METLIFE INC
Form 11-K
June 18, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-15787

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Savings and Investment Plan for Employees of Metropolitan Life and Participating Affiliates

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

MetLife, Inc.

200 Park Avenue

New York, New York 10166-0188

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

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Note: Supplemental schedules not listed are omitted due to the absence of conditions under which they are required.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of the

Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

We have audited the accompanying Statements of Net Assets Available for Benefits of the Savings and Investment Plan for Employees of Metropolitan Life and Participating Affiliates (the Plan) as of December 31, 2013 and 2012, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2013, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2013 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Certified Public Accountants

Tampa, Florida

June 18, 2014

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

Statements of Net Assets Available for Benefits

(In thousands)

	As of December 31, 2013	2012
Assets:		
Participant directed investments at estimated fair value (see Note 3)	$ 6,211,218	$ 5,594,719
Notes receivable from Participants	79,977	79,882
Total assets	6,291,195	5,674,601
Liabilities:		
Accrued investment management fees	1,680	1,624
Net assets available for benefits at estimated fair value	$ 6,289,515	$ 5,672,977
Adjustment from estimated fair value to contract value for fully benefit-responsive investment contracts	(76,826)	(215,402)
Net assets available for benefits	**$ 6,212,689**	**$ 5,457,575**

See accompanying notes to financial statements.

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

Statement of Changes in Net Assets Available for Benefits

(In thousands)

	For the Year Ended December 31, 2013
Additions to net assets attributed to:	
Contributions:	
Participant	$ 177,116
Employer	70,656
Rollover	7,674
Total contributions	**255,446**
Interest income on notes receivable from Participants	2,402
Interest and dividend income	157,960
Net appreciation in estimated fair value of investments (see Note 4)	718,125
Total additions	**1,133,933**
Deductions from net assets attributed to:	
Benefit payments to Participants	398,797
Investment management fees	12,282
Administration expenses	552
Total deductions	**411,631**
Net increase	**722,302**
Plan transfers from MetLife Bank 401(k) Plan (see Note 2)	32,812
Net assets available for benefits:	
Beginning of year	5,457,575
End of year	**$ 6,212,689**

See accompanying notes to financial statements.

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

Notes to Financial Statements

1. Description of the Plan

The following description of the Savings and Investment Plan for Employees of Metropolitan Life and Participating Affiliates, as amended and restated (the Plan), is provided for general information purposes only. Employees of the Participating Affiliates (as defined below) who participate in the Plan (each such employee, a Participant) should refer to the Plan document for a more complete description of the Plan, including how certain terms used in these Notes are defined.

General Information

The Plan, a defined contribution plan sponsored by Metropolitan Life Insurance Company (the Company), is intended to comply with the applicable requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the United States Internal Revenue Code (IRC). The administrator of the Plan (the Plan Administrator) is the Company, which has delegated that duty to one of its officers. Recordkeeping services are performed for the Plan by the Plan s Recordkeeper, a third party unaffiliated with the Company.

The Plan provides the following investment options through participation in various group annuity contracts (each, a GAC), which are Company separate account funds, and (for certain Participants) The New England Financial Accumulation Account:

Separate Account Funds	Separate Account(s)
Fixed Income Fund	Separate Accounts #78, #253, #429, #649 and The New England Financial Accumulation Account
Bond Index Fund	Separate Account #377
Balanced Index Fund	Separate Account #730
Large Cap Equity Index Fund	Separate Account #MI
Large Cap Value Index Fund	Separate Account #593
Large Cap Growth Index Fund	Separate Account #611
Mid Cap Equity Index Fund	Separate Account #612
Small Cap Equity Index Fund	Separate Account #596
International Equity Fund	Separate Account #79

Contributions to the Plan that are directed by Participants into these funds are remitted by the Participating Affiliates (as defined below) to the Plan and allocated in accordance with the elections of the Participants among each investment fund, including the separate account funds.

The Plan also offers Participants the option to invest in a fund holding primarily shares of common stock of MetLife, Inc., the Company s parent. This fund, known as the MetLife Company Stock Fund, is held in trust by The Bank of New York Mellon Corporation (BNY Mellon), as trustee.

The RGA Frozen Fund consists primarily of shares of Reinsurance Group of America, Incorporated (RGA) common stock. RGA issued shares of its common stock to the Plan in an exchange offer for shares of MetLife, Inc. common stock held in the MetLife Company Stock Fund. Participants may neither direct contributions into the RGA Frozen Fund, nor transfer balances from any other fund into that fund. Participants may make withdrawals or reallocate amounts from the RGA Frozen Fund to other available investment options under the Plan. The RGA Frozen Fund is held in trust by BNY Mellon, as trustee.

The separate account funds and the MetLife Company Stock Fund together constitute the core investment options of the Plan (Core Funds). To supplement the Core Funds, the Plan offers to all Participants the ability to transfer funds out of the Core Funds into a Self-Directed Account (SDA). The SDA functions in a manner similar to that of a personal brokerage account by providing Participants with direct access to a variety of mutual funds that are available to the general public through mutual fund families. The SDA is held in trust by BNY Mellon, as trustee.

Participants in the former New England Life Insurance Company 401(k) Plan who had amounts invested in The New England Financial Accumulation Account as of December 31, 2000 were permitted to continue their investment in such fund as a frozen Core Fund of the Plan, to the extent they have retained assets in such fund. Participants may neither direct contributions to that fund, nor transfer balances from any other fund into that fund. Participants may make withdrawals or reallocate amounts from that fund to other available investment options under the Plan. Such assets are included within the Plan s Fixed Income Fund.

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

Notes to Financial Statements (Continued)

Participation

Generally, each employee of a Participating Affiliate who is regularly scheduled to work at least 1,000 hours per year is eligible to participate in the Plan on the employee s date of hire. Certain individuals performing services for the Participating Affiliates are not eligible, e.g., an individual classified by the Participating Affiliates as a leased employee or independent contractor, an employee participating in or eligible to participate in the New England Agents Deferred Compensation Plan and Trust, the New England Agents Retirement Plan and Trust, the New England Life Insurance Company 401(k) Savings Plan and Trust, and/or the New England Agency Employees Retirement Plan, an employee in certain collective bargaining units, or an individual hired by a Participating Affiliate as a cooperative student or intern. A Participant may make contributions to the Plan immediately upon eligibility.

Participant Accounts

The Recordkeeper maintains individual account balances for each Participant. Each Participant s account is credited with contributions, charged with withdrawals, and allocated investment earnings or losses, as provided by the Plan document. A Participant is entitled to benefits that generally are equal to the Participant s vested account balance determined in accordance with the Plan document, as described below.

The following entities comprise the Participating Affiliates as of December 31, 2013: the Company, MetLife Group, Inc., Metropolitan Property and Casualty Insurance Company, MetLife Funding, Inc., MetLife Credit Corp., MetLife Securities, Inc., MetLife Insurance Company of Connecticut and SafeGuard Health Plans, Inc., a California corporation (collectively, Participating Affiliates).

