

**Hyperion Brookfield Asset Management, Inc.**

**Helios Advantage Income Fund, Inc.**

**Helios High Income Fund, Inc.**

**Helios Multi-Sector High Income Fund, Inc.**

**Helios Strategic Income Fund, Inc.**



**Annual Report**

March 31, 2009

## IN PROFILE

*Hyperion Brookfield Asset Management, Inc. is a registered investment advisor headquartered in New York City. The firm was founded in 1989 to provide relative value driven fixed income investment strategies, such as core fixed income, high yield, and specialized MBS. Hyperion Brookfield manages approximately \$16 billion for a client base that includes pension funds, financial institutions, mutual funds, closed-end funds, insurance companies and foundations. Hyperion Brookfield is a subsidiary of Brookfield Asset Management Inc., a global asset manager focused on property, power and other infrastructure assets with approximately \$80 billion of assets under management. For more information, please visit our website at [www.hyperionbrookfield.com](http://www.hyperionbrookfield.com).*



## TABLE OF CONTENTS

---

Letter to Stockholders .....	1
Helios Advantage Income Fund, Inc. ....	2
Management Discussion of Fund Performance .....	2
Portfolio of Investments .....	6
Helios High Income Fund, Inc. ....	11
Management Discussion of Fund Performance .....	11
Portfolio of Investments .....	15
Helios Multi-Sector High Income Fund, Inc. ....	20
Management Discussion of Fund Performance .....	20
Portfolio of Investments .....	24
Helios Strategic Income Fund, Inc. ....	28
Management Discussion of Fund Performance .....	28
Portfolio of Investments .....	32
Notes to Portfolios of Investments .....	37
Statements of Assets and Liabilities .....	38
Statements of Operations .....	39
Statements of Changes in Net Assets .....	40
Statements of Cash Flows .....	42
Financial Highlights .....	46
Notes to Financial Statements .....	50
Report of Independent Registered Public Accounting Firm .....	64
Tax Information .....	65
Information Concerning Directors and Officers .....	66
Supplemental Information .....	69

This report is for stockholder information. This is not a prospectus intended for the use in the purchase or sale of Fund shares.

NOT FDIC INSURED	MAY LOSE VALUE	NOT BANK GUARANTEED
------------------	----------------	---------------------



## LETTER TO STOCKHOLDERS

---

Dear Stockholders,

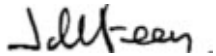
We welcome this opportunity to provide the Annual Report for Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc. (each a “Fund” and, collectively, the “Funds”) for the fiscal year ended March 31, 2009.

Since taking over management on July 29, 2008, we have made significant progress in repositioning the Funds. As we have discussed in other reports and communications, our plan was to reduce the Funds’ holdings in complex mortgage and asset-backed securities in favor of corporate credit and to increase the overall credit quality of the Funds. When we assumed management of the Funds, the ultimate principal recovery value for many of the Funds’ holdings was highly uncertain. Thus, our view was then, as it is now, that the Funds’ long-term prospects are dependent on a repositioning of the Funds’ holdings to corporate high yield. Accordingly, between July 29, 2008 and March 31, 2009, we reduced the Funds’ allocation to asset-backed securities (“ABS”) and collateralized debt obligations (“CDOs”) on average by 28% and 16%, respectively. At the same time, we increased the Funds’ allocation to corporate credit from 39% at July 29, 2008 to 87% at March 31, 2009. Furthermore, we increased the Funds’ overall credit quality from an average rating of CCC at July 29, 2008 to B+ at March 31, 2009.

This report provides information on each Fund’s performance during the fiscal year ended March 31, 2009. The report also provides an overview of market conditions and a discussion of factors affecting the investment performance of each Fund, together with each Fund’s audited financial statements and portfolio of investments as of March 31, 2009.

Please visit us at [www.hyperionbrookfield.com](http://www.hyperionbrookfield.com) for more information about these and other funds available to you. We are fully committed to working towards our goal of creating stockholder value over the long term. Thank you for your support.

Sincerely,



**John J. Feeney, Jr.**  
President

## HELIOS ADVANTAGE INCOME FUND, INC.

### OBJECTIVE & STRATEGY

Helios Advantage Income Fund, Inc. (formerly known as RMK Advantage Income Fund, Inc.) seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests a majority of its total assets in below-investment grade debt securities that offer attractive yield and capital appreciation potential. The Fund also may invest in investment grade debt securities, up to 15% of its total assets in foreign debt and foreign equity securities and up to 25% of its total assets in domestic equity securities, including common and preferred stocks. The Fund invests in a wide range of below-investment grade debt securities, including corporate bonds, mortgage-backed and asset-backed securities and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. (Below-investment grade debt securities are rated Ba1 or lower by Moody's Investors Service, Inc., BB+ or lower by Standard & Poor's Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund's investment advisor to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred shares. The Fund may leverage one third of its total assets (in each case including the amount borrowed.) The Fund may vary its use of leverage in response to changing market conditions.

**Investment Risks:** Investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below-investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below-investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The Fund's investments in mortgage-backed or asset-backed securities that are "subordinated" to other interests in the same pool may increase credit risk to the extent that the Fund, as a holder of those securities, may only receive payments after the pool's obligations to other investors have been satisfied. Below-investment grade bonds also are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company's financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage exceeds the costs of the leverage, the use of leverage will diminish the investment performance of the Fund's shares. Use of leverage also may increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The table below shows the Fund's compound returns, based on published net asset values and market prices, for the periods noted as of March 31, 2009, compared with the Fund's current and former Indices.

	3 Months	6 Months	9 Months	1 Year
Fund — Net asset value return . . . . .	4.48%	(13.58)%	(46.58)%	(55.52)%
Fund — Total return, including distributions* . . . . .	19.06%	8.82%	(49.41)%	(61.80)%
Barclays Capital U.S. Corporate High Yield Index <sup>1</sup> . . . . .	5.98%	(12.97)%	(20.70)%	(19.31)%
Barclays Capital Ba U.S. High Yield Index <sup>2</sup> . . . . .	9.02%	(5.07)%	(9.97)%	(8.97)%

\* Exclusive of brokerage commissions

<sup>1</sup> Fund's current Index, described below

<sup>2</sup> Fund's former Index, described below

Based on the NYSE closing price of \$1.00 on March 31, 2009, the Fund's shares have a dividend yield of 18.00%. The dividend yield is calculated as the annualized amount of the reporting period's most recent monthly dividend declared divided by the stated stock price.

## HELIOS ADVANTAGE INCOME FUND, INC.

---

Over the last twelve months, investors witnessed a dramatic re-pricing of risk as the magnitude of the many problems facing both the economy and the financial markets became apparent. Risk premiums increased dramatically, equity markets fell precipitously, and investors who owned nearly anything but Treasuries were left reeling with losses. The markets for structured finance and structured products, in our opinion, are among the most dislocated. The fundamental performance of the mortgage and consumer loans that underlie these securities has continued to deteriorate. In corporate credit markets, high yield spreads widened to historical highs of nearly 2,000 basis points during the twelve-month period ended March 31, 2009, reflecting investor concerns about increasing default risk resulting from a weakening economy. As the first quarter of 2009 came to a close, what we found surprising is that defaults have not risen as much as headlines might suggest. According to JPMorgan Chase's calculations, the trailing twelve-month default rate rose from 2.3% to 5.9% during the quarter, which is only slightly higher than the long-term average of 4.2%. A number of large companies defaulted in the quarter, and further deterioration in the rating agencies' upgrade/downgrade ratio suggests that more trouble lies ahead.

This is the market environment that we have faced since taking over management of the Fund and embarking on its restructuring. As we have discussed in other reports and communications, our plan was to reduce the Fund's holdings in complex mortgage and asset-backed securities in favor of corporate credit and to increase the overall credit quality of the Fund. We have increased the Fund's allocation to corporate credit to greater than 90% as of March 31, 2009, an increase of more than 50% since taking over management of the Fund. We also have increased the credit quality of the Fund; 89% of the Fund was rated B or higher at March 31, 2009, an increase of 48%. Approximately 86% of the Fund is invested in high yield corporate bonds, and 6% in investment grade corporate bonds.

Corporate credit has not been immune to the problems facing the global financial markets. With a slowing economy, investors rightly are concerned about the likelihood of growing losses from defaults in the high yield market. Indeed, defaults have started to increase from record low levels a year ago, and there have been a number of high profile bankruptcies. Having access to capital, or not needing it, has become critical to survival as credit has become far more difficult to secure. We continue to see a high level of idiosyncratic risk where the fortunes of individual companies outweigh industry dynamics. This is typical as a credit downturn matures, and it highlights the importance of individual company analysis in a portfolio. We have focused our corporate credit exposure on companies with strong balance sheets, manageable debt maturities and a high likelihood of being able to access capital. Industry themes have mostly played a secondary role to this focus on corporate liquidity. This selectivity in determining the Fund's credit exposure has resulted in few holdings in the lowest rated part of the market (*i.e.*, securities rated CCC and lower). This higher quality positioning benefited the Fund's relative performance as yield spreads widened to peak levels.

We continue to maintain our positive view of the high yield market despite the 350 basis point narrowing in yield spreads during the first quarter of 2009. While defaults will continue to rise and will likely exceed typical peak levels of around 10%, we recognize that yield spreads historically lead defaults lower by six to nine months. Meanwhile, yield spreads are already discounting a default rate in the high teens—well in excess of historical levels. We are encouraged that signs of life are evident in the credit and equity markets and continue to believe that current yield spreads offer appropriate compensation for the current market risks.

### Forward-Looking Information

This management discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements that are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," "should," "intend," or similar terms or variations on those terms or the negative of those terms. Although we believe that the expectations contained in any forward-looking statement are based on reasonable assumptions, we can give no assurance that our expectations will be attained. We do not undertake, and specifically disclaim any obligation, to publicly release any update or supplement to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

---

### Index Description

<sup>1</sup> The Barclays Capital U.S. Corporate High Yield Index, formerly known as the Lehman Brothers U.S. Corporate High Yield Index covers the U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The Barclays Capital U.S. Corporate High Yield Index is part of the Barclays Capital U.S. Universal and Global High Yield Indices. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

<sup>2</sup> The Barclays Capital Ba U.S. High Yield Index, formerly known as the Lehman Brothers Ba U.S. High Yield Index is the Ba component of the U.S. Corporate High Yield Index, a broad-based unmanaged index of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil and Venezuela) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures and 144As are also included. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

**HELIOS ADVANTAGE INCOME FUND, INC.**  
**Portfolio Characteristics (Unaudited)**  
March 31, 2009

---

**PORTFOLIO STATISTICS**

---

Annualized dividend yield <sup>1</sup>	18.00%
Weighted average coupon	7.14%
Average effective maturity	5.65 years
Percentage of leveraged assets	0.00%
Total number of holdings	89

---

**CREDIT QUALITY**

---

A and Above <sup>2</sup>	7%
BBB	11%
BB	34%
B	37%
CCC	4%
D	2%
Unrated	5%
Total	100%

---

**ASSET ALLOCATION<sup>3</sup>**

---

Asset-Backed Securities	4%
Investment Grade Corporate Bonds	6%
High Yield Corporate Bonds	86%
Common Stocks	3%
Short-term Investments	1%
Total	100%

---

<sup>1</sup> Dividends may include net investment income, capital gains and/or return of capital. The dividend yield referenced above is calculated as the annualized amount of the most recent monthly dividend declared by the March 31, 2009 stock price.

<sup>2</sup> Includes short-term investments.

<sup>3</sup> Includes only invested assets; excludes cash.

