pro-forma net investment income, net gain on investments, and net increase in net assets from operations for the six months ended Nov. 30, 2009 would have been \$5.7 million, \$17.3 million, and \$23.0 million, respectively.

### 11. FEDERAL TAX INFORMATION

Net investment income (loss) and net realized gains (losses) may differ for financial statement and tax purposes primarily because of futures and options 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 year in which amounts are distributed may differ from the year that the income or realized gains (losses) were recorded by the Fund.

For federal income tax purposes, the Fund had a capital loss carry-over of \$70,163,196 at May 31, 2009, that if not offset by capital gains will expire as follows:

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2017</b>
\$36,267,962	\$20,469,230	\$9,579,187	\$3,846,817

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

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realized between Nov. 1, 2008 and its fiscal year end (post-October loss) as occurring on the first day of the following tax year. At May 31, 2009, the Fund had a post-October loss of \$18,202,656 that is treated for income tax purposes as occurring on June 1, 2009.

For the year ended May 31, 2009, \$117,356,906 of capital loss carry-over expired unused. 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. There is no assurance that the Fund will be able to utilize all of its capital loss carry-over before it expires.

## **12. SUBSEQUENT EVENTS**

Management has evaluated Fund related events and transactions that occurred during the period from the date of the Statement of Assets and Liabilities through Jan. 20, 2010, the date of issuance of the Fund's financial statements. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Fund's financial statements.

## **13. 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 (now known as RiverSource) 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 (the District Court). In response to defendants' motion to dismiss the complaint, the District 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 (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court, asking the U.S. Supreme Court to stay the District Court proceedings.

## Notes to Financial Statements *(continued)*

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while the U.S. Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case.

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 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. Incorporated (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 2006, the NYAG commenced a civil action in New York State Supreme Court against Seligman, Seligman Advisors, Inc. (now known as RiverSource Fund Distributors, 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 was and had 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 paid \$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 the RiverSource Family of Funds at 1(800) 221-2450; contacting your financial intermediary; 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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**RiverSource Short Duration U.S. Government Fund**

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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 Fund Distributors, Inc., Member FINRA, and managed by RiverSource Investments, LLC. RiverSource is part of Ameriprise Financial, Inc.  
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