Contributions

Contributions consist of (i) Participant contributions and (ii) Participating Affiliate matching contributions on a portion of the Participants contributions (Matching Contributions), each as described below. Generally, each Participant is eligible for Matching Contributions as of the first day of the month following the date the Participant completes one year of service, provided that the Participant makes the minimum contributions to the Plan. A Participant may contribute from 3% to 45% of eligible compensation, as defined in the Plan, subject to the limitations described below on Highly Compensated Employees as defined below. Contributions of the Participants and Matching Contributions are credited to the Core Funds in the manner elected by the Participants and as provided by the Plan.

Under the IRC, a Participant who earned in excess of a specified dollar threshold during the preceding plan year ($115 thousand during 2012 for the 2013 Plan year) is a Highly Compensated Employee. A Participant who is not a Highly Compensated Employee may contribute up to 45% of eligible compensation, on a before-tax 401(k), Roth 401(k), and/or after-tax basis, subject to certain IRC and Plan-imposed limitations. Each Highly Compensated Employee may elect to make before-tax 401(k) and/or Roth 401(k) contributions up to an aggregate maximum of 10% of such employee s eligible compensation. If such an employee makes after-tax employee contributions, the aggregate percentage of all such contributions may not exceed 13% of such employee s eligible compensation. In addition, a

Participant s combined before-tax 401(k) and/or Roth 401(k) contributions were not permitted to exceed the IRC-imposed limitation of $17.5 thousand for the year ended December 31, 2013. Participants who are age 50 or older during the year are permitted to make additional catch-up contributions (up to $5.5 thousand for the year ended December 31, 2013) in excess of such IRC-imposed limitation.

During 2013 and 2012, each of the Participating Affiliates made a Matching Contribution equal to the sum of (i) 100% of the Participant s contributions that did not exceed 3% of the Participant s eligible compensation, and (ii) 50% of the Participant s contributions that were in excess of 3% of the Participant s eligible compensation but did not exceed 5% of the Participant s eligible compensation. Subject to the approval of the Plan Administrator, Participants may also rollover into the Plan amounts representing distributions from eligible retirement plans such as individual retirement accounts (IRAs) (to the extent that the Participant did not make nondeductible contributions) or tax qualified retirement plans. A rollover occurs when a Participant transfers funds distributed from an eligible retirement plan into the Plan.

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Savings and Investment Plan for Employees of

Metropolitan Life and Participating Affiliates

Notes to Financial Statements (Continued)

Withdrawals and Distributions

A Participant may request withdrawals from the Plan under the conditions set forth in the Plan document. Distributions from the Plan are generally made upon a Participant s or beneficiary s request in connection with his or her retirement, death, or other termination of employment from a Participating Affiliate, or receipt of disability benefits for more than 24 months.

Vesting

Participant contributions vest immediately. Matching Contributions become fully vested upon the Participant s completion of five years of service in accordance with a five-year graded vesting schedule, as well as upon the occurrence of the events triggering acceleration of vesting described below. A Participant becomes 25% vested after the completion of two years of service, and then increases his or her vested percentage by an additional 25% per year for each additional year of completed service, until the Participant is 100% vested in the Plan after five years of completed service. In addition, a Participant becomes fully vested when the Participant (i) attains age 55 while still employed by the Company or any of its affiliates, (ii) dies while still employed by the Company or any of its affiliates, (iii) terminates employment with eligibility under the MetLife Plan for Transition Assistance for Officers or the MetLife Plan for Transition Assistance (which covers non-officer level employees), or (iv) has been receiving disability benefits for more than 24 months after the date of his or her initial disability payment. For purposes of (ii) of the preceding sentence, a Participant who dies during a military leave of absence while performing qualified military service (as defined in the IRC) is fully vested at death.

Forfeited Matching Contributions

Forfeited Matching Contributions are attributable to Participants who terminate employment with the Company or its affiliates before becoming fully vested in their Matching Contributions. As of December 31, 2013 and 2012, the forfeitures totaled $538 thousand and $1,605 thousand, respectively. These amounts have been or will be used to reduce future aggregate Matching Contributions, pay certain administrative expenses, or restore previously forfeited balances of partially vested Participants who were or are re-employed. In 2013, aggregate Matching Contributions were reduced by $2,510 thousand as a result of forfeitures.

Notes Receivable from Participants

A Participant may borrow from his or her account up to a maximum of $50 thousand (reduced by the highest outstanding balance of loans in his or her defined contribution plan account(s) during the one-year period ending the day before the date a loan is to be made) or 50% of the Participant s account balance (reduced by outstanding loans on the date of the loan), whichever is less. Such loans are secured by the balance in the Participant s account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed, as determined quarterly by the Plan Administrator. The principal of and interest on the loans are paid ratably through payroll deductions. Loan repayments are made to Core Funds in accordance with the Participant s contribution investment allocation at the time of repayment. If Matching Contributions are withdrawn by a Participant as part of a Participant s loan, new Matching Contributions are suspended for six months.

Plan Amendments

Effective July 16, 2013, the Plan was amended to provide for the merger of the MetLife Bank 401(k) Plan (Bank Plan) into the Plan. As a result of this amendment, individuals whose employment was transferred from MetLife Bank, N.A. to MetLife Group, Inc. and whose account balances were transferred into the Plan were immediately fully vested in their Plan Matching Contributions. The amendment also allowed participants in the Bank Plan to continue to repay outstanding Bank Plan loans according to the loans original repayment schedules. Optional forms of distribution that were available under the Bank Plan continue to be available for Bank Plan balances that were transferred into the Plan.

Effective July 1, 2013, the Plan was amended to provide that the Plan Administrator has the authority to designate a Core Fund other than the Fixed Income Fund to serve as the Plan s default investment alternative.

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Savings and Investment Plan for Employees of

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Notes to Financial Statements (Continued)

Effective July 1, 2013 the Plan was amended to provide for a new Balanced Index Fund.

Effective June 26, 2013, the Plan was amended in light of the United States Supreme Court decision in *United States v. Windsor* concerning the Defense of Marriage Act. The purpose of the amendment was to clarify that a spouse shall include anyone who is legally married under the laws of any state, district or territory of or within the United States or any foreign jurisdiction.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The preparation of financial statements in conformity with GAAP requires management of the Plan to adopt accounting policies and make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan utilizes various investment vehicles, including insurance company general and separate accounts, mutual funds and the MetLife Company Stock Fund. Such investments, in general, are exposed to various risks, such as overall market volatility, interest rate risk, and credit risk. Volatility in interest rates, as well as the equity and credit markets, could materially affect the value of the Plan s investments as reported in the accompanying financial statements.

Investment Valuation and Income Recognition

The Plan s investments are reported at estimated fair value. The fully benefit-responsive investments with the Company (see Note 6) are reported at estimated fair value and then adjusted to contract value as a single amount reflected separately in the Statements of Net Assets Available for Benefits. The Statement of Changes in Net Assets Available for Benefits, as it relates to these fully benefit-responsive investments, is presented on a contract value basis.