**HELIOS ADVANTAGE INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>ASSET-BACKED SECURITIES – 3.7%</b>				
<b>Collateralized Debt Obligations – 3.7%</b>				
Linker Finance PLC				
Series 16A, Class E†(a)(c) .....	4.06%#	05/19/45	\$ 3,000	\$ 30,000
Steers Series 2007-A†(a)(c) .....	3.99†	06/20/18	6,750	1,485,000
<b>Total Collateralized Debt Obligations</b>				<u>1,515,000</u>
(Cost – \$9,442,636) .....				
<b>Collateralized Loan Obligation – 0.0%</b>				
Credit Genesis CLO 2005‡(a)(c)				
(Cost – \$3,000,000) .....	0.00†	06/23/10	3	18,000
<b>Total ASSET-BACKED SECURITIES</b>				<u>1,533,000</u>
(Cost – \$12,442,636) .....				
<b>MORTGAGE-BACKED SECURITIES – 0.1%</b>				
<b>Collateralized Mortgage Obligations – 0.1%</b>				
Countrywide Alternative Loan Trust NIM				
Series 2006-OA11, Class N3‡(a)(c) .....	12.50#	09/25/46	871	0
Sharp SP I LLC NIM Trust				
Series 2006-AHM3, Class N3‡(a)(c) .....	12.50#	10/25/46	736	50,462
<b>Total Collateralized Mortgage Obligations</b>				<u>50,462</u>
(Cost – \$1,619,591) .....				
<b>Total MORTGAGE-BACKED SECURITIES</b>				<u>50,462</u>
(Cost – \$1,619,591) .....				
<b>INVESTMENT GRADE CORPORATE BONDS – 6.2%</b>				
<b>Consumer Non-Cyclical – 3.0%</b>				
CVS Caremark Corp. ....	5.75	06/01/17	1,000	975,162
McKesson Corp. ....	5.25	03/01/13	250	247,705
<b>Total Consumer Non-Cyclical</b>				<u>1,222,867</u>
(Cost – \$1,192,352) .....				
<b>Telecommunications – 3.2%</b>				
Comcast Cable Communications Holdings .....	8.38	03/15/13	500	534,715
Rogers Communications Inc. ....	6.80	08/15/18	750	749,609
<b>Total Telecommunications</b>				<u>1,284,324</u>
(Cost – \$1,308,603) .....				
<b>Total INVESTMENT GRADE CORPORATE BONDS</b>				<u>2,507,191</u>
(Cost \$2,500,955) .....				
<b>HIGH YIELD CORPORATE BONDS – 81.9%</b>				
<b>Basic Industry – 12.4%</b>				
AK Steel Corp. ....	7.75	06/15/12	500	392,500
Arch Western Finance LLC .....	6.75	07/01/13	500	457,500

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Buckeye Technologies Inc. ....	8.50%	10/01/13	\$ 500	\$ 437,500
Freeport McMoRan Copper & Gold .....	8.38	04/01/17	500	467,500
Georgia-Pacific Corp. ....	8.13	05/15/11	1,000	993,750
Momentive Performance .....	9.75	12/01/14	500	147,500
Steel Dynamics Inc. ....	6.75	04/01/15	1,000	677,500
Tube City IMS Corp. ....	9.75	02/01/15	500	76,250
US Steel Corp. ....	7.00	02/01/18	1,250	853,020
Westlake Chemical Corp. ....	6.63	01/15/16	750	525,000
<b>Total Basic Industry</b>				
(Cost \$6,193,101) .....				5,028,020
<b>Capital Goods – 8.5%</b>				
Alliant Techsystems Inc. ....	6.75	04/01/16	650	617,500
Case Corp. ....	7.25	01/15/16	500	365,000
Crown Americas LLC .....	7.75	11/15/15	500	502,500
Crown Cork & Seal Company Inc. ....	8.00	04/15/23	250	222,500
Jefferson Smurfit Corp. ....	8.25#	10/01/12	750	93,750
L-3 Communications Corp. ....	6.13	01/15/14	500	472,500
Mueller Water Products Inc. ....	7.38	06/01/17	500	257,500
Owens-Illinois Inc. ....	7.80	05/15/18	500	485,000
Terex Corp. ....	7.38	01/15/14	500	432,500
<b>Total Capital Goods</b>				
(Cost \$4,347,396) .....				3,448,750
<b>Consumer Cyclical – 9.9%</b>				
ACE Hardware Corp.‡(a) .....	9.13	06/01/16	500	410,000
Collective Brands Inc. ....	8.25	08/01/13	250	197,500
Couche-Tard U.S. LP .....	7.50	12/15/13	1,000	982,500
Ford Motor Credit Co. ....	7.00	10/01/13	250	167,165
GameStop Corp. ....	8.00	10/01/12	1,000	1,010,000
General Motors Corp. ....	7.13	07/15/13	250	35,625
Levi Strauss & Co. ....	9.75	01/15/15	500	430,000
Phillips-Van Heusen Corp. ....	7.25	02/15/11	500	481,250
TRW Automotive Inc.‡(a) .....	7.25	03/15/17	750	311,250
<b>Total Consumer Cyclical</b>				
(Cost \$4,435,842) .....				4,025,290
<b>Consumer Non-Cyclical – 8.9%</b>				
Church & Dwight Company Inc. ....	6.00	12/15/12	500	497,500
Constellation Brands Inc. ....	7.25	05/15/17	650	617,500
Delhaize Group .....	6.50	06/15/17	750	724,991
Jarden Corp. ....	7.50	05/01/17	1,000	805,000
Stater Brothers Holdings .....	8.13	06/15/12	500	492,500
SUPERVALU Inc. ....	7.50	05/15/12	500	491,250
<b>Total Consumer Non-Cyclical</b>				
(Cost \$3,673,779) .....				3,628,741

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
<b>Energy – 13.9%</b>				
Chesapeake Energy Corp. ....	6.88%	01/15/16	\$ 500	\$ 420,000
El Paso Corp. ....	6.88	06/15/14	500	445,359
Frontier Oil Corp. ....	6.63	10/01/11	500	487,500
Newfield Exploration Co. ....	6.63	09/01/14	500	452,500
Pioneer Natural Resource ....	6.65	03/15/17	250	189,647
Range Resources Corp. ....	7.50	05/15/16	500	461,250
SeaMetric International AS(c) ....	11.63	05/25/12	1,700	680,000
SESI LLC ....	6.88	06/01/14	750	607,500
Southwestern Energy Co.‡(a) ....	7.50	02/01/18	166	160,190
Whiting Petroleum Corp. ....	7.25	05/01/13	1,000	785,000
Williams Companies Inc.‡(a) ....	6.38	10/01/10	1,000	983,980
<b>Total Energy</b> (Cost \$7,028,800) .....				<u>5,672,926</u>
<b>Media – 3.9%</b>				
CCH I LLC / CCH I Capital Corp. ....	11.00#	10/01/15	250	26,875
Charter Communications Operating LLC‡(a)(e) ....	8.38	04/30/14	1,000	880,000
Mediacom Broadband LLC ....	8.50	10/15/15	750	675,000
<b>Total Media</b> (Cost \$1,815,834) .....				<u>1,581,875</u>
<b>Services Cyclical – 9.5%</b>				
AMC Entertainment Inc. ....	8.63	08/15/12	750	736,875
ARAMARK Corp. ....	8.50	02/01/15	750	690,000
FireKeepers Development Authority‡(a) ....	13.88	05/01/15	500	305,000
Iron Mountain Inc. ....	8.75	07/15/18	1,000	992,500
Pokagon Gaming Authority‡(a) ....	10.38	06/15/14	500	415,000
Seneca Gaming Corp. ....	7.25	05/01/12	500	319,375
United Rentals North America Inc. ....	6.50	02/15/12	500	400,000
<b>Total Services Cyclical</b> (Cost \$4,372,685) .....				<u>3,858,750</u>
<b>Services Non-Cyclical – 3.8%</b>				
HCA Inc. ....	9.25	11/15/16	1,000	910,000
Service Corp. International ....	6.75	04/01/16	750	652,500
<b>Total Services Non-Cyclical</b> (Cost \$1,617,677) .....				<u>1,562,500</u>
<b>Technology &amp; Electronics – 3.3%</b>				
Flextronics International Limited ....	6.25	11/15/14	750	633,750
Sungard Data Systems Inc. ....	10.25	08/15/15	1,000	700,000
<b>Total Technology &amp; Electronics</b> (Cost – \$1,672,168) .....				<u>1,333,750</u>
<b>Telecommunications – 7.8%</b>				
American Tower Corp. ....	7.00	10/15/17	500	492,500
Cincinnati Bell Inc. ....	8.38	01/15/14	1,000	940,000

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
CSC Holdings Inc.‡(a) .....	8.50%	04/15/14	\$ 500	\$ 492,500
Frontier Communications Corp. ....	6.25	01/15/13	650	589,062
Windstream Corp. ....	7.00	03/15/19	750	660,000
<b>Total Telecommunications</b> (Cost \$3,232,445) .....				3,174,062
<b>Total HIGH YIELD CORPORATE BONDS</b> (Cost \$38,389,727) .....				33,314,664
<b>MUNICIPAL SECURITIES – 0.2%</b>				
<b>Muni-Arizona – 0.2%</b>				
Pima County Arizona Industrial Development Authority(d) .....	13.10	06/01/09	31	30,523
Pima County Arizona Industrial Development Authority(d) .....	12.10	06/01/10	44	38,445
<b>Total Muni-Arizona</b> (Cost \$71,879) .....				68,968
<b>Total MUNICIPAL SECURITIES</b> (Cost \$71,879) .....				68,968
<b>Shares</b>				
<b>COMMON STOCKS – 2.6%</b>				
<b>Consumer Products – 0.3%</b>				
The Coca-Cola Co. (Cost \$103,511) .....			2,400	105,480
<b>Energy – 0.3%</b>				
Southern Union Co. (Cost \$94,228) .....			7,500	114,150
<b>Finance &amp; Investment – 0.4%</b>				
FSI Realty Trust(c) .....			148,000	1
FSI Realty Trust‡(a)(c) .....			29,800	0
Mid Country*‡(a)(c) .....			50,000	164,000
<b>Total Finance &amp; Investment</b> (Cost \$2,348,859) .....				164,001
<b>Industrials – 0.4%</b>				
General Electric Co. ....			7,500	75,825
Port Townsend Company Inc.*(a)(c) .....			1,200	0
United States Steel Corp. ....			4,000	84,520
<b>Total Industrials</b> (Cost \$952,360) .....				160,345
<b>Telecommunications – 1.2%</b>				
AT&T Inc. ....			5,000	126,000
Frontier Communications Corp. ....			10,000	71,800

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS ADVANTAGE INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Shares	Value (Note 2)	
<b>COMMON STOCKS (continued)</b>			
Qwest Communications International Inc. ....	25,000	\$ 85,500	
Verizon Communications Inc. ....	4,000	120,800	
Windstream Corp. ....	10,000	80,600	
<b>Total Telecommunications</b>			
(Cost \$622,975) .....		484,700	
<b>Total COMMON STOCKS</b>			
(Cost \$4,121,933) .....		1,028,676	
	Interest Rate	Maturity	Principal Amount (000s)
<b>SHORT TERM INVESTMENT – 1.1%</b>			
State Street Euro Dollar Time Deposit			
(Cost \$458,230) .....	0.01%	04/01/09	\$ 458 458,230
<b>Total Investments – 95.8%</b>			
(Cost \$59,604,951) .....			38,961,191
<b>Other Assets in Excess of Liabilities – 4.2%</b>			1,715,216
<b>NET ASSETS – 100.0%</b> .....			\$40,676,407

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS HIGH INCOME FUND, INC.

### OBJECTIVE & STRATEGY

Helios High Income Fund, Inc. (formerly known as RMK High Income Fund, Inc.) seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests a majority of its total assets in below-investment grade debt securities that offer attractive yield and capital appreciation potential. The Fund also may invest in investment grade debt securities, up to 15% of its total assets in foreign debt and foreign equity securities and up to 25% of its total assets in domestic equity securities, including common and preferred stocks. The Fund invests in a wide range of below-investment grade debt securities, including corporate bonds, mortgage-backed and asset-backed securities and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. (Below-investment grade debt securities are rated Ba1 or lower by Moody's Investors Service, Inc., BB+ or lower by Standard & Poor's Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund's investment advisor to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred shares. The Fund may leverage one third of its total assets (in each case including the amount borrowed.) The Fund may vary its use of leverage in response to changing market conditions.

**Investment Risks:** Investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below-investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below-investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The Fund's investments in mortgage-backed or asset-backed securities that are "subordinated" to other interests in the same pool may increase credit risk to the extent that the Fund as a holder of those securities may only receive payments after the pool's obligations to other investors have been satisfied. Below-investment grade bonds also are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company's financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage exceeds the costs of the leverage, the use of leverage will diminish the investment performance of the Fund's shares. Use of leverage also may increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The table below shows the Fund's compound returns, based on published net asset values and market prices, for the periods noted as of March 31, 2009, compared with the Fund's current and former Indices.

	3 Months	6 Months	9 Months	1 Year
Fund — Net asset value return . . . . .	6.19%	(15.09)%	(44.87)%	(55.59)%
Fund — Total return, including distributions* . . . . .	10.33%	2.63%	(50.13)%	(64.25)%
Barclays Capital U.S. Corporate High Yield Index <sup>1</sup> . . . . .	5.98%	(12.97)%	(20.70)%	(19.31)%
Barclays Capital Ba U.S. High Yield Index <sup>2</sup> . . . . .	9.02%	(5.07)%	(9.97)%	(8.97)%

\* Exclusive of brokerage commissions  
<sup>1</sup> Fund's current Index, described below  
<sup>2</sup> Fund's former Index, described below

Based on the NYSE closing price of \$0.99 on March 31, 2009, the Fund's shares have a dividend yield of 18.18%. The dividend yield is calculated as the annualized amount of the reporting period's most recent monthly dividend declared divided by the stated stock price.

## HELIOS HIGH INCOME FUND, INC.

---

Over the last twelve months, investors witnessed a dramatic re-pricing of risk as the magnitude of the many problems facing both the economy and the financial markets became apparent. Risk premiums increased dramatically, equity markets fell precipitously, and investors who owned nearly anything but Treasuries were left reeling with losses. The markets for structured finance and structured products, in our opinion, are among the most dislocated. The fundamental performance of the mortgage and consumer loans that underlie these securities has continued to deteriorate. In corporate credit markets, high yield spreads widened to historical highs of nearly 2,000 basis points during the twelve-month period ended March 31, 2009, reflecting investor concerns about increasing default risk resulting from a weakening economy. As the first quarter of 2009 came to a close, what we found surprising is that defaults have not risen as much as headlines might suggest. According to JPMorgan Chase's calculations, the trailing twelve-month default rate rose from 2.3% to 5.9% during the quarter, which is only slightly higher than the long-term average of 4.2%. A number of large companies defaulted in the quarter, and further deterioration in the rating agencies' upgrade/downgrade ratio suggests that more trouble lies ahead.

This is the market environment that we have faced since taking over management of the Fund and embarking on its restructuring. As we have discussed in other reports and communications, our plan was to reduce the Fund's holdings in complex mortgage and asset-backed securities in favor of corporate credit and to increase the overall credit quality of the Fund. We have increased the Fund's allocation to corporate credit to 88% as of March 31, 2009, an increase of approximately 50% since taking over management of the Fund. We also have increased the credit quality of the Fund; 89% of the Fund was rated B or higher at March 31, 2009, an increase of 54%. Approximately 86% of the Fund is invested in high yield corporate bonds, and 2% in investment grade corporate bonds.

Corporate credit has not been immune to the problems facing the global financial markets. With a slowing economy, investors rightly are concerned about the likelihood of growing losses from defaults in the high yield market. Indeed, defaults have started to increase from record low levels a year ago, and there have been a number of high profile bankruptcies. Having access to capital, or not needing it, has become critical to survival as credit has become far more difficult to secure. We continue to see a high level of idiosyncratic risk where the fortunes of individual companies outweigh industry dynamics. This is typical as a credit downturn matures, and it highlights the importance of individual company analysis in a portfolio. We have focused our corporate credit exposure on companies with strong balance sheets, manageable debt maturities and a high likelihood of being able to access capital. Industry themes have mostly played a secondary role to this focus on corporate liquidity. This selectivity in determining the Fund's credit exposure has resulted in few holdings in the lowest rated part of the market (*i.e.*, securities rated CCC and lower). This higher quality positioning benefited the Fund's relative performance as yield spreads widened to peak levels.

We continue to maintain our positive view of the high yield market despite the 350 basis point narrowing in yield spreads during the first quarter of 2009. While defaults will continue to rise and will likely exceed typical peak levels of around 10%, we recognize that yield spreads historically lead defaults lower by six to nine months. Meanwhile, yield spreads are already discounting a default rate in the high teens—well in excess of historical levels. We are encouraged that signs of life are evident in the credit and equity markets and continue to believe that current yield spreads offer appropriate compensation for the current market risks.

### Forward-Looking Information

This management discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements that are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," "should," "intend," or similar terms or variations on those terms or the negative of those terms. Although we believe that the expectations contained in any forward-looking statement are based on reasonable assumptions, we can give no assurance that our expectations will be attained. We do not undertake, and specifically disclaim any obligation, to publicly release any update or supplement to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

## HELIOS HIGH INCOME FUND, INC.

---

### Index Description

<sup>1</sup> The Barclays Capital U.S. Corporate High Yield Index, formerly known as the Lehman Brothers U.S. Corporate High Yield Index covers the U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The Barclays Capital U.S. Corporate High Yield Index is part of the Barclays Capital U.S. Universal and Global High Yield Indices. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

<sup>2</sup> The Barclays Capital Ba U.S. High Yield Index, formerly known as the Lehman Brothers Ba U.S. High Yield Index is the Ba component of the U.S. Corporate High Yield Index, a broad-based unmanaged index of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (*e.g.*, Argentina, Brazil and Venezuela) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures and 144As are also included. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

**HELIOS HIGH INCOME FUND, INC.**  
**Portfolio Characteristics (Unaudited)**  
 March 31, 2009

**PORTFOLIO STATISTICS**

Annualized dividend yield <sup>1</sup>	18.18%
Weighted average coupon	7.08%
Average effective maturity	5.48 years
Percentage of leveraged assets	0.00%
Total number of holdings	87

**CREDIT QUALITY**

A and Above <sup>2</sup>	7%
BBB	5%
BB	38%
B	39%
CCC	5%
D	2%
Unrated	4%
Total	100%

**ASSET ALLOCATION<sup>3</sup>**

Asset-Backed Securities	4%
Mortgage-Backed Securities	1%
Investment Grade Corporate Bonds	2%
High Yield Corporate Bonds	86%
Common Stocks	3%
Short-term Investments	4%
Total	100%

<sup>1</sup> Dividends may include net investment income, capital gains and/or return of capital. The dividend yield referenced above is calculated as the annualized amount of the most recent monthly dividend declared by the March 31, 2009 stock price.

<sup>2</sup> Includes short-term investments.

<sup>3</sup> Includes only invested assets; excludes cash.

**HELIOS HIGH INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>ASSET-BACKED SECURITIES – 3.7%</b>				
<b>Collateralized Debt Obligations – 3.7%</b>				
Linker Finance PLC				
Series 16A, Class E†(a)(c) .....	4.06%#	05/19/45	\$ 2,000	\$ 20,000
Steers Series 2007-A†(a)(c) .....	3.99†	06/20/18	5,000	1,100,000
<b>Total Collateralized Debt Obligations</b>				<u>1,120,000</u>
(Cost \$6,796,441) .....				
<b>Collateralized Loan Obligation – 0.0%</b>				
Credit Genesis CLO 2005†(a)(c)				
(Cost \$1,000,000) .....	0.00†	06/23/10	1	6,000
<b>Total ASSET-BACKED SECURITIES</b>				<u>1,126,000</u>
(Cost \$7,796,441) .....				
<b>MORTGAGE-BACKED SECURITIES – 0.6%</b>				
<b>Collateralized Mortgage Obligations – 0.6%</b>				
Countrywide Alternative Loan Trust NIM				
Series 2006-OA11, Class N3†(a)(c) .....	12.50#	09/25/46	473	0
Sasco NIM Trust				
Series 2003-S, Class A†(a)(b)(c) .....	7.50#	12/28/33	1,306	118,149
Sharp SP I LLC NIM Trust				
Series 2006-AHM3, Class N3†(a)(c) .....	12.50#	10/25/46	736	<u>50,462</u>
<b>Total Collateralized Mortgage Obligations</b>				<u>168,611</u>
(Cost \$2,509,519) .....				
<b>Total MORTGAGE-BACKED SECURITIES</b>				<u>168,611</u>
(Cost \$2,509,519) .....				
<b>INVESTMENT GRADE CORPORATE BONDS – 1.7%</b>				
<b>Consumer Non-Cyclical – 0.8%</b>				
CVS Caremark Corp.				
(Cost – \$256,747) .....	5.75	06/01/17	250	<u>243,791</u>
<b>Telecommunications – 0.9%</b>				
Comcast Cable Communications Holdings				
(Cost – \$263,094) .....	8.38	03/15/13	250	<u>267,357</u>
<b>Total INVESTMENT GRADE CORPORATE BONDS</b>				<u>511,148</u>
(Cost \$519,841) .....				
<b>HIGH YIELD CORPORATE BONDS – 84.7%</b>				
<b>Basic Industry – 12.7%</b>				
AK Steel Corp. ....	7.75	06/15/12	500	392,500
Arch Western Finance LLC .....	6.75	07/01/13	500	457,500
Buckeye Technologies Inc. ....	8.50	10/01/13	500	437,500
Freeport McMoRan Copper & Gold .....	8.38	04/01/17	500	467,500
Georgia-Pacific Corp. ....	8.13	05/15/11	750	745,313

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.**  
**Portfolio of Investments**  
March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Momentive Performance .....	9.75%	12/01/14	\$ 500	\$ 147,500
Steel Dynamics Inc. ....	6.75	04/01/15	500	338,750
Tube City IMS Corp. ....	9.75	02/01/15	500	76,250
US Steel Corp. ....	7.00	02/01/18	500	341,208
Westlake Chemical Corp. ....	6.63	01/15/16	625	437,500
<b>Total Basic Industry</b> (Cost \$4,924,656) .....				3,841,521
<b>Capital Goods – 10.5%</b>				
Alliant Techsystems Inc. ....	6.75	04/01/16	500	475,000
Case Corp. ....	7.25	01/15/16	500	365,000
Crown Americas LLC .....	7.75	11/15/15	500	502,500
Crown Cork & Seal Company Inc. ....	8.00	04/15/23	125	111,250
Jefferson Smurfit Corp. ....	8.25#	10/01/12	500	62,500
L-3 Communications Corp. ....	6.13	01/15/14	500	472,500
Mueller Water Products Inc. ....	7.38	06/01/17	500	257,500
Owens-Illinois Inc. ....	7.80	05/15/18	500	485,000
Terex Corp. ....	7.38	01/15/14	500	432,500
<b>Total Capital Goods</b> (Cost \$3,959,478) .....				3,163,750
<b>Consumer Cyclical – 12.3%</b>				
ACE Hardware Corp.‡(a) .....	9.13	06/01/16	500	410,000
Church & Dwight Company Inc. ....	6.00	12/15/12	500	497,500
Collective Brands Inc. ....	8.25	08/01/13	250	197,500
Couche-Tard U.S. LP .....	7.50	12/15/13	625	614,062
Ford Motor Credit Co. ....	7.00	10/01/13	250	167,165
GameStop Corp. ....	8.00	10/01/12	625	631,250
General Motors Corp. ....	7.13	07/15/13	250	35,625
Levi Strauss & Co. ....	9.75	01/15/15	500	430,000
Phillips-Van Heusen Corp. ....	7.25	02/15/11	500	481,250
TRW Automotive Inc.‡(a) .....	7.25	03/15/17	625	259,375
<b>Total Consumer Cyclical</b> (Cost \$4,091,145) .....				3,723,727
<b>Consumer Non-Cyclical – 8.1%</b>				
Constellation Brands Inc. ....	7.25	05/15/17	500	475,000
Delhaize Group .....	6.50	06/15/17	500	483,327
Jarden Corp. ....	7.50	05/01/17	625	503,125
Stater Brothers Holdings .....	8.13	06/15/12	500	492,500
SUPERVALU Inc. ....	7.50	05/15/12	500	491,250
<b>Total Consumer Non-Cyclical</b> (Cost \$2,517,460) .....				2,445,202
<b>Energy – 13.6%</b>				
Chesapeake Energy Corp. ....	6.88	01/15/16	500	420,000
El Paso Corp. ....	6.88	06/15/14	500	445,359
Frontier Oil Corp. ....	6.63	10/01/11	500	487,500

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.**  
**Portfolio of Investments**  
March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Newfield Exploration Co. ....	6.63%	09/01/14	\$ 500	\$ 452,500
Pioneer Natural Resource .....	6.65	03/15/17	250	189,647
Range Resources Corp. ....	7.50	05/15/16	500	461,250
SESI LLC .....	6.88	06/01/14	625	506,250
Southwestern Energy Co.‡(a) .....	7.50	02/01/18	167	161,155
Whiting Petroleum Corp. ....	7.25	05/01/13	625	490,625
Williams Companies Inc.‡(a) .....	6.38	10/01/10	500	491,990
<b>Total Energy</b> (Cost \$4,374,893) .....				4,106,276
<b>Media – 3.6%</b>				
CCH I LLC / CCH I Capital Corp. ....	11.00#	10/01/15	250	26,875
Charter Communications Operating LLC‡(a)(e) .....	8.38	04/30/14	700	616,000
Mediacom Broadband LLC .....	8.50	10/15/15	500	450,000
<b>Total Media</b> (Cost \$1,322,188) .....				1,092,875
<b>Services Cyclical – 10.0%</b>				
AMC Entertainment Inc. ....	8.63	08/15/12	500	491,250
ARAMARK Corp. ....	8.50	02/01/15	500	460,000
FireKeepers Development Authority‡(a) .....	13.88	05/01/15	500	305,000
Iron Mountain Inc. ....	8.75	07/15/18	625	620,313
Pokagon Gaming Authority‡(a) .....	10.38	06/15/14	500	415,000
Seneca Gaming Corp. ....	7.25	05/01/12	500	319,375
United Rentals North America Inc. ....	6.50	02/15/12	500	400,000
<b>Total Services Cyclical</b> (Cost \$3,515,099) .....				3,010,938
<b>Services Non-Cyclical – 3.3%</b>				
HCA Inc. ....	9.25	11/15/16	625	568,750
Service Corp. International .....	6.75	04/01/16	500	435,000
<b>Total Services Non-Cyclical</b> (Cost \$1,081,846) .....				1,003,750
<b>Technology &amp; Electronics – 2.8%</b>				
Flextronics International Limited .....	6.25	11/15/14	500	422,500
Sungard Data Systems Inc. ....	10.25	08/15/15	625	437,500
<b>Total Technology &amp; Electronics</b> (Cost \$1,102,233) .....				860,000
<b>Telecommunications – 7.8%</b>				
American Tower Corp. ....	7.00	10/15/17	500	492,500
Cincinnati Bell Inc. ....	8.38	01/15/14	500	470,000
CSC Holdings Inc.‡(a) .....	8.50	04/15/14	500	492,500