Participant directed investments are measured at estimated fair value in the Plan s financial statements. The Plan defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition. Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinative, unobservable inputs and/or adjustments to observable inputs requiring the judgment of Plan management are used to determine the fair value of assets and liabilities.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded as earned. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Contributions

Contributions are recognized when due. The Plan is required to return Participant contributions received during the Plan year in excess of IRC limits applicable to such contributions.

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Savings and Investment Plan for Employees of

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Notes to Financial Statements (Continued)

Notes Receivable from Participants

Notes receivable from Participants are measured at their unpaid principal balance plus any accrued unpaid interest. Defaulted loans are treated as deemed distributions based upon the terms of the Plan documents.

Payment of Benefits

Benefit payments to Participants are recognized when paid. Amounts allocated to accounts of Participants who have elected to withdraw from the Plan but have not yet been paid were $3,124 thousand and $2,097 thousand as of December 31, 2013 and 2012, respectively.

Plan Transfers from MetLife Bank 401(k) Plan

For the year ended December 31, 2013, Participants transferred a total of $32,812 thousand from the Bank Plan to the Plan.

Investment Management Fees

Investment management fees are paid out of the assets of the Core Funds and the RGA Frozen Fund and are recognized as expenses of the Plan. Investment management fees charged to the Plan for investments in the mutual funds held in the SDA are deducted from income earned on a daily basis and are not separately reflected. Consequently, investment management fees are reflected as a reduction of return on such investments. As provided in the Plan document, non-investment related expenses are paid by both the Company and the Plan.

3. Investments

The Plan s investments were as follows:

	As of December 31,	
	2013	**2012**
	(In thousands)	
Fixed Income Fund (including The New England Financial Accumulation Account)	$ 3,119,962*	$ 3,256,494*
Bond Index Fund	71,121	89,035
Balanced Index Fund ***	24,343	
Large Cap Equity Index Fund (formerly the Common Stock Index Fund)	603,109*	459,583*
	273,976	189,356

Large Cap Value Index Fund (formerly the Value Equity Fund)		
Large Cap Growth Index Fund (formerly the Equity Fund)	671,994*	520,643*
Mid Cap Equity Index Fund	185,206	102,896
Small Cap Equity Fund (formerly the Blended Small Company Stock Fund)	518,363*	382,335*
International Equity Fund	393,565*	344,147*
MetLife Company Stock Fund	302,110	207,640
RGA Frozen Fund	348	290
SDA	46,583	40,695
General Account Fund **	538	1,605
Total investments	**$ 6,211,218**	**$ 5,594,719**

* Represents 5% or more of the net assets available for benefits.
** Designed to hold Plan forfeitures.
*** New fund effective July 1, 2013.

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Savings and Investment Plan for Employees of

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Notes to Financial Statements (Continued)

4. Net Appreciation in Estimated Fair Value of Investments

The Plan s net appreciation in estimated fair value of investments (including realized and unrealized gains and losses) was as follows for the year ended December 31, 2013:

	For the Year Ended December 31, 2013 (In thousands)
Separate accounts (including Fixed Income Fund)	$ 587,186
MetLife Company Stock Fund	124,475
RGA Frozen Fund	117
SDA	6,347
Net appreciation in estimated fair value of investments	**$ 718,125**

5. Fair Value Measurements

When developing estimated fair values, the Plan considers three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Plan determines the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Plan categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The Plan defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.

Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity s own

assumptions about the assumptions that market Participants would use in pricing the asset or liability.
The Fixed Income Fund is comprised of a fully benefit-responsive investment with the Company (see Note 6). Except for The New England Financial Accumulation Account, the Fixed Income Fund is backed by a portfolio of assets allocated among several separate accounts with the Company. The estimated fair value of the Fixed Income Fund (excluding The New England Financial Accumulation Account) was determined by reference to the underlying assets of the separate accounts in a manner consistent with that for the other separate accounts that constitute the Core Funds, as described below. Unit values for the separate accounts backing the Fixed Income Fund, as determined daily, represent the price at which allocated contributions and transfers are effected for purposes of determining the estimated fair value of the Fixed Income Fund (excluding The New England Financial Accumulation Account). The estimated fair value of The New England Financial Accumulation Account is calculated by discounting the contract value which is payable in ten annual installments upon termination of the underlying contract using the yield of the Moody s Baa Industrial Bond Index on the appropriate valuation dates.

The estimated fair value of the Plan s interests in the Core Funds, other than the Fixed Income Fund and the MetLife Company Stock Fund, is determined by reference to the underlying assets of the respective separate accounts. The underlying assets of each respective separate account, which are principally comprised of cash investments and marketable equity and fixed income securities, reflect accumulated contributions, dividends and realized and unrealized investment gains or losses apportioned to such contributions,

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Savings and Investment Plan for Employees of

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Notes to Financial Statements (Continued)

less withdrawals, distributions, loans to Participants, allocable expenses relating to the purchase, sale and maintenance of the assets, and an allocable part of investment-related expenses. The estimated fair value of the underlying assets in each separate account is expressed in the form of a unit value for each respective separate account. Unit values are calculated and provided daily by the Company and represent the price at which Participant-directed contributions and transfers are effected.

The estimated fair values of the MetLife Company Stock Fund and the RGA Frozen Fund are determined by the price of MetLife, Inc. common stock and RGA common stock, respectively. Each such stock is traded on the New York Stock Exchange.

The estimated fair value of the funds held in the SDA is determined by reference to the underlying shares of the publicly available mutual funds, other than the Core Funds, held within each Participant s respective account. Such estimated fair value is based on the net asset value published by the respective fund managers on the applicable reporting date.

Funds held in the Plan s General Account Fund are invested through an investment contract with the Company. Amounts are stated at the aggregate amount of accumulated transfers of forfeited non-vested account balances and interest earned thereon, less withdrawals to reduce employer Matching Contributions or pay certain Plan administrative expenses, as discussed above. Interest crediting rates are reviewed for reset quarterly by the Company and interest is credited periodically in a manner consistent with the Company s general practices for allocating such income. Accordingly, the stated carrying value approximates the estimated fair value.

For the years ended December 31, 2013 and 2012, there were no significant transfers between levels. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

	Estimated Fair Value Measurements as of December 31, 2013			
	Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			

Investments in separate accounts fixed income securities:				
Separate Accounts 78, 253, 429 & 649	$ 2,888,005	$	$ 2,888,005	$
The New England Financial Accumulation Account	231,957		231,957	
Investments in separate accounts equity securities:				
Bond Index Fund	71,121		71,121	
Balanced Index Fund *	24,343		24,343	
Large Cap Equity Index Fund	603,109		603,109	
Large Cap Value Index Fund	273,976		273,976	
Large Cap Growth Index Fund	671,994		671,994	
Mid Cap Equity Index Fund	185,206		185,206	
Small Cap Equity Fund	518,363		518,363	
International Equity Fund	393,565		393,565	
MetLife Company Stock Fund	302,110		302,110	
RGA Frozen Fund	348		348	
SDA - mutual funds	46,583	46,583		
General Account Fund	538		538	
Total investments	**$ 6,211,218**	**$ 46,583**	**$ 6,164,635**	**$**

* New fund effective as of July 1, 2013.