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.**  
**Portfolio of Investments**  
 March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Frontier Communications Corp. ....	6.25%	01/15/13	\$ 500	\$ 453,125
Windstream Corp. ....	7.00	03/15/19	500	440,000
<b>Total Telecommunications</b> (Cost \$2,389,236) .....				2,348,125
<b>Total HIGH YIELD CORPORATE BONDS</b> (Cost \$29,278,234) .....				25,596,164
<b>MUNICIPAL SECURITIES – 0.2%</b>				
<b>Muni-Arizona – 0.2%</b>				
Pima County Arizona Industrial Development Authority(d) .....	13.10	06/01/09	25	24,419
Pima County Arizona Industrial Development Authority(d) .....	12.10	06/01/10	35	30,756
<b>Total Muni-Arizona</b> (Cost \$57,504) .....				55,175
<b>Total MUNICIPAL SECURITIES</b> (Cost \$57,504) .....				55,175
			<b>Shares</b>	
<b>COMMON STOCKS – 3.2%</b>				
<b>Consumer Products – 0.3%</b>				
The Coca-Cola Co. (Cost \$75,477) .....			1,750	76,912
<b>Energy – 0.4%</b>				
Southern Union Co. (Cost \$94,228) .....			7,500	114,150
<b>Finance &amp; Investment – 0.4%</b>				
FSI Realty Trust(c) .....			72,000	1
FSI Realty Trust†(a)(c) .....			26,200	0
Mid Country*‡(a)(c) .....			38,235	125,411
<b>Total Finance &amp; Investment</b> (Cost \$1,482,977) .....				125,412
<b>Industrials – 0.5%</b>				
General Electric Co. ....			7,500	75,825
Port Townsend Company Inc.*(a)(c) .....			875	0
United States Steel Corp. ....			4,000	84,520
<b>Total Industrials</b> (Cost \$760,820) .....				160,345
<b>Telecommunications – 1.6%</b>				
AT&T Inc. ....			5,000	126,000
Frontier Communications Corp. ....			10,000	71,800
Qwest Communications International Inc. ....			25,000	85,500

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Shares	Value (Note 2)
<b>COMMON STOCKS (continued)</b>		
Verizon Communications Inc. ....	4,000	\$ 120,800
Windstream Corp. ....	10,000	80,600
<b>Total Telecommunications</b>		
(Cost \$631,277) .....		484,700
<b>Total COMMON STOCKS</b>		
(Cost \$3,044,779) .....		961,519
	<b>Interest Rate</b>	<b>Maturity</b>
		<b>Principal Amount (000s)</b>
<b>SHORT TERM INVESTMENT – 4.1%</b>		
State Street Euro Dollar Time Deposit		
(Cost \$1,227,832) .....	0.01%	04/01/09
		\$ 1,228
		1,227,832
<b>Total Investments – 98.2%</b>		
(Cost \$44,434,150) .....		29,646,449
<b>Other Assets in Excess of Liabilities – 1.8%</b>		543,097
<b>NET ASSETS – 100.0%</b>		\$30,189,546

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### OBJECTIVE & STRATEGY

Helios Multi-Sector High Income Fund, Inc. (formerly known as RMK Multi-Sector High Income Fund) seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests in a diversified portfolio consisting primarily of debt securities that offer attractive yield and capital appreciation potential. Under normal market conditions, the Fund invests a majority of its total assets in below-investment grade debt securities, including up to 20% of the Fund's total assets in distressed securities. The Fund maintains the flexibility to invest up to 50% of its total assets in investment grade debt securities. The Fund invests up to 30% of its total assets in equity securities of both domestic and foreign issuers and up to 15% of its total assets in a combination of foreign debt and foreign equity securities. The Fund invests in a wide range of debt securities including, corporate bonds, mortgage-backed and asset-backed securities, convertible debt securities, distressed securities, including securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring, U.S. government and municipal obligations and foreign government obligations. (Below-investment grade debt securities are rated Ba1 or lower by Moody's Investors Service, Inc., BB+ or lower by Standard & Poor's Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund's investment advisor to be of comparable quality.)

**Investment Risks:** Investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below-investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below investment-grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The Fund's investments in mortgage-backed or asset-backed securities that are "subordinated" to other interests in the same pool may increase credit risk to the extent that the Fund as a holder of those securities may only receive payments after the pool's obligations to other investors have been satisfied. Below-investment grade bonds also are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company's financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage proceeds exceed the costs of the leverage, the use of leverage will diminish the investment performance of the Fund's shares. Use of leverage also may increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The table below shows the Fund's compound returns, based on published net asset values and market prices, for the periods noted as of March 31, 2009, compared with the Fund's current and former Indices.

	3 Months	6 Months	9 Months	1 Year
Fund — Net asset value return . . . . .	7.09%	(12.00)%	(51.66)%	(62.35)%
Fund — Total return, including distributions* . . . . .	17.93%	4.70%	(58.52)%	(72.05)%
Barclays Capital U.S. Corporate High Yield Index <sup>1</sup> . . . . .	5.98%	(12.97)%	(20.70)%	(19.31)%
Barclays Capital Ba U.S. High Yield Index <sup>2</sup> . . . . .	9.02%	(5.07)%	(9.97)%	(8.97)%

\* Exclusive of brokerage commissions

<sup>1</sup> Fund's current Index, described below

<sup>2</sup> Fund's former Index, described below

Based on the NYSE closing price of \$0.71 on March 31, 2009, the Fund's shares have a dividend yield of 16.90%. The dividend yield is calculated as the annualized amount of the reporting period's most recent monthly dividend declared divided by the stated stock price.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

---

Over the last twelve months, investors witnessed a dramatic re-pricing of risk as the magnitude of the many problems facing both the economy and the financial markets became apparent. Risk premiums increased dramatically, equity markets fell precipitously, and investors who owned nearly anything but Treasuries were left reeling with losses. The markets for structured finance and structured products, in our opinion, are among the most dislocated. The fundamental performance of the mortgage and consumer loans that underlie these securities has continued to deteriorate. In corporate credit markets, high yield spreads widened to historical highs of nearly 2,000 basis points during the twelve-month period ended March 31, 2009, reflecting investor concerns about increasing default risk resulting from a weakening economy. As the first quarter of 2009 came to a close, what we found surprising is that defaults have not risen as much as headlines might suggest. According to JPMorgan Chase's calculations, the trailing twelve-month default rate rose from 2.3% to 5.9% during the quarter, which is only slightly higher than the long-term average of 4.2%. A number of large companies defaulted in the quarter, and further deterioration in the rating agencies' upgrade/downgrade ratio suggests that more trouble lies ahead.

This is the market environment that we have faced since taking over management of the Fund and embarking on its restructuring. As we have discussed in other reports and communications, our plan was to reduce the Fund's holdings in complex mortgage and asset-backed securities in favor of corporate credit and to increase the overall credit quality of the Fund. We have increased the Fund's allocation to corporate credit to 89% as of March 31, 2009, an increase of more than 50% since taking over management of the Fund. We also have increased the credit quality of the Fund; 89% of the Fund was rated B or higher at March 31, 2009, an increase of 56%. Approximately 83% of the Fund is invested in high yield corporate bonds, and 6% in investment grade corporate bonds.

Corporate credit has not been immune to the problems facing the global financial markets. With a slowing economy, investors rightly are concerned about the likelihood of growing losses from defaults in the high yield market. Indeed, defaults have started to increase from record low levels a year ago, and there have been a number of high profile bankruptcies. Having access to capital, or not needing it, has become critical to survival as credit has become far more difficult to secure. We continue to see a high level of idiosyncratic risk where the fortunes of individual companies outweigh industry dynamics. This is typical as a credit downturn matures, and it highlights the importance of individual company analysis in a portfolio. We have focused our corporate credit exposure on companies with strong balance sheets, manageable debt maturities and a high likelihood of being able to access capital. Industry themes have mostly played a secondary role to this focus on corporate liquidity. This selectivity in determining the Fund's credit exposure has resulted in few holdings in the lowest rated part of the market (*i.e.*, securities rated CCC and lower). This higher quality positioning benefited the Fund's relative performance as yield spreads widened to peak levels.

We continue to maintain our positive view of the high yield market despite the 350 basis point narrowing in yield spreads during the first quarter of 2009. While defaults will continue to rise and will likely exceed typical peak levels of around 10%, we recognize that yield spreads historically lead defaults lower by six to nine months. Meanwhile, yield spreads are already discounting a default rate in the high teens—well in excess of historical levels. We are encouraged that signs of life are evident in the credit and equity markets and continue to believe that current yield spreads offer appropriate compensation for the current market risks.

### Forward-Looking Information

This management discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements that are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," "should," "intend," or similar terms or variations on those terms or the negative of those terms. Although we believe that the expectations contained in any forward-looking statement are based on reasonable assumptions, we can give no assurance that our expectations will be attained. We do not undertake, and specifically disclaim any obligation, to publicly release any update or supplement to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

---

### Index Description

<sup>1</sup> The Barclays Capital U.S. Corporate High Yield Index, formerly known as the Lehman Brothers U.S. Corporate High Yield Index, covers the U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The Barclays Capital U.S. Corporate High Yield Index is part of the Barclays Capital U.S. Universal and Global High Yield Indices. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

<sup>2</sup> The Barclays Capital Ba U.S. High Yield Index, formerly known as the Lehman Brothers Ba U.S. High Yield Index is the Ba component of the U.S. Corporate High Yield Index, a broad-based unmanaged index of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (*e.g.*, Argentina, Brazil and Venezuela) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures and 144As are also included. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

**HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.**  
**Portfolio Characteristics (Unaudited)**  
March 31, 2009

---

**PORTFOLIO STATISTICS**

---

Annualized dividend yield <sup>1</sup>	16.90%
Weighted average coupon	6.94%
Average effective maturity	5.53 years
Percentage of leveraged assets	0.45%
Total number of holdings	85

---

**CREDIT QUALITY**

---

A and Above <sup>2</sup>	8%
BBB	8%
BB	39%
B	34%
CCC	5%
D	2%
Unrated	4%
Total	100%

---

**ASSET ALLOCATION<sup>3</sup>**

---

Asset-Backed Securities	4%
Investment Grade Corporate Bonds	6%
High Yield Corporate Bonds	83%
Common Stocks	3%
Short-term Investments	4%
Total	100%

---

<sup>1</sup> Dividends may include net investment income, capital gains and/or return of capital. The dividend yield referenced above is calculated as the annualized amount of the most recent monthly dividend declared by the March 31, 2009 stock price.

<sup>2</sup> Includes short-term investments.

<sup>3</sup> Includes only invested assets; excludes cash.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>ASSET-BACKED SECURITIES – 3.7%</b>				
<b>Collateralized Debt Obligations – 3.6%</b>				
Linker Finance PLC				
Series 16A, Class E†(a)(c) .....	4.06%#	05/19/45	\$ 5,000	\$ 50,000
Steers Series 2007-A†(a)(c) .....	3.99†	06/20/18	5,250	1,155,000
<b>Total Collateralized Debt Obligations</b>				<u>1,205,000</u>
(Cost \$9,948,458) .....				
<b>Collateralized Loan Obligation – 0.1%</b>				
Credit Genesis CLO 2005†(a)(c)				
(Cost \$2,970,000) .....	0.00†	06/23/10	3	18,000
<b>Total ASSET-BACKED SECURITIES</b>				<u>1,223,000</u>
(Cost \$12,918,458) .....				
<b>MORTGAGE-BACKED SECURITIES – 0.3%</b>				
<b>Collateralized Mortgage Obligations – 0.3%</b>				
Sharp SP I LLC NIM Trust				
Series 2006-AHM3, Class N3†(a)(c)				
(Cost \$1,471,200) .....	12.50#	10/25/46	1,471	100,924
<b>Total MORTGAGE-BACKED SECURITIES</b>				<u>100,924</u>
(Cost \$1,471,200) .....				
<b>INVESTMENT GRADE CORPORATE BONDS – 5.3%</b>				
<b>Consumer Non-Cyclical – 1.5%</b>				
CVS Caremark Corp.				
(Cost – \$479,376) .....	5.75	06/01/17	500	487,581
<b>Telecommunications – 3.8%</b>				
Comcast Cable Communications Holdings .....	8.38	03/15/13	500	534,715
Rogers Communications Inc. ....	6.80	08/15/18	500	499,739
Rogers Wireless Inc. ....	6.38	03/01/14	250	253,095
<b>Total Telecommunications</b>				<u>1,287,549</u>
(Cost – \$1,278,199) .....				
<b>Total INVESTMENT GRADE CORPORATE BONDS</b>				<u>1,775,130</u>
(Cost \$1,757,575) .....				
<b>HIGH YIELD CORPORATE BONDS – 81.4%</b>				
<b>Basic Industry – 11.5%</b>				
AK Steel Corp. ....	7.75	06/15/12	500	392,500
Arch Western Finance LLC .....	6.75	07/01/13	500	457,500
Buckeye Technologies Inc. ....	8.50	10/01/13	500	437,500
Freeport McMoRan Copper & Gold .....	8.38	04/01/17	500	467,500
Georgia-Pacific Corp. ....	8.13	05/15/11	500	496,875
Momentive Performance .....	9.75	12/01/14	500	147,500
Steel Dynamics Inc. ....	6.75	04/01/15	500	338,750

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Tube City IMS Corp. ....	9.75%	02/01/15	\$ 500	\$ 76,250
US Steel Corp. ....	7.00	02/01/18	1,000	682,416
Westlake Chemical Corp. ....	6.63	01/15/16	500	350,000
<b>Total Basic Industry</b> (Cost \$4,859,536) .....				<u>3,846,791</u>
<b>Capital Goods – 11.1%</b>				
Alliant Techsystems Inc. ....	6.75	04/01/16	500	475,000
Case Corp. ....	7.25	01/15/16	500	365,000
Crown Americas LLC ....	7.75	11/15/15	500	502,500
Crown Cork & Seal Company Inc. ....	8.00	04/15/23	250	222,500
Jefferson Smurfit Corp. ....	8.25#	10/01/12	500	62,500
L-3 Communications Corp. ....	6.13	01/15/14	500	472,500
Mueller Water Products Inc. ....	7.38	06/01/17	500	257,500
Owens-Illinois Inc. ....	7.80	05/15/18	500	485,000
Terex Corp. ....	7.38	01/15/14	1,000	865,000
<b>Total Capital Goods</b> (Cost \$4,496,409) .....				<u>3,707,500</u>
<b>Consumer Cyclical – 11.7%</b>				
ACE Hardware Corp. ‡(a) ....	9.13	06/01/16	500	410,000
Collective Brands Inc. ....	8.25	08/01/13	250	197,500
Couche-Tard U.S. LP ....	7.50	12/15/13	1,000	982,500
Ford Motor Credit Co. ....	7.00	10/01/13	250	167,166
GameStop Corp. ....	8.00	10/01/12	1,000	1,010,000
General Motors Corp. ....	7.13	07/15/13	250	35,625
Levi Strauss & Co. ....	9.75	01/15/15	500	430,000
Phillips-Van Heusen Corp. ....	7.25	02/15/11	500	481,250
TRW Automotive Inc. ‡(a) ....	7.25	03/15/17	500	207,500
<b>Total Consumer Cyclical</b> (Cost \$4,203,472) .....				<u>3,921,541</u>
<b>Consumer Non-Cyclical – 8.5%</b>				
Church & Dwight Company Inc. ....	6.00	12/15/12	500	497,500
Constellation Brands Inc. ....	7.25	05/15/17	500	475,000
Delhaize Group ....	6.50	06/15/17	500	483,327
Jarden Corp. ....	7.50@	05/01/17	500	402,500
Stater Brothers Holdings ....	8.13	06/15/12	500	492,500
SUPERVALU Inc. ....	7.50	05/15/12	500	491,250
<b>Total Consumer Non-Cyclical</b> (Cost \$2,883,331) .....				<u>2,842,077</u>
<b>Energy – 13.8%</b>				
Chesapeake Energy Corp. ....	6.88	01/15/16	500	420,000
El Paso Corp. ....	6.88	06/15/14	500	445,359
Frontier Oil Corp. ....	6.63	10/01/11	500	487,500
Newfield Exploration Co. ....	6.63	09/01/14	500	452,500
Pioneer Natural Resource ....	6.65	03/15/17	250	189,647

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
Range Resources Corp. ....	7.50%	05/15/16	\$ 500	\$ 461,250
SeaMetric International AS(c) .....	11.63	05/25/12	800	320,000
SESI LLC .....	6.88	06/01/14	500	405,000
Southwestern Energy Co.‡(a) .....	7.50	02/01/18	167	161,155
Whiting Petroleum Corp. ....	7.25	05/01/13	1,000	785,000
Williams Companies Inc.‡(a) .....	6.38	10/01/10	500	491,990
<b>Total Energy</b> (Cost \$5,394,914) .....				4,619,401
<b>Media – 3.6%</b>				
CCH I LLC/CCH I Capital Corp. ....	11.00#	10/01/15	500	53,750
Charter Communications Operating LLC‡(a)(e) .....	8.38	04/30/14	800	704,000
Mediacom Broadband LLC .....	8.50	10/15/15	500	450,000
<b>Total Media</b> (Cost \$1,549,480) .....				1,207,750
<b>Services Cyclical – 8.1%</b>				
AMC Entertainment Inc. ....	8.63	08/15/12	500	491,250
ARAMARK Corp. ....	8.50	02/01/15	500	460,000
FireKeepers Development Authority‡(a) .....	13.88	05/01/15	500	305,000
Iron Mountain Inc. ....	8.75	07/15/18	750	744,375
Seneca Gaming Corp. ....	7.25	05/01/12	500	319,375
United Rentals North America Inc. ....	6.50	02/15/12	500	400,000
<b>Total Services Cyclical</b> (Cost \$3,094,910) .....				2,720,000
<b>Services Non-Cyclical – 2.7%</b>				
HCA Inc. ....	9.25	11/15/16	500	455,000
Service Corp. International .....	6.75	04/01/16	500	435,000
<b>Total Services Non-Cyclical</b> (Cost \$952,828) .....				890,000
<b>Technology &amp; Electronics – 3.4%</b>				
Flextronics International Limited .....	6.25	11/15/14	500	422,500
Sungard Data Systems Inc. ....	10.25	08/15/15	1,000	700,000
<b>Total Technology &amp; Electronics</b> (Cost \$1,419,794) .....				1,122,500
<b>Telecommunications – 7.0%</b>				
American Tower Corp. ....	7.00	10/15/17	500	492,500
Cincinnati Bell Inc. ....	8.38	01/15/14	500	470,000
CSC Holdings Inc.‡(a) .....	8.50	04/15/14	500	492,500
Frontier Communications Corp. ....	6.25	01/15/13	500	453,125
Windstream Corp. ....	7.00	03/15/19	500	440,000
<b>Total Telecommunications</b> (Cost \$2,384,613) .....				2,348,125
<b>Total HIGH YIELD CORPORATE BONDS</b> (Cost \$31,239,287) .....				27,225,685

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Shares	Value (Note 2)
<b>COMMON STOCKS – 3.0%</b>		
<b>Consumer Products – 0.3%</b>		
The Coca-Cola Co. (Cost \$86,259) .....	2,000	\$ 87,900
<b>Energy – 0.3%</b>		
Southern Union Co. (Cost \$94,228) .....	7,500	114,150
<b>Finance &amp; Investment – 0.5 %</b>		
FSI Realty Trust(c) .....	200,000	2
FSI Realty Trust†(a)(c) .....	35,000	0
Mid Country*‡(a)(c) .....	52,941	173,646
<b>Total Finance &amp; Investment</b> (Cost \$2,871,557) .....		173,648
<b>Industrials – 0.5%</b>		
General Electric Co. ....	7,500	75,825
Port Townsend Company Inc.*(a)(c) .....	1,300	0
United States Steel Corp. ....	4,000	84,520
<b>Total Industrials</b> (Cost \$957,799) .....		160,345
<b>Telecommunications – 1.4%</b>		
AT&T Inc. ....	5,000	126,000
Frontier Communications Corp. ....	10,000	71,800
Qwest Communications International Inc. ....	25,000	85,500
Verizon Communications Inc. ....	4,000	120,800
Windstream Corp. ....	10,000	80,600
<b>Total Telecommunications</b> (Cost \$622,975) .....		484,700
<b>Total COMMON STOCKS</b> (Cost \$4,632,818) .....		1,020,743

	Interest Rate	Maturity	Principal Amount (000s)	
<b>SHORT TERM INVESTMENT – 4.3%</b>				
State Street Euro Dollar Time Deposit (Cost \$1,451,692) .....	0.01%	04/01/09	\$ 1,452	1,451,692
<b>Total Investments – 98.0%</b> (Cost \$53,471,030) .....				32,797,174
<b>Other Assets in Excess of Liabilities – 2.0%</b> .....				663,051
<b>NET ASSETS – 100.0 %</b> .....				\$33,460,225

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS STRATEGIC INCOME FUND, INC.

### OBJECTIVE & STRATEGY

Helios Strategic Income Fund, Inc. (formerly known as the RMK Strategic Income Fund, Inc.) seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests in a diversified portfolio of securities that offers attractive yield and capital appreciation potential and consists primarily of debt securities and secondarily of equity securities. The Advisor will continually analyze the markets for income-producing securities and will periodically reallocate the Fund's investments among various fixed-income and equity asset classes and between investment grade and below-investment grade debt securities to pursue its investment objectives. As a result, a majority of the Fund's total assets may be invested in investment grade securities at some times and in below-investment grade debt securities at other times. The Fund invests in a wide range of debt securities, including corporate bonds, mortgage-backed and asset-backed securities, and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. The Fund also invests in other securities providing the potential for high income or a combination of high income and capital growth. (Below-investment grade debt securities are rated Ba1 or lower by Moody's Investors Service, Inc., BB+ or lower by Standard & Poor's Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund's investment advisor to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred shares. The Fund may leverage up to one third of its total assets (in each case including the amount borrowed.) The Fund may vary its use of leverage in response to changing market conditions.

**Investment Risks:** Investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below-investment grade bonds involve greater credit risk, which is the risk that the issuer will not make principal or interest payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below-investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The Fund's investments in mortgage-backed or asset-backed securities that are "subordinated" to other interests in the same pool may increase credit risk to the extent that the Fund, as a holder of those securities, may only receive payments after the pool's obligations to other investors have been satisfied. Below-investment grade bonds are subject to great price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company's financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leveraged proceeds exceed the costs of the leverage, the use of leverage will diminish the net investment performance of the Fund's shares. Use of leverage also may increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The table below shows the Fund's compound returns, based on published net asset values and market prices, for the periods noted as of March 31, 2009, compared with the Fund's current and former Indices.

	3 Months	6 Months	9 Months	1 Year
Fund — Net asset value return . . . . .	3.40%	(19.25)%	(48.69)%	(59.20)%
Fund — Total return, including distributions* . . . . .	1.73%	(4.95)%	(54.53)%	(65.85)%
Barclays Capital U.S. Corporate High Yield Index <sup>1</sup> . . . . .	5.98%	(12.97)%	(20.70)%	(19.31)%
Barclays Capital Ba U.S. High Yield Index <sup>2</sup> . . . . .	9.02%	(5.07)%	(9.97)%	(8.97)%

\* Exclusive of brokerage commissions

<sup>1</sup> Fund's current Index, described below

<sup>2</sup> Fund's former Index, described below

## HELIOS STRATEGIC INCOME FUND, INC.

---

Based on the NYSE closing price of \$0.82 on March 31, 2009, the Fund's shares have a dividend yield of 21.95%. The dividend yield is calculated as the annualized amount of the reporting period's most recent monthly dividend declared divided by the stated stock price.

Over the last twelve months, investors witnessed a dramatic re-pricing of risk as the magnitude of the many problems facing both the economy and the financial markets became apparent. Risk premiums increased dramatically, equity markets fell precipitously, and investors who owned nearly anything but Treasuries were left reeling with losses. The markets for structured finance and structured products, in our opinion, are among the most dislocated. The fundamental performance of the mortgage and consumer loans that underlie these securities has continued to deteriorate. In corporate credit markets, high yield spreads widened to historical highs of nearly 2,000 basis points during the twelve-month period ended March 31, 2009, reflecting investor concerns about increasing default risk resulting from a weakening economy. As the first quarter of 2009 came to a close, what we found surprising is that defaults have not risen as much as headlines might suggest. According to JPMorgan Chase's calculations, the trailing twelve-month default rate rose from 2.3% to 5.9% during the quarter, which is only slightly higher than the long-term average of 4.2%. A number of large companies defaulted in the quarter, and further deterioration in the rating agencies' upgrade/downgrade ratio suggests that more trouble lies ahead.

This is the market environment that we have faced since taking over management of the Fund and embarking on its restructuring. As we have discussed in other reports and communications, our plan was to reduce the Fund's holdings in complex mortgage and asset-backed securities in favor of corporate credit and to increase the overall credit quality of the Fund. We have increased the Fund's allocation to corporate credit to 84% as of March 31, 2009, an increase of more than 35% since taking over management of the Fund. We also have increased the credit quality of the Fund; 88% of the Fund was rated B or higher at March 31, 2009, an increase of 52%. Approximately 76% of the Fund is invested in high yield corporate bonds, and 8% in investment grade corporate bonds.