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Savings and Investment Plan for Employees of

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Notes to Financial Statements (Continued)

	Estimated Fair Value Measurements as of December 31, 2012			
	Total Estimated Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Investments in separate accounts fixed income securities:				
Separate Accounts 78, 253, 429 & 649	$ 3,012,852	$	$ 3,012,852	$
The New England Financial Accumulation Account	243,642		243,642	
Investments in separate accounts equity securities:				
Bond Index Fund	89,035		89,035	
Large Cap Equity Index Fund	459,583		459,583	
Large Cap Value Index Fund	189,356		189,356	
Large Cap Growth Index Fund	520,643		520,643	
Mid Cap Equity Index Fund	102,896		102,896	
Small Cap Equity Fund	382,335		382,335	
International Equity Fund	344,147		344,147	
MetLife Company Stock Fund	207,640		207,640	
RGA Frozen Fund	290		290	
SDA - mutual funds	40,695		40,695	
General Account Fund	1,605		1,605	

7,861,250

Energy Equipment & Services 5.0%				
CHC Helicopter SA	9.38%	6/1/2021	2,007	983,210
Drill Rigs Holdings, Inc. (a)	6.50%	10/1/2017	2,250	1,800,000
Globe Luxembourg SCA (a)	9.63%	5/1/2018	2,165	1,907,906

Pacific Drilling V Ltd. (a)	7.25%	12/1/2017	1,610	1,368,500
Tervita Corp.:				
	8.00%	11/15/2018(a)	4,225	3,718,000
	10.88%	2/15/2018(a)	1,422	846,090
				10,623,706
Health Care Equipment & Supplies 4.0%				
ConvaTec Finance International SA PIK (a)	8.25%	1/15/2019	7,500	7,406,250
Jaguar Holding Co. I PIK (a)	9.38%	10/15/2017	956	976,315
				8,382,565
Health Care Providers & Services 8.1%				
HCA, Inc.:				
	7.05%	12/1/2027	745	778,525
	7.50%	11/6/2033	120	129,600
	7.58%	9/15/2025	555	613,275
	7.69%	6/15/2025	900	1,019,250

See Accompanying Notes to Schedule of Investments.

Security Description	Coupon	Maturity		Principal Amount (000)		Value
inVentiv Health, Inc. (a)	9.00%	1/15/2018	$	5,075	$	5,303,375
inVentiv Health, Inc. PIK (a)	10.00%	8/15/2018		3,920		4,116,231
Kindred Escrow Corp. II (a)	8.75%	1/15/2023		1,882		2,074,905
Tenet Healthcare Corp.:						
	6.88%	11/15/2031		2,475		2,326,500
	8.13%	4/1/2022		525		588,987
						16,950,648
Hotels, Restaurants & Leisure 8.4%						
Boyd Gaming Corp.	6.88%	5/15/2023		420		436,800
Caesars Entertainment Operating Co, Inc.:						
	9.00%	2/15/2020(c)(d)		3,245		2,685,237
	11.25%	6/1/2017(c)(d)		2,820		2,326,500
Gala Electric Casinos PLC (f)	11.50%	6/1/2019	GBP	2,900		4,834,843
Scientific Games International, Inc.:						
	7.00%	1/1/2022(a)	$	310		321,238
	10.00%	12/1/2022		3,723		3,615,964
The Unique Pub Finance Co. PLC	6.46%	3/30/2032	GBP	2,530		3,516,369
						17,736,951
Household Durables 6.3%						
Beazer Homes USA, Inc.:						
	7.25%	2/1/2023	$	2,225		2,141,563
	7.50%	9/15/2021		2,639		2,645,597
K Hovnanian Enterprises, Inc.:						
	7.00%	1/15/2019(a)		1,353		1,190,640
	8.00%	11/1/2019(a)		213		187,440
	9.13%	11/15/2020(a)		7,000		7,140,000
						13,305,240
Independent Power and Renewable Electricity Producers 2.5%						
Dynegy Finance I, Inc. (a)	6.75%	11/1/2019		1,000		1,032,500
Dynegy Finance I, Inc. / Dynegy Finance II, Inc. (a)	7.38%	11/1/2022		270		279,315
Illinois Power Generating Co.:	6.30%	4/1/2020		2,536		2,295,080
	7.95%	6/1/2032		1,750		1,645,000
						5,251,895
Industrial Conglomerates 0.1%						
Trinseo Materials Operating SCA / Trinseo Materials Finance, Inc. (a)	6.38%	5/1/2022	EUR	135		149,569
IT Services 0.5%						
Syniverse Holdings, Inc.	9.13%	1/15/2019	$	1,147		1,006,493
Machinery 0.9%						
Waterjet Holdings, Inc. (a)	7.63%	2/1/2020		1,840		1,890,600
Marine 3.7%						
Navios Maritime Acquisition Corp. / Navios Acquisition Finance US, Inc. (a)	8.13%	11/15/2021		2,044		2,013,340
Navios Maritime Holdings, Inc. / Navios Maritime Finance II US, Inc.:						
	7.38%	1/15/2022(a)		3,711		3,163,627
	8.13%	2/15/2019		3,179		2,511,410
						7,688,377
Media 9.6%						
Altice Finco SA (a)	7.63%	2/15/2025		1,800		1,831,500
Altice SA:	6.25%	2/15/2025(a)	EUR	100		106,118
	7.63%	2/15/2025(a)	$	1,540		1,509,200

	7.75%	5/15/2022(a)	1,030	1,037,725
Altice US Finance II Corp.	7.75%	7/15/2025(a)	2,298	2,280,765
Clear Channel Communications, Inc.:				
	10.63%	3/15/2023(a)	410	384,375
	11.25%	3/1/2021	8,610	8,222,550

See Accompanying Notes to Schedule of Investments.

Security Description	Coupon	Maturity		Principal Amount (000)		Value
Clear Channel Communications, Inc. PIK	14.00%	2/1/2021	$	1,890	$	1,249,925
Clear Channel Worldwide Holdings, Inc.	7.63%	3/15/2020		3,500		3,677,187
						20,299,345
Metals & Mining 3.8%						
Constellium NV:						
	7.00%	1/15/2023(f)	EUR	800		865,421
	8.00%	1/15/2023(a)	$	1,500		1,443,750
Schmolz & Bickenbach Luxembourg SA (a)	9.88%	5/15/2019	EUR	2,157		2,543,580
Wise Metals Group LLC / Wise Alloys Finance Corp. (a)	8.75%	12/15/2018	$	820		838,696
Wise Metals Intermediate Holdings LLC/Wise Holdings Finance Corp. (a)	9.75%	6/15/2019		2,263		2,319,575
						8,011,022
Multiline Retail 3.8%						
JC Penney Corp, Inc.	5.65%	6/1/2020		4,595		4,135,500
The Neiman Marcus Group, Inc. PIK (a)	8.75%	10/15/2021		3,645		3,909,262
						8,044,762
Oil, Gas & Consumable Fuels 2.6%						
Halcon Resources Corp. (a)	8.63%	2/1/2020		2,411		2,302,505
Memorial Production Partners LP / Memorial Production Finance Corp.	6.88%	8/1/2022		78		62,400
Northern Oil and Gas, Inc.:						
	8.00%	6/1/2020(a)		872		767,360
	8.00%	6/1/2020		1,590		1,399,200
US Shale Solutions, Inc. (a)	12.50%	9/1/2017		1,781		854,880
						5,386,345
Pharmaceuticals 0.6%						
Concordia Healthcare Corp. (a)	7.00%	4/15/2023		601		612,269
JLL/Delta Dutch Pledgeco BV (a)	8.75%	5/1/2020		661		681,656
						1,293,925
Software 0.7%						
BMC Software Finance, Inc. (a)	8.13%	7/15/2021		630		469,350
Boxer Parent Co, Inc. PIK (a)	9.00%	10/15/2019		1,490		923,800
						1,393,150
Specialty Retail 0.5%						
Matalan Finance PLC (f)	6.88%	6/1/2019	GBP	760		1,146,798
Wireless Telecommunication Services 2.8%						
Arqiva Broadcast Finance PLC (a)	9.50%	3/31/2020		3,375		5,802,899
TOTAL CORPORATE BONDS & NOTES (Cost $202,257,119)						195,845,243
SENIOR LOANS 36.4% (g) (h)						
Aerospace & Defense 0.9%						
AM General LLC Term Loan	10.25%	3/22/2018	$	2,000		1,820,000
Auto Components 1.4%						
Chassix Holdings, Inc. Exit Term Loan (b)	12.00%	7/29/2019		2,993		3,038,347
Chemicals 2.1%						
Solenis International, LP USD 2nd Lien Term Loan	7.75%	7/31/2022		4,633		4,480,508
Containers & Packaging 2.6%						
Mauser Holdings Term Loan	8.75%	7/31/2022		5,481		5,426,190

Diversified Consumer Services 0.8%				
Cengage Learning Acquisitions, Inc. Term Loan	7.00%	3/31/2020	1,649	1,653,501
Electric Utilities 1.5%				
La Paloma Generating Co. LLC 2nd Lien Term Loan (b)	9.25%	2/20/2020	4,000	3,040,000
Health Care Equipment & Supplies 3.4%				
Accellent, Inc. 2nd Lien Term Loan	7.50%	3/11/2022	7,501	7,148,548
Health Care Providers & Services 3.2%				
Surgery Center Holdings, Inc. 2nd Lien Term Loan	8.50%	11/3/2021	6,712	6,681,657

See Accompanying Notes to Schedule of Investments.

Security Description	Coupon	Maturity	Principal Amount (000)	Value
Household Products 2.7%				
KIK Custom Products, Inc. 2nd Lien Term Loan	9.50%	10/29/2019	$ 5,680	$ 5,688,861
Insurance 1.2%				
Asurion LLC 2nd Lien Term Loan	8.50%	3/3/2021	2,560	2,572,800
Media 8.2%				
Endemol (AP NMT Acquisition) 2nd Lien Term Loan	10.00%	8/13/2022	6,899	6,536,803
Endemol (AP NMT Acquisition) USD 1st Lien Term Loan	6.75%	8/13/2021	3,087	3,060,873
IMG Worldwide, Inc. 2nd Lien Term Loan	8.25%	5/6/2022	7,900	7,676,193
				17,273,869
Oil, Gas & Consumable Fuels 3.0%				
Bennu Oil & Gas LLC Replacement Loans PIK	9.75%	11/1/2018	5,378	3,727,978
Connacher Oil And Gas Ltd. Term Loan	9.00%	5/23/2018	179	158,481
Endeavour International Holdings Term Loan	11.00%	1/2/2017	2,275	1,683,500
Southern Pacific Resource Corp. 1st Lien Term Loan (b) (d)	14.25%	3/31/2019	1,519	702,318
				6,272,277
Technology Hardware, Storage & Peripherals 2.4%				
Eastman Kodak Co. 2nd Lien Term Loan	10.75%	9/3/2020	5,130	5,066,072
Trading Companies & Distributors 3.0%				
Neff Rental LLC 2nd Lien Term Loan	7.25%	6/9/2021	6,434	6,353,276
TOTAL SENIOR LOANS (Cost $81,424,884)				76,515,906
CONVERTIBLE BONDS 3.8%				
Banks 0.8%				
Societe Generale SA (a) (h)	7.88%	(e)	915	929,182
UniCredit SpA (f) (h)	8.00%	(e)	795	794,307
				1,723,489
Machinery 0.6%				
Meritor, Inc.	7.88%	3/1/2026	795	1,301,316
Oil, Gas & Consumable Fuels 0.2%				
Connacher Oil and Gas Ltd. (a) (b)	12.00%	8/31/2018	201	301,202
Thrifts & Mortgage Finance 2.2%				
MGIC Investment Corp. (a)	9.00%	4/1/2063	3,625	4,630,937
TOTAL CONVERTIBLE BONDS (Cost $6,814,201)				7,956,944
MUNICIPAL BONDS 0.4%				
Puerto Rico 0.4%				
Commonwealth of Puerto Rico	8.00%	7/1/2035	1,300	897,000
TOTAL MUNICIPAL BONDS (Cost $1,221,695)				897,000
			Shares	
EQUITY 2.4%				
Auto Components 2.4%				
Chassix Holdings, Inc.			224,629	5,054,152

Oil, Gas & Consumable Fuels 0.0% (i)		
Connacher Oil and Gas Ltd.	133,652	92,995
TOTAL EQUITY		
(Cost $9,057,149)		5,147,147
WARRANTS 0.1%		
Auto Components 0.1%		
Chassix Holdings, Inc. Call Expires 7/29/2020 (b)	19,932	153,676
Oil, Gas & Consumable Fuels 0.0% (i)		
US Shale Solution, Inc. Call Expires 9/1/2024 (b)	1,781	
TOTAL WARRANTS		
(Cost $153,676)	$	153,676
TOTAL LONG-TERM INVESTMENTS 136.1%		
(Cost $300,928,724)		286,515,916

See Accompanying Notes to Schedule of Investments.

Security Description	Coupon	Maturity	Principal Amount (000)	Value
SHORT-TERM INVESTMENTS 3.0%				
REPURCHASE AGREEMENT 3.0%				
State Street Repurchase Agreement, dated 7/31/2015, due 8/3/2015 at 0.01%, collateralized by Federal Home Loan Mortgage Corporation obligations maturing on 12/15/2017, market value $6,480,061 (repurchase proceeds $6,352,646)			$ 6,353	$ 6,352,640
TOTAL SHORT-TERM INVESTMENTS 3.0% (Cost $6,352,640)				6,352,640
TOTAL INVESTMENTS 139.1% (Cost $307,281,364)				292,868,556
OTHER ASSETS & LIABILITIES (39.1)%				(82,341,470)
NET ASSETS 100.0%				$ 210,527,086

Percentages are calculated as a percentage of net assets as of July 31, 2015.