Corporate credit has not been immune to the problems facing the global financial markets. With a slowing economy, investors rightly are concerned about the likelihood of growing losses from defaults in the high yield market. Indeed, defaults have started to increase from record low levels a year ago, and there have been a number of high profile bankruptcies. Having access to capital, or not needing it, has become critical to survival as credit has become far more difficult to secure. We continue to see a high level of idiosyncratic risk where the fortunes of individual companies outweigh industry dynamics. This is typical as a credit downturn matures, and it highlights the importance of individual company analysis in a portfolio. We have focused our corporate credit exposure on companies with strong balance sheets, manageable debt maturities and a high likelihood of being able to access capital. Industry themes have mostly played a secondary role to this focus on corporate liquidity. This selectivity in determining the Fund's credit exposure has resulted in few holdings in the lowest rated part of the market (*i.e.*, securities rated CCC and lower). This higher quality positioning benefited the Fund's relative performance as yield spreads widened to peak levels.

We continue to maintain our positive view of the high yield market despite the 350 basis point narrowing in yield spreads during the first quarter of 2009. While defaults will continue to rise and will likely exceed typical peak levels of around 10%, we recognize that yield spreads historically lead defaults lower by six to nine months. Meanwhile, yield spreads are already discounting a default rate in the high teens—well in excess of historical levels. We are encouraged that signs of life are evident in the credit and equity markets and continue to believe that current yield spreads offer appropriate compensation for the current market risks.

### Forward-Looking Information

This management discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements that are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," "should," "intend," or similar terms or variations on those

## HELIOS STRATEGIC INCOME FUND, INC.

---

terms or the negative of those terms. Although we believe that the expectations contained in any forward-looking statement are based on reasonable assumptions, we can give no assurance that our expectations will be attained. We do not undertake, and specifically disclaim any obligation, to publicly release any update or supplement to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

### Index Description

<sup>1</sup> The Barclays Capital U.S. Corporate High Yield Index, formerly known as the Lehman Brothers U.S. Corporate High Yield Index covers the U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The Barclays Capital U.S. Corporate High Yield Index is part of the Barclays Capital U.S. Universal and Global High Yield Indices. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

<sup>2</sup> The Barclays Capital Ba U.S. High Yield Index, formerly known as the Lehman Brothers Ba U.S. High Yield Index is the Ba component of the U.S. Corporate High Yield Index, a broad-based unmanaged index of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (*e.g.*, Argentina, Brazil and Venezuela) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures and 144As are also included. The index is unmanaged and, unlike the Fund, is not affected by cash flows or trading and other expenses. It is not possible to invest directly in an index.

## HELIOS STRATEGIC INCOME FUND, INC.

### Portfolio Characteristics

March 31, 2009

---

#### PORTFOLIO STATISTICS

---

Annualized dividend yield <sup>1</sup>	21.95%
Weighted average coupon	6.58%
Average effective maturity	5.26 years
Percentage of leveraged assets	0.00%
Total number of holdings	78

---

#### CREDIT QUALITY

---

A and Above <sup>2</sup>	14%
BBB	16%
BB	28%
B	30%
CCC	4%
D	2%
Unrated	6%
Total	100%

---

#### ASSET ALLOCATION<sup>3</sup>

---

Asset-Backed Securities	5%
Investment Grade Corporate Bonds	8%
High Yield Corporate Bonds	76%
Common Stocks	4%
Short-term Investments	7%
Total	100%

---

<sup>1</sup> Dividends may include net investment income, capital gains and/or return of capital. The dividend yield referenced above is calculated as the annualized amount of the most recent monthly dividend declared by the March 31, 2009 stock price.

<sup>2</sup> Includes short-term investments.

<sup>3</sup> Includes only invested assets; excludes cash.

## HELIOS STRATEGIC INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>ASSET-BACKED SECURITIES – 5.0%</b>				
<b>Collateralized Debt Obligations – 3.8%</b>				
Linker Finance PLC				
Series 16A, Class E‡(a)(c) .....	4.06%#	05/19/45	\$ 2,000	\$ 20,000
Steers Series 2007-A‡(a)(c) .....	3.99†	06/20/18	5,000	1,100,000
<b>Total Collateralized Debt Obligations</b>				
(Cost \$6,796,440) .....				1,120,000
<b>Collateralized Loan Obligation – 0.0%</b>				
Credit Genesis CLO 2005‡(a)(c)				
(Cost \$1,000,000) .....	0.00†	06/23/10	1	6,000
<b>Home Equity Loan – 1.2%</b>				
Lake Country Mortgage Loan Trust				
Series 2006-HE1, Class M8‡(a)(b)(c)				
(Cost \$3,271,466) .....	3.27†#	07/25/34	3,915	354,621
<b>Total ASSET-BACKED SECURITIES</b>				
(Cost \$11,067,906) .....				1,480,621
<b>MORTGAGE-BACKED SECURITIES – 0.2%</b>				
<b>Collateralized Mortgage Obligations – 0.2%</b>				
Countrywide Alternative Loan Trust NIM				
Series 2006-OA11, Class N3‡(a)(c) .....	12.50#	09/25/46	945	0
Sharp SP I LLC NIM Trust				
Series 2006-AHM3, Class N3‡(a)(c) .....	12.50#	10/25/46	736	50,462
<b>Total Collateralized Mortgage Obligations</b>				
(Cost \$1,695,417) .....				50,462
<b>Total MORTGAGE-BACKED SECURITIES</b>				
(Cost \$1,695,417) .....				50,462
<b>INVESTMENT GRADE CORPORATE BONDS – 7.7%</b>				
<b>Consumer Non-Cyclical – 2.5%</b>				
CVS Caremark Corp. ....	5.75	06/01/17	500	487,581
McKesson Corp. ....	5.25	03/01/13	250	247,705
<b>Total Consumer Non-Cyclical</b>				
(Cost – \$747,097) .....				735,286
<b>Telecommunications – 5.2%</b>				
Comcast Cable Communications Holdings .....	8.38	03/15/13	500	534,714
Rogers Wireless Inc. ....	6.38	03/01/14	500	506,190
Time Warner Cable Inc. ....	8.25	04/01/19	500	513,811
<b>Total Telecommunications</b>				
(Cost – \$1,498,796) .....				1,554,715
<b>Total INVESTMENT GRADE CORPORATE BONDS</b>				
(Cost \$2,245,893) .....				2,290,001

See Notes to Portfolios of Investments and Notes to Financial Statements.

## HELIOS STRATEGIC INCOME FUND, INC.

### Portfolio of Investments

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS – 71.4%</b>				
<b>Basic Industry – 6.6%</b>				
Buckeye Technologies Inc. ....	8.50%	10/01/13	\$ 500	\$ 437,500
Freeport McMoRan Copper & Gold ....	8.38	04/01/17	500	467,500
Georgia-Pacific Corp. ....	8.13	05/15/11	500	496,875
Momentive Performance ....	9.75	12/01/14	500	147,500
Tube City IMS Corp. ....	9.75	02/01/15	500	76,250
Westlake Chemical Corp. ....	6.63	01/15/16	500	350,000
<b>Total Basic Industry</b>				
(Cost \$2,884,470) .....				1,975,625
<b>Capital Goods – 10.6%</b>				
Alliant Techsystems Inc. ....	6.75	04/01/16	500	475,000
Case Corp. ....	7.25	01/15/16	500	365,000
Crown Americas LLC ....	7.75	11/15/15	500	502,500
Crown Cork & Seal Company Inc. ....	8.00	04/15/23	125	111,250
Jefferson Smurfit Corp. ....	8.25#	10/01/12	500	62,500
L-3 Communications Corp. ....	6.13	01/15/14	500	472,500
Mueller Water Products Inc. ....	7.38	06/01/17	500	257,500
Owens-Illinois Inc. ....	7.80	05/15/18	500	485,000
Terex Corp. ....	7.38	01/15/14	500	432,500
<b>Total Capital Goods</b>				
(Cost \$3,959,473) .....				3,163,750
<b>Consumer Cyclical – 7.8%</b>				
ACE Hardware Corp. ‡(a) ....	9.13	06/01/16	500	410,000
Collective Brands Inc. ....	8.25	08/01/13	250	197,500
Couche-Tard U.S. LP ....	7.50	12/15/13	625	614,062
Ford Motor Credit Co. ....	7.00	10/01/13	250	167,166
GameStop Corp. ....	8.00	10/01/12	625	631,250
General Motors Corp. ....	7.13	07/15/13	250	35,625
TRW Automotive Inc. ‡(a) ....	7.25	03/15/17	625	259,375
<b>Total Consumer Cyclical</b>				
(Cost \$2,744,691) .....				2,314,978
<b>Consumer Non-Cyclical – 7.8%</b>				
Constellation Brands Inc. ....	7.25	05/15/17	500	475,000
Delhaize Group ....	6.50	06/15/17	1,000	966,654
Jarden Corp. ....	7.50	05/01/17	500	402,500
Stater Brothers Holdings ....	8.13	06/15/12	500	492,500
<b>Total Consumer Non-Cyclical</b>				
(Cost \$2,359,128) .....				2,336,654
<b>Energy – 14.7%</b>				
Chesapeake Energy Corp. ....	6.88	01/15/16	500	420,000
El Paso Corp. ....	6.88	06/15/14	500	445,359
Newfield Exploration Co. ....	6.63	09/01/14	500	452,500
Range Resources Corp. ....	7.50	05/15/16	500	461,250
SeaMetric International AS(c) ....	11.63	05/25/12	1,500	600,000

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS STRATEGIC INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>HIGH YIELD CORPORATE BONDS (continued)</b>				
SESI LLC .....	6.88%	06/01/14	\$ 625	\$ 506,250
Whiting Petroleum Corp. ....	7.25	05/01/13	625	490,625
Williams Companies Inc.†(a) .....	6.38	10/01/10	1,035	1,018,419
<b>Total Energy</b>				
(Cost \$5,548,534) .....				4,394,403
<b>Media – 3.1%</b>				
CCH I LLC/CCH I Capital Corp. ....	11.00#	10/01/15	250	26,875
Charter Communications Operating LLC†(a)(e) .....	8.38	04/30/14	500	440,000
Mediacom Broadband LLC .....	8.50	10/15/15	500	450,000
<b>Total Media</b>				
(Cost \$1,139,817) .....				916,875
<b>Services Cyclical – 8.3%</b>				
AMC Entertainment Inc. ....	8.63	08/15/12	500	491,250
ARAMARK Corp. ....	8.50	02/01/15	500	460,000
FireKeepers Development Authority†(a) .....	13.88	05/01/15	500	305,000
Iron Mountain Inc. ....	8.75	07/15/18	500	496,250
Pokagon Gaming Authority†(a) .....	10.38	06/15/14	500	415,000
Seneca Gaming Corp. ....	7.25	05/01/12	500	319,375
<b>Total Services Cyclical</b>				
(Cost \$2,990,938) .....				2,486,875
<b>Services Non-Cyclical – 3.4%</b>				
HCA Inc. ....	9.25	11/15/16	625	568,750
Service Corp. International .....	6.75	04/01/16	500	435,000
<b>Total Services Non-Cyclical</b>				
(Cost \$1,081,846) .....				1,003,750
<b>Technology &amp; Electronics – 2.9%</b>				
Flextronics International Limited .....	6.25	11/15/14	500	422,500
Sungard Data Systems Inc. ....	10.25	08/15/15	625	437,500
<b>Total Technology &amp; Electronics</b>				
(Cost \$1,102,233) .....				860,000
<b>Telecommunications – 6.2%</b>				
American Tower Corp. ....	7.00	10/15/17	500	492,500
Cincinnati Bell Inc. ....	8.38	01/15/14	500	470,000
Frontier Communications Corp. ....	6.25	01/15/13	500	453,125
Windstream Corp. ....	7.00	03/15/19	500	440,000
<b>Total Telecommunications</b>				
(Cost \$1,921,736) .....				1,855,625
<b>Total HIGH YIELD CORPORATE BONDS</b>				
(Cost \$25,732,866) .....				21,308,535

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS STRATEGIC INCOME FUND, INC.****Portfolio of Investments**

March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>MUNICIPAL SECURITIES – 0.2%</b>				
<b>Muni-Arizona – 0.2%</b>				
Pima County Arizona Industrial Development Authority(d) .....	13.10%	06/01/09	\$ 25	\$ 24,419
Pima County Arizona Industrial Development Authority(d) .....	12.10	06/01/10	35	30,756
<b>Total Muni-Arizona</b>				
(Cost \$57,504) .....				55,175
<b>Total MUNICIPAL SECURITIES</b>				
(Cost \$57,504) .....				55,175
				<b>Shares</b>
<b>COMMON STOCKS – 3.3%</b>				
<b>Consumer Products – 0.3%</b>				
The Coca-Cola Co.				
(Cost \$78,712) .....			1,825	80,209
<b>Energy – 0.4 %</b>				
Southern Union Co.				
(Cost \$94,228) .....			7,500	114,150
<b>Finance &amp; Investment – 0.5%</b>				
FSI Realty Trust(c) .....			92,000	1
FSI Realty Trust‡(a)(c) .....			26,200	0
Mid Country*‡(a)(c) .....			42,647	139,882
<b>Total Finance &amp; Investment</b>				
(Cost \$1,724,566) .....				139,883
<b>Industrials – 0.5%</b>				
General Electric Co. ....			7,500	75,825
Port Townsend Company Inc.*(a)(c) .....			1,050	0
United States Steel Corp. ....			4,000	84,520
<b>Total Industrials</b>				
(Cost \$858,137) .....				160,345
<b>Telecommunications – 1.6%</b>				
AT&T Inc. ....			5,000	126,000
Frontier Communications Corp. ....			10,000	71,800
Qwest Communications International Inc. ....			25,000	85,500
Verizon Communications Inc. ....			4,000	120,800
Windstream Corp. ....			10,000	80,600
<b>Total Telecommunications</b>				
(Cost \$631,277) .....				484,700
<b>Total COMMON STOCKS</b>				
(Cost \$3,386,920) .....				979,287

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS STRATEGIC INCOME FUND, INC.**  
**Portfolio of Investments**  
 March 31, 2009

	Interest Rate	Maturity	Principal Amount (000s)	Value (Note 2)
<b>SHORT TERM INVESTMENT – 6.9%</b>				
State Street Euro Dollar Time Deposit (Cost \$2,068,650) .....	0.01%	04/01/09	\$ 2,069	\$ 2,068,650
<b>Total Investments – 94.7%</b> (Cost \$46,255,156) .....				28,232,731
<b>Other Assets in Excess of Liabilities – 5.3%</b> .....				1,582,773
<b>NET ASSETS – 100.0%</b> .....				\$29,815,504

See Notes to Portfolios of Investments and Notes to Financial Statements.

**HELIOS FUNDS**  
**Notes to Portfolios of Investments**  
 March 31, 2009

The following notes should be read in conjunction with the accompanying Portfolios of Investments.

- \* — Non-income producing security.
- # — Issuer is currently in default on its regularly scheduled interest payment.
- @ — Portion or entire principal amount delivered as collateral for reverse repurchase agreement. (Note 6)
- † — Variable Rate Security – Interest rate shown is the rate in effect as of March 31, 2009.
- ‡ — Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may only be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2009, the total values of all such investments were as follows:

Fund	Value	% of Net Assets
Helios Advantage Income Fund, Inc. ....	\$5,705,382	14.03%
Helios High Income Fund, Inc. ....	4,571,042	15.14
Helios Multi-Sector High Income Fund, Inc. ....	4,269,715	12.76
Helios Strategic Income Fund, Inc. ....	4,518,759	15.16

- (a) — Private Placement.
- (b) — Investment in subprime security. As of March 31, 2009, the total values of all such investments were as follows:

Fund	Value	% of Net Assets
Helios High Income Fund, Inc. ....	\$118,149	0.39%
Helios Strategic Income Fund, Inc. ....	354,621	1.19

- (c) — Security valued in good faith pursuant to fair value procedures adopted by the Board of Directors. As of March 31, 2009, the total values of all such securities were as follows:

Fund	Value	% of Net Assets
Helios Advantage Income Fund, Inc. ....	\$2,427,463	5.97%
Helios High Income Fund, Inc. ....	1,420,023	4.70
Helios Multi-Sector High Income Fund, Inc. ....	1,817,572	5.43
Helios Strategic Income Fund, Inc. ....	2,270,966	7.62

- (d) — Zero-coupon bond – Interest rate represents current yield to maturity.
  - (e) — Company filed for Chapter 11 bankruptcy protection and has defaulted on regularly scheduled interest payments on subordinated debt. The Funds own senior debt issued by this company that continues to receive income payments.
- ABS — Asset-Backed Security.
  - CBO — Certificate-Backed Obligation.
  - CDO — Collateralized Debt Obligation.
  - CLO — Collateralized Loan Obligation.
  - NIM — Net Interest Margin.

**HELIOS FUNDS**  
**Statements of Assets and Liabilities**  
March 31, 2009

	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi- Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
<b>Assets:</b>				
Investments in securities, at value (Note 2) . . . . .	\$ 38,502,961	\$ 28,418,617	\$ 31,345,482	\$ 26,164,081
Investment in time deposit, at value . . . . .	458,230	1,227,832	1,451,692	2,068,650
Total investments . . . . .	38,961,191	29,646,449	32,797,174	28,232,731
Cash . . . . .	101	101	100	101
Net receivable from advisor (Note 4) . . . . .	47,122	35,063	54,545	44,389
Interest and dividends receivable . . . . .	1,019,754	726,963	798,316	688,533
Receivable for investments sold . . . . .	877,998	3,851	438,998	885,204
Prepaid expenses and other assets . . . . .	54,835	53,981	54,478	48,414
Total assets . . . . .	<u>40,961,001</u>	<u>30,466,408</u>	<u>34,143,611</u>	<u>29,899,372</u>
<b>Liabilities:</b>				
Reverse repurchase agreements (Note 6) . . . . .	—	—	150,000	—
Interest payable for reverse repurchase agreements (Note 6) . . . . .	—	—	433	—
Payable for investments purchased . . . . .	195,785	195,785	449,153	—
Administration fee payable (Note 4) . . . . .	5,458	4,127	4,550	4,118
Accrued expenses . . . . .	83,351	76,950	79,250	79,750
Total liabilities . . . . .	<u>284,594</u>	<u>276,862</u>	<u>683,386</u>	<u>83,868</u>
<b>Net Assets</b> . . . . .	<u>\$ 40,676,407</u>	<u>\$ 30,189,546</u>	<u>\$ 33,460,225</u>	<u>\$ 29,815,504</u>
<b>Composition of Net Assets:</b>				
Capital stock, at par value (\$.0001 par value, 1,000,000,000 shares authorized) (Note 7) . . . . .	\$ 3,268	\$ 2,419	\$ 3,791	\$ 2,947
Additional paid-in capital (Note 7) . . . . .	456,279,779	338,533,603	494,012,531	403,018,378
Accumulated net realized loss on investments . . . . .	(394,962,880)	(293,558,775)	(439,882,241)	(355,183,396)
Net unrealized depreciation on investments . . . . .	(20,643,760)	(14,787,701)	(20,673,856)	(18,022,425)
Net assets applicable to capital stock outstanding . . . . .	<u>\$ 40,676,407</u>	<u>\$ 30,189,546</u>	<u>\$ 33,460,225</u>	<u>\$ 29,815,504</u>
Investments, at identified cost . . . . .	<u>\$ 59,604,951</u>	<u>\$ 44,434,150</u>	<u>\$ 53,471,030</u>	<u>\$ 46,255,156</u>
<b>Shares Outstanding and Net Asset Value Per Share:</b>				
Common shares outstanding . . . . .	32,682,733	24,181,420	37,904,329	29,476,068
Net asset value per share . . . . .	\$ 1.24	\$ 1.25	\$ 0.88	\$ 1.01

See Notes to Financial Statements.

## HELIOS FUNDS

### Statements of Operations

For the Fiscal Year Ended March 31, 2009

	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi- Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
<b>Investment Income (Note 2):</b>				
Interest .....	\$ 10,370,206	\$ 8,259,864	\$ 9,731,955	\$ 11,707,862
Dividends .....	58,184	46,812	57,332	50,144
Total investment income .....	<u>10,428,390</u>	<u>8,306,676</u>	<u>9,789,287</u>	<u>11,758,006</u>
<b>Expenses:</b>				
Investment advisory fees (Note 4) .....	405,861	302,089	361,173	338,039
Administration fees (Note 4) .....	97,656	73,709	87,344	82,005
Debt issuance costs .....	268,284	31,844	269,240	25,618
Audit and tax services .....	146,255	146,255	146,255	146,255
Legal fees .....	121,068	104,756	111,717	109,243
Insurance .....	109,310	80,671	108,628	96,539
Valuation consultant fees (Note 4) .....	76,179	56,538	71,937	61,178
Custodian .....	62,437	61,917	60,236	61,723
Reports to stockholders .....	51,168	41,867	46,190	47,082
Directors' fees .....	39,088	39,088	39,088	39,088
Transfer agent fees .....	30,826	31,590	30,638	30,888
Registration fees .....	30,228	25,550	44,526	29,189
Miscellaneous .....	11,471	7,264	10,480	10,144
Total operating expenses .....	<u>1,449,831</u>	<u>1,003,138</u>	<u>1,387,452</u>	<u>1,076,991</u>
Interest expense on borrowings and reverse repurchase agreements (Note 6) .....	21,455	19,938	31,675	102,968
Total expenses .....	<u>1,471,286</u>	<u>1,023,076</u>	<u>1,419,127</u>	<u>1,179,959</u>
Less expenses waived and reimbursed by the investment advisor (Note 4) .....	(449,345)	(427,184)	(474,090)	(440,270)
Net expenses .....	<u>1,021,941</u>	<u>595,892</u>	<u>945,037</u>	<u>739,689</u>
Net investment income .....	<u>9,406,449</u>	<u>7,710,784</u>	<u>8,844,250</u>	<u>11,018,317</u>
<b>Realized and Unrealized Gain (Loss) on Investments (Note 2):</b>				
Net realized loss on investment transactions .....	(271,508,158)	(204,453,115)	(295,344,355)	(238,784,098)
Net change in unrealized depreciation on investments .....	<u>205,477,067</u>	<u>154,246,830</u>	<u>223,907,864</u>	<u>178,369,464</u>
Net realized and unrealized loss on investments .....	<u>(66,031,091)</u>	<u>(50,206,285)</u>	<u>(71,436,491)</u>	<u>(60,414,634)</u>
Net decrease in net assets resulting from operations ...	<u>\$ (56,624,642)</u>	<u>\$ (42,495,501)</u>	<u>\$ (62,592,241)</u>	<u>\$ (49,396,317)</u>

See Notes to Financial Statements.

## HELIOS FUNDS

### Statements of Changes in Net Assets

For the Fiscal Years Ended March 31,

	Helios Advantage Income Fund, Inc.		Helios High Income Fund, Inc.	
	2009	2008	2009	2008
<b>Increase (Decrease) in Net Assets Resulting from</b>				
<b>Operations:</b>				
Net investment income .....	\$ 9,406,449	\$ 43,564,505	\$ 7,710,784	\$ 30,325,908
Net realized loss on investment transactions .....	(271,508,158)	(125,370,763)	(204,453,115)	(89,524,052)
Net change in unrealized appreciation/(depreciation) on investments .....	205,477,067	(188,194,389)	154,246,830	(135,395,493)
Net decrease in net assets resulting from operations ...	(56,624,642)	(270,000,647)	(42,495,501)	(194,593,637)
<b>Distributions to Stockholders (Note 2):</b>				
Net investment income .....	(7,792,400)	(42,440,232)	(6,693,644)	(30,061,517)
Net realized gains on investments .....	—	(2,248,438)	—	(1,476,321)
Return of capital .....	(6,704,405)	(1,260,966)	(4,014,614)	(2,127,300)
Total distributions paid .....	(14,496,805)	(45,949,636)	(10,708,258)	(33,665,138)
<b>Capital Stock Transactions (Note 7):</b>				
Reinvestment of dividends and distributions .....	1,183,984	9,565,512	984,261	7,408,915
Total decrease in net assets .....	(69,937,463)	(306,384,771)	(52,219,498)	(220,849,860)
<b>Net Assets:</b>				
Beginning of year .....	110,613,870	416,998,641	82,409,044	303,258,904
End of year .....	\$ 40,676,407	\$ 110,613,870	\$ 30,189,546	\$ 82,409,044
(including distributions in excess of net investment income of) .....	\$ —	\$ (403,258)	\$ —	\$ (353,487)
<b>Share Transactions:</b>				
Reinvested shares .....	386,661	928,527	324,893	854,103

See Notes to Financial Statements.