(a) Securities exempt from registration under Rule 144a of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, to Qualified Institutional Investors as defined in Rule 144a promulgated under the Securities Act of 1933, as amended.

(b) For fair value measurement disclosure purposes, security is categorized as Level 3.

(c) Defaulted security. Issuer in bankruptcy.

(d) Non-income producing.

(e) Perpetual Maturity.

(f) Security exempt from registration under Regulation S of the Securities Act of 1933, which exempts from registration securities offered and sold outside the United States. Security may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

(g) Interest rates on Senior Loans may be fixed or may float periodically. On floating rate Senior Loans, the interest rates typically are adjusted based on a base rate plus a premium or spread over the base rate. The base rate usually is a standard inter-bank offered rate, such as a LIBOR, the prime rate offered by one or more major U.S. banks, or the certificate of deposit rate or other base lending rates used by commercial lenders. Floating rate Senior Loans adjust over different time periods, including daily, monthly, quarterly, semi-annually or annually.

(h) Variable Rate Security. Rate shown is rate in effect at July 31, 2015.

(i) Amount shown represents less than 0.05% of net assets.

PIK - Payment in Kind

PLC - Public Limited Company

SCA - Societe en Commandite par Actions

Geographic Allocation of Investments:

Country	**Percentage of Net Assets**		**Value**
United States (Includes Short-Term Investments)	86.9%	$	182,921,087
Luxembourg	12.9		27,412,169
United Kingdom	9.0		18,972,815
Canada	7.9		16,578,336
Netherlands	6.8		14,272,003
Germany	6.1		12,760,615
Greece	3.7		7,688,377
Italy	1.7		3,497,307
Switzerland	1.2		2,543,580
Sweden	1.2		2,509,875
Cyprus	0.8		1,800,000
Norway	0.5		983,210
France	0.4		929,182
Total Investments	139.1%	$	292,868,556

See Accompanying Notes to Schedule of Investments.

The geographic allocation is based, where Avenue Capital Management II L.P., the Investment Adviser , believes the country of risk to be. Country of risk is traditionally the country where the majority of the company s operations are based or where it is headquartered or where the primary source of revenue risk is determined by the Investment Adviser.

Forward Foreign Currency Contracts:

Settlement Date		Amount	Value	In Exchange for U.S. $	Net Unrealized Appreciation (Depreciation)	Counterparty
Forward Foreign Currency Contracts to Buy:						
08/11/2015	EUR	672,835	$ 739,001	741,274	$ (2,273)	State Street Bank and Trust Co.
08/11/2015	GBP	593,260	926,418	924,102	2,316	State Street Bank and Trust Co.
					43	
Forward Foreign Currency Contracts to Sell:						
08/11/2015	EUR	13,143,409	14,435,939	14,740,200	304,261	State Street Bank and Trust Co.
08/11/2015	GBP	13,911,885	21,724,395	21,163,776	(560,619)	State Street Bank and Trust Co.
					(256,358)	
	TOTAL				**$ (256,315)**	

EUR - Euro Currency

GBP - Great British Pound

See Accompanying Notes to Schedule of Investments.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments

July 31, 2015 (unaudited)

1. Organization

Avenue Income Credit Strategies Fund (the Fund) is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a non-diversified, closed-end management investment company. The Fund s primary investment objective is to seek a high level of current income, with a secondary objective of capital appreciation. The Fund commenced operations on January 27, 2011.

2. Significant Accounting Policies

The following is a summary of significant accounting policies of the Fund in preparation of the Schedule of Investments.

SECURITY VALUATION - Corporate Bonds and Notes (including convertible and municipal bonds) and unlisted equities are valued using an evaluated quote provided by independent pricing services. Evaluated quotes provided by the pricing services may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institutional-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term debt securities purchased with a remaining maturity of sixty days or less are generally valued at amortized cost, which approximates market value.

Senior Loans are valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as ratings, tranche type, industry, company performance, spread, individual trading characteristics, institutional-size trading in similar groups of securities and other market data.

Credit default swaps are valued using a pricing service, or, if the pricing service does not provide a value, by quotes provided by the selling dealer or financial institution.

Equity securities listed on a U.S. stock exchange, including shares of exchange-traded funds, are valued at the latest quoted sales price on valuation date. Securities listed on a foreign exchange are valued at their closing price.

Forward foreign currency contracts are valued using quoted foreign exchange rates as of the close of the regular trading session on the New York Stock Exchange (NYSE) (generally 4:00 pm Eastern Time) on the days the NYSE is open for business. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by a third party pricing service. If events materially affecting the price of foreign portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the Fund s net asset value was last calculated, such securities may be valued at their fair value as determined in good faith in accordance with procedures established by the Board of Trustees of the Fund (the Board).

Where reliable market quotes are not readily available from a third party pricing service, investments are valued, where possible, using independent market indicators provided by independent pricing sources approved by the Board. Any investment and other assets or liabilities for which current market quotations are not readily available are valued at fair value as determined in good faith in accordance with procedures established by the Board.

SECURITY TRANSACTIONS AND INVESTMENT INCOME Investment transactions for financial statement purposes are accounted for on a trade date basis. Realized gains and losses on investments sold are determined on the basis of identified cost. Interest income is determined on the basis of coupon interest accrued using the effective interest method which adjusts for amortization of premiums and accretion of discounts. For those issuers who are not paying in full, interest is recognized only if amounts are reasonably estimable and (considered to be) collectable. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income over the lives of the respective securities, subject to collectability.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

MUNICIPAL BONDS   The amount of public information available about municipal bonds is generally less than for corporate equities or bonds, meaning that the investment performance of municipal bond investments may be more dependent on the analytical abilities of the investment adviser than stock or corporate bond investments. The secondary market for municipal bonds also tends to be less well-developed and less liquid than many other securities markets, which may limit an owner s ability to sell its bonds at attractive prices. The spread between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid obligations can become more difficult to value and be subject to erratic price movements. The increased presence of non-traditional participants or the absence of traditional participants in the municipal markets may lead to greater volatility in the markets.

SENIOR LOANS   The Fund purchases assignments of, and participations in, senior secured floating rate and fixed rate loans (Senior Loans) originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (the Lender). When purchasing an assignment, the Fund typically succeeds to all the rights and obligations under the loan of the assigning Lender and becomes a lender under the credit agreement with respect to the debt obligation purchased. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more restricted than, those held by the assigning Lender. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement or any rights of setoff against the borrower, and the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the borrower and the institution selling the participation.

FOREIGN CURRENCY TRANSLATION   Investment valuations, other assets, and liabilities initially expressed in foreign currencies are translated each business day into U.S. dollars based upon current exchange rates. Purchases and sales of foreign investment securities and income and expenses denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates in effect on the respective dates of such transactions. Recognized gains or losses on investment transactions attributable to changes in foreign currency exchange rates are recorded for financial statement purposes as net realized gains and losses on investments. That portion of unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately presented.

FORWARD FOREIGN CURRENCY CONTRACTS   The Fund may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. The Fund may enter into such forward contracts for hedging purposes. The forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded as unrealized until such time as the contracts have been closed. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. In addition, these contracts may involve market risk in excess of the unrealized appreciation (depreciation) reflected in the Fund s Schedule of Investments. It is the Fund s policy to net the unrealized appreciation and depreciation amounts for the same counterparty.

Currently, the Fund executes all foreign currency contracts through State Street. Due to the Fund s custodial contract with State Street, the Fund is able to avoid certain transaction fees and collateral requirements normally incurred with executing foreign currency contracts with third party brokers. The execution is done through an automated system with transparency as to other market participants and is monitored for best execution purposes.

SHORT SALES The Fund may engage in short sales. A short sale is a transaction in which the Fund sells an instrument that it does not own in anticipation that the market price will decline. To deliver the securities to the buyer, the Fund arranges through a broker to borrow the securities and, in so doing, the Fund becomes obligated to replace the securities borrowed at their market price at the time of replacement.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

When selling short, the Fund intends to replace the securities at a lower price and therefore, profit from the difference between the cost to replace the securities and the proceeds received from the sale of the securities. When the Fund makes a short sale, the proceeds it receives from the sale will be held on behalf of a broker until the Fund replaces the borrowed securities. The Fund may have to pay a premium to borrow the securities and must pay any dividends or interest payable on the securities until they are replaced. The Fund s obligation to replace the securities borrowed in connection with a short sale will be secured by collateral deposited with the broker that consists of cash and/or liquid securities. In addition, the Fund will place in a segregated account an amount of cash and/or liquid securities equal to the difference, if any, between (i) the market value of the securities sold at the time they were sold short, and (ii) any cash and/or liquid securities deposited as collateral with the broker in connection with the short sale. Short sales involve certain risks and special considerations. If the Fund incorrectly predicts that the price of the borrowed security will decline, the Fund will have to replace the securities with securities with a greater value than the amount received from the sale. As a result, losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases can equal only the total amount invested.

CREDIT DEFAULT SWAPS An over the counter (OTC) credit default swap is an agreement between two parties to exchange the credit risk of a particular issuer or reference entity. Certain types of credit default swaps are exchange-listed and subject to clearing. In a credit default swap transaction, a buyer pays periodic fees in return for payment by the seller which is contingent upon an adverse credit event occurring in the underlying issuer or reference entity. The seller collects periodic fees from the buyer and profits if the credit of the underlying issuer or reference entity remains stable or improves while the swap is outstanding, but the seller in a credit default swap contract would be required to pay an agreed upon amount to the buyer (which may be the entire notional amount of the swap) in the event of a defined adverse credit event with respect to the reference entity. A buyer of a credit default swap is said to buy protection whereas a seller of a credit default swap is said to sell protection. The Fund uses credit default swaps on corporate issuers to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Fund owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer s default.

Swaps generally do not involve the delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to swaps is limited to the net amount of payments that the Fund is contractually obligated to make. However, because some swap agreements have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can, among other factors, result in a loss substantially greater than the amount invested in the swap itself. If the other party to a swap defaults, the Fund s risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end are disclosed in the Schedule of Investments and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads and increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Fund as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. Notional amounts of all credit default swap agreements outstanding as of July 31, 2015 for which the Fund is a seller of protection are disclosed in the Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Fund for the same referenced entity or entities.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

OTC swap payments received or made at the beginning of the measurement period are reflected as such and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, interest rates, and other relevant factors). These upfront payments are amortized to realized gains or losses over the life of the swap or are recorded as realized gains or losses upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss. Net periodic payments received or paid by the Fund are included as part of realized gains or losses. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation. The Fund segregates assets in the form of cash or liquid securities (i) in an amount equal to the notional amount of the credit default swaps of which it is the seller and; (ii) in an amount equal to any unrealized depreciation of the credit default swaps of which it is the buyer, marked to market on a daily basis.

Certain swap contracts may be centrally cleared (centrally cleared swaps), whereby all payments made or received by the Fund pursuant to the contract are with a central clearing party (CCP) rather than the original counterparty. Central clearing is designed to reduce counterparty risk compared to uncleared swaps because central clearing interposes the CCP as the counterparty to each participant s swap, but it does not eliminate those risks completely. For centrally cleared swaps, the daily change in valuation is recorded as a receivable or payable for variation margin and settled in cash with the CCP daily. Upfront payments or receipts, if any, are recorded as Premium paid or received, net for OTC swap contracts, respectively, and amortized over the life of the swap contract as realized gains or losses. For financial reporting purposes, unamortized upfront payments, if any, are netted with unrealized appreciation or depreciation on swap contracts to determine the market value of swaps. Upon entering into centrally cleared swaps, the Fund is required to deposit with the CCP, either in cash or securities, an amount equal to a certain percentage of the notional amount (initial margin), which is subject to adjustment. Credit default swap transactions involve certain risks, including the risk that the seller may be unable to fulfill the transaction.

REPURCHASE AGREEMENTS The Fund may engage in repurchase agreements with broker-dealers, banks and other financial institutions to earn incremental income on temporarily available cash which would otherwise be uninvested. A repurchase agreement is a short-term investment in which the purchaser (i.e., the Fund) acquires ownership of a security and the seller agrees to repurchase the obligation at a future time and set price, thereby determining the yield during the holding period. Such agreements are carried at the contract amount, which is considered to represent fair value. It is the Fund s policy that the value of collateral pledged (the securities received), which consists primarily of U.S. government securities and those of its agencies or instrumentalities, is not less than the repurchase price and is held by the custodian bank for the benefit of the Fund until maturity of the repurchase agreement. Repurchase agreements involve certain risks, including bankruptcy or other default of a seller of a repurchase agreement.

UNFUNDED LOAN COMMITMENTS The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower s discretion. At July 31, 2015, the Fund had no outstanding unfunded loan commitments.

3. Derivative Instruments & Hedging Activities

The Fund is subject to foreign exchange risk in the normal course of pursuing its investment objectives. Because the Fund holds foreign currency denominated investments, the value of these investments and related receivables and payables may change due to future changes in foreign currency exchange rates. To hedge against this risk, the Fund used forward foreign currency contracts. The derivatives are not accounted for as hedging instruments.

At July 31, 2015, the fair value of derivative instruments in an asset position and in a liability position and whose primary underlying risk exposure is foreign exchange risk was $306,577 and $(562,892), respectively.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund enters into credit default swap contracts to manage its credit risk or to enhance return.

4. Related Party Transactions

Affiliates of the Fund may have lending, brokerage, underwriting, or other business relationships with issuers of securities in which the Fund invests. Morgan Stanley, the global financial services firm, owns an indirect, noncontrolling minority interest in Avenue Capital Group. During the period, the Fund acquired securities through unaffiliated broker-dealers which were part of underwriting groups in which Morgan Stanley participated.