## HELIOS FUNDS

### Statements of Changes in Net Assets (continued)

For the Fiscal Years Ended March 31,

	Helios Multi-Sector High Income Fund, Inc.		Helios Strategic Income Fund, Inc.	
	2009	2008	2009	2008
<b>Increase (Decrease) in Net Assets Resulting from</b>				
<b>Operations:</b>				
Net investment income	\$ 8,844,250	\$ 45,835,880	\$ 11,018,317	\$ 37,132,486
Net realized loss on investment transactions	(295,344,355)	(145,636,930)	(238,784,098)	(111,667,096)
Net change in unrealized appreciation/(depreciation) on investments	223,907,864	(218,139,646)	178,369,464	(160,715,334)
Net decrease in net assets resulting from operations	(62,592,241)	(317,940,696)	(49,396,317)	(235,249,944)
<b>Distributions to Stockholders (Note 2):</b>				
Net investment income	(8,774,368)	(59,306,111)	(9,717,511)	(36,808,696)
Net realized gains on investments	—	(2,434,955)	—	—
Return of capital	(8,287,794)	—	(4,160,354)	(3,929,720)
Total distributions paid	(17,062,162)	(61,741,066)	(13,877,865)	(40,738,416)
<b>Capital Stock Transactions (Note 7):</b>				
Reinvestment of dividends and distributions	3,482,113	20,435,595	1,608,910	8,239,194
Total decrease in net assets	(76,172,290)	(359,246,167)	(61,665,272)	(267,749,166)
<b>Net Assets:</b>				
Beginning of year	109,632,515	468,878,682	91,480,776	359,229,942
End of year	\$ 33,460,225	\$ 109,632,515	\$ 29,815,504	\$ 91,480,776
(including undistributed (distributions in excess of) net investment income of)	\$ —	\$ 828,595	\$ —	\$ (382,866)
<b>Share Transactions:</b>				
Reinvested shares	1,506,514	3,141,378	624,790	989,582

See Notes to Financial Statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

### Statement of Cash Flows

For the Fiscal Year Ended March 31, 2009

#### Increase (Decrease) in Cash:

Cash flows provided by (used for) operating activities:	
Net decrease in net assets resulting from operations	\$ (56,624,642)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of long-term portfolio investments	(49,743,904)
Proceeds from disposition of long-term portfolio investments, principal paydowns, net of losses	62,929,794
Sales of short-term portfolio investments, net	1,865,980
Decrease in dividend and interest receivable	4,092,333
Decrease in receivable for investments sold	1,286,087
Decrease in prepaid expenses	187,492
Increase in payable for investments purchased	195,785
Decrease in interest payable on loans outstanding	(96,848)
Increase in receivable from advisor	(47,122)
Decrease in investment advisory fee payable	(83,597)
Decrease in administration fee payable	(13,834)
Decrease in accrued expenses	(26,777)
Net amortization and paydown gains on investments	(1,638,916)
Unrealized appreciation on investments	(205,477,067)
Net realized loss on investment transactions	271,508,158
Net cash provided by operating activities	<u>28,312,922</u>
Cash flows used for financing activities:	
Decrease in loan payable	(15,000,000)
Dividends paid to stockholders, net of reinvestments	(13,312,821)
Net cash used for financing activities	<u>(28,312,821)</u>
Net increase in cash	101
Cash at beginning of year	<u>0</u>
Cash at end of year	<u>\$ 101</u>

#### Supplemental Disclosure of Cash Flow Information:

Interest payments for the year ended March 31, 2009 totaled \$118,303

Non-cash financing activities included reinvestment of dividends of \$1,183,984

See Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.**  
**Statement of Cash Flows**  
For the Fiscal Year Ended March 31, 2009

**Increase (Decrease) in Cash:**

Cash flows provided by (used for) operating activities:	
Net decrease in net assets resulting from operations .....	\$ (42,495,501)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of long-term portfolio investments .....	(36,936,716)
Proceeds from disposition of long-term portfolio investments, principal paydowns, net of losses .....	43,743,117
Sales of short-term portfolio investments, net .....	2,970,497
Decrease in dividend and interest receivable .....	3,314,221
Decrease in receivable for investments sold .....	2,134,359
Increase in prepaid expenses .....	(20,407)
Decrease in payable for investments purchased .....	(107,194)
Decrease in interest payable on loans outstanding .....	(21,150)
Increase in receivable from advisor .....	(35,063)
Decrease in investment advisory fee payable .....	(55,071)
Decrease in administration fee payable .....	(8,582)
Decrease in accrued expenses .....	(11,725)
Net amortization and paydown gains on investments .....	(952,972)
Unrealized appreciation on investments .....	(154,246,830)
Net realized loss on investment transactions .....	204,453,115
Net cash provided by operating activities .....	<u>21,724,098</u>
Cash flows used for financing activities:	
Decrease in loan payable .....	(12,000,000)
Dividends paid to stockholders, net of reinvestments .....	(9,723,997)
Net cash used for financing activities .....	<u>(21,723,997)</u>
Net increase in cash .....	101
Cash at beginning of year .....	<u>0</u>
Cash at end of year .....	<u>\$ 101</u>

**Supplemental Disclosure of Cash Flow Information:**

Interest payments for the year ended March 31, 2009 totaled \$41,088

Non-cash financing activities included reinvestment of dividends of \$984,261

See Notes to Financial Statements.

## HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.

### Statement of Cash Flows

For the Fiscal Year Ended March 31, 2009

#### Increase (Decrease) in Cash:

Cash flows provided by (used for) operating activities:	
Net decrease in net assets resulting from operations	\$ (62,592,241)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of long-term portfolio investments	(39,173,855)
Proceeds from disposition of long-term portfolio investments, principal paydowns, net of losses	53,658,648
Purchases of short-term portfolio investments, net	(41,362)
Decrease in dividend and interest receivable	4,156,174
Decrease in receivable for investments sold	4,219,184
Decrease in prepaid expenses	187,849
Increase in interest payable for reverse repurchase agreements	433
Increase in payable for investments purchased	449,153
Decrease in interest payable on loans outstanding	(97,557)
Increase in receivable from advisor	(54,545)
Decrease in investment advisory fee payable	(83,588)
Decrease in administration fee payable	(14,739)
Decrease in accrued expenses	(31,704)
Net amortization and paydown gains on investments	(1,588,192)
Unrealized appreciation on investments	(223,907,864)
Net realized loss on investment transactions	295,344,355
Net cash provided by operating activities	<u>30,430,149</u>
Cash flows used for financing activities:	
Decrease in loan payable	(17,000,000)
Net cash provided by reverse repurchase agreements	150,000
Dividends paid to stockholders, net of reinvestments	(13,580,049)
Net cash used for financing activities	<u>(30,430,049)</u>
Net increase in cash	100
Cash at beginning of year	0
Cash at end of year	<u>\$ 100</u>

#### Supplemental Disclosure of Cash Flow Information:

Interest payments for the year ended March 31, 2009 totaled \$128,799

Non-cash financing activities included reinvestment of dividends of \$3,482,113

See Notes to Financial Statements.

## HELIOS STRATEGIC INCOME FUND, INC.

### Statement of Cash Flows

For the Fiscal Year Ended March 31, 2009

#### Increase (Decrease) in Cash:

Cash flows provided by (used for) operating activities:

Net decrease in net assets resulting from operations .....	\$ (49,396,317)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of long-term portfolio investments .....	(33,893,400)
Proceeds from disposition of long-term portfolio investments, principal paydowns, net of losses .....	64,240,609
Sales of short-term portfolio investments, net .....	1,624,826
Decrease in dividend and interest receivable .....	4,214,555
Decrease in receivable for investments sold .....	1,472,628
Increase in prepaid expenses .....	(27,806)
Decrease in interest payable on loans outstanding .....	(113,594)
Increase in receivable from advisor .....	(44,389)
Decrease in investment advisory fee payable .....	(74,628)
Decrease in administration fee payable .....	(13,104)
Decrease in accrued expenses .....	(6,986)
Net amortization and paydown gains on investments .....	(1,127,972)
Unrealized appreciation on investments .....	(178,369,464)
Net realized loss on investment transactions .....	238,784,098
Net cash provided by operating activities .....	<u>47,269,056</u>

Cash flows used for financing activities:

Decrease in loan payable .....	(35,000,000)
Dividends paid to stockholders, net of reinvestments .....	<u>(12,268,955)</u>
Net cash used for financing activities .....	<u>(47,268,955)</u>

Net increase in cash .....	101
Cash at beginning of year .....	<u>0</u>
Cash at end of year .....	<u>\$ 101</u>

#### Supplemental Disclosure of Cash Flow Information:

Interest payments for the year ended March 31, 2009 totaled \$216,562

Non-cash financing activities included reinvestment of dividends of \$1,608,910

See Notes to Financial Statements.

## HELIOS ADVANTAGE INCOME FUND, INC.

### Financial Highlights

	For the Fiscal Year Ended March 31,				For the
	2009	2008	2007	2006	Period Ended March 31, 2005(a)
<b>Per Share Operating Performance:</b>					
Net asset value, beginning of period	\$ 3.42	\$ 13.29	\$ 13.95	\$ 14.37	\$ 14.33(b)
Net investment income	0.28	1.30	1.66	1.90	0.57
Net realized and unrealized loss on investments	(2.01)	(9.73)	(0.56)	(0.22)	(0.03)
Net increase (decrease) in net asset value resulting from operations	(1.73)	(8.43)	1.10	1.68	0.54
Dividends from net investment income	(0.24)	(1.31)	(1.70)	(1.86)	(0.48)
Distributions from capital gains	—	—	—	(0.24)	—
Return of capital	(0.21)	(0.13)	(0.06)	—	—
Total distributions	(0.45)	(1.44)	(1.76)	(2.10)	(0.48)
Offering costs charged to additional paid in capital	—	—	—	—	(0.02)
Net asset value, end of period	\$ 1.24	\$ 3.42	\$ 13.29	\$ 13.95	\$ 14.37
Market price, end of period	\$ 1.00	\$ 3.34	\$ 15.30	\$ 16.80	\$ 15.59
<b>Total Investment Return†</b>	(61.80)%	(73.61)%	1.53%	23.28%	7.30%
<b>Ratios to Average Net Assets/Supplementary Data:</b>					
Net assets, end of period (000s)	\$40,676	\$110,614	\$416,999	\$417,229	\$403,663
Gross operating expenses	2.35%	3.66%	3.23%	2.62%	0.94%(c)
Interest expense	0.03%	N/A(e)	N/A(e)	N/A(e)	N/A(e)
Total expenses	2.38%	3.66%	3.23%	2.62%	0.94%(c)
Net expenses, including fee waivers and reimbursement and excluding interest expense, debt issuance costs and extraordinary expenses	1.19%	3.49%	3.23%	2.62%	0.94%
Net investment income	15.24%	16.56%	12.14%	13.45%	10.52%(c)
Net investment income, excluding the effect of fee waivers and reimbursement	14.51%	16.39%	12.14%	13.45%	10.52%(c)
Portfolio turnover rate	87%	76%	94%	104%	57%(d)

† Total investment return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effect of brokerage commissions. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

(a) From the commencement of investment operations on November 8, 2004.

(b) Net of sales load of \$0.675 on initial shares issued.

(c) Annualized.

(d) Not Annualized.

(e) Not available. During this period, interest expense was not reported separately from operating expenses.

See Notes to Financial Statements.

**HELIOS HIGH INCOME FUND, INC.**  
**Financial Highlights**

	For the Fiscal Year Ended March 31,				
	2009	2008	2007	2006	2005
<b>Per Share Operating Performance:</b>					
Net asset value, beginning of year	\$ 3.45	\$ 13.18	\$ 13.85	\$ 15.03	\$ 15.32
Net investment income	0.31	1.25	1.76	1.98	2.15
Net realized and unrealized gain (loss) on investments	(2.06)	(9.54)	(0.67)	(0.58)	0.24
Net increase (decrease) in net asset value resulting from operations	(1.75)	(8.29)	1.09	1.40	2.39
Dividends from net investment income	(0.28)	(1.26)	(1.73)	(1.90)	(2.07)
Distributions from capital gains	—	—	—	(0.68)	(0.61)
Return of capital	(0.17)	(0.18)	(0.03)	—	—
Total distributions	(0.45)	(1.44)	(1.76)	(2.58)	(2.68)
Net asset value, end of year	\$ 1.25	\$ 3.45	\$ 13.18	\$ 13.85	\$ 15.03
Market price, end of year	\$ 0.99	\$ 3.51	\$ 15.20	\$ 17.51	\$ 16.50
<b>Total Investment Return†</b>	(64.25)%	(72.40)%	(3.26)%	24.15%	16.49%
<b>Ratios to Average Net Assets/Supplementary Data:</b>					
Net assets, end of year (000s)	\$30,190	\$82,409	\$303,259	\$306,699	\$313,731
Gross operating expenses	2.19%	3.73%	3.47%	2.92%	2.12%
Interest expense	0.04%	N/A(a)	N/A(a)	N/A(a)	N/A(a)
Total expenses	2.23%	3.73%	3.47%	2.92%	2.12%
Net expenses, including fee waivers and reimbursement and excluding interest expense, debt issuance costs and extraordinary expenses	1.18%	3.56%	3.47%	2.92%	2.12%
Net investment income	16.83%	15.89%	12.89%	13.66%	14.08%
Net investment income, excluding the effect of fee waivers and reimbursement	15.89%	15.72%	12.89%	13.66%	14.08%
Portfolio turnover rate	87%	74%	100%	97%	73%

† Total investment return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effect of brokerage commissions. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

(a) Not available. During this period, interest expense was not reported separately from operating expenses.

See Notes to Financial Statements.

**HELIOS MULTI