5. Unrealized Appreciation/(Depreciation)

The cost and unrealized appreciation (depreciation) of investments in securities of the Fund at July 31, 2015, as determined on a federal income tax basis, were as follows:

Aggregate cost of securities held long	**$**	**307,281,364**
Gross unrealized appreciation	$	6,693,285
Gross unrealized (depreciation)		(21,106,093)
Net unrealized (depreciation) of investments in securities held long	**$**	**(14,412,808)**
Net unrealized appreciation (depreciation) on short sales		
Net unrealized (depreciation) on securities	**$**	**(14,412,808)**

6. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment s assigned level:

• Level 1 Prices are determined using quoted prices in an active market for identical assets.

• Level 2 Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

• Level 3 Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund s own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

The valuation techniques used by the Fund to measure fair value during the period ended July 31, 2015 maximized the use of observable inputs and minimized the use of unobservable inputs.

The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with GAAP.

Corporate Bonds & Notes Corporate bonds and notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, active market trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable, the values of corporate bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Municipal Bonds Municipal bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, active market trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. To the extent that these inputs are observable, the values of municipal bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Senior Loans Senior loans are valued using inputs which include broker-dealer quotes or quotes received from independent pricing services that take into account quotes received from broker-dealers or other market sources pertaining to the issuer or security. The Fund may also engage a third party appraiser or other valuation techniques to value these securities. Inputs may include quoted prices for similar investments in active markets, interest rates, coupon rates, yield curves, option adjusted spreads, default rates, credit spreads and other unique security features in order to estimate the relevant cash flows which is then discounted to calculate fair values. To the extent that these inputs are observable, the values of senior loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Credit Default Swaps Credit default swaps are valued by independent pricing services using pricing models that take into account, among other factors, information received from market makers and broker-dealers, default probabilities from index specific credit spread curves, recovery rates, and cash flows. To the extent that these inputs are observable, the values of credit default swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Forward Foreign Currency Contracts Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The following is a summary of the tiered valuation input levels, as of July 31, 2015. The Schedule of Investments includes disclosure of each security type by category and/or industry. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the Schedule of Investments may materially differ from the value received upon actual sale of those investments.

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (continued)

July 31, 2015 (unaudited)

Investment Securities in an Assest Position	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Corporate Bonds & Notes	$	$ 190,294,821	$ 5,550,422	$ 195,845,243
Senior Loans		69,735,241	6,780,665	76,515,906
Convertible Bonds		7,655,742	301,202	7,956,944
Municipal Bonds		897,000		897,000
Equity	92,995	5,054,152		5,147,147
Warrants			153,676	153,676
Repurchase Agreements		6,352,640		6,352,640
Other Financial Instruments				
Forward Foreign Currency Contracts*		306,577		306,577
Total Asset Position	**$ 92,995**	**$ 280,296,173**	**$ 12,785,965**	**$ 293,175,133**
Investment Securities in a Liability Position				
Forward Foreign Currency Contracts*		(562,892)		(562,892)
Total Liability Position	**$**	**$ (562,892)**	**$**	**$ (562,892)**

* Other financial instruments such as forward foreign currency contracts are valued at the unrealized appreciation/(depreciation) of the instrument.

Quantitative Information about Level 3 Fair Value Inputs

	Fair Value At July31, 2015	**Valuation Technique**	**Unobservable Input**	**Range**
Corporate Bond & Notes	$ 5,550,422	Third -Party Vendor	Vendor quotes	$112.00
Senior Loans	$ 6,780,665	Third -Party Vendor	Vendor quotes	$46.25 - $101.50
Convertible Bonds	$ 301,202	Third -Party Vendor	Vendor quotes	$150.00
Warrants	$ 153,676	Black Scholes Option Pricing Model	Implied Volatility	40%

The Investment Adviser has established a Valuation Committee (the Committee) which is responsible for overseeing the pricing and valuation of all securities held in the Fund. The Committee operates under pricing and valuation policies and procedures established by the Fund and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee s responsibilities include: 1) fair value and liquidity determinations (and oversight of any third parties to whom any responsibility for fair value and liquidity determinations is delegated), and 2) regular monitoring of the Fund s pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate. The Committee is also responsible for monitoring the implementation of the pricing policies by the Fund and third parties which perform certain pricing functions in accordance with the pricing policies. The Investment Adviser is responsible for the oversight of the third party on a day-to-day basis. The Committee and the Investment Adviser perform a series of activities to provide reasonable assurance of the accuracy of prices including: 1) periodic vendor due diligence meetings, review of methodologies, new developments and processes at vendors, 2) daily comparison of security valuation versus prior day for all securities that exceeded established thresholds, and 3) daily review of unpriced, stale, and variance reports with exceptions reviewed by the Committee.

The following is a reconciliation of Level 3 assets for which a significant unobervable inputs were used to determine fair value:

	Investments in Corporate Bonds and Notes	Investments in Senior Loans	Investments in Convertible Bonds	Warrants	Total
Balance as of October 31, 2014	**$**	**$ 3,600,000**	**$**	**$**	**$ 3,600,000**
Cost of purchases		3,038,348	200,801	153,676	3,392,825
Proceeds from sales	(207,034)	(5,077,050)			(5,284,084)
Transfers to Level 3	5,821,021	6,666,627			12,487,648
Transfers from Level 3					
Accrued discount (premium)	16,870	18,098			34,968
Realized gains (losses)	11,890	71,653			83,543
Change in net unrealized appreciation (depreciation)	(92,325)	(1,537,011)	100,401		(1,528,935)
Balance as of July 31, 2015	**$ 5,550,422**	**$ 6,780,665**	**301,202**	**$ 153,676**	**$ 12,785,965**

Avenue Income Credit Strategies Fund

Notes to Schedule of Investments (concluded)

July 31, 2015 (unaudited)

	Investments in Corporate Bonds and Notes	Investments in Senior Loans	Investments in Convertible Bonds	Warrants	Total
Change in net unrealized appreciation (depreciation) on Investments still held as of July 31, 2015	**$ (92,325)**	**$ (1,477,398)**	**$ 100,401**	**$**	**$ (1,469,322)**

Transfers are reflected at the value of the securities at the beginning of the period. Transfers from Level 2 to Level 3 were due to a decrease in the availability of significant observable inputs in determining the fair value of these investments.

For information related to geographical and industry categorization of investments and types of derivative contracts held, please refer to the Schedule of Investments.

Item 2. Controls and Procedures.

(a) The registrant s principal executive officer and principal financial officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days prior to the filing date of this report, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended.

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 3. Exhibits.

Certifications of the principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act are attached hereto as Exhibit 99CERT.

SIGNATURES

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

Avenue Income Credit Strategies Fund

By /s/ Randolph Takian
Randolph Takian
Trustee, Chief Executive Officer and President (Principal Executive Officer)

Date 9/28/15

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

By /s/ Randolph Takian
Randolph Takian
Trustee, Chief Executive Officer and President (Principal Executive Officer)

Date 9/28/15

By /s/ Stephen M. Atkins
Stephen M. Atkins
Treasurer and Chief Financial Officer (Principal Financial Officer)

Date 9/28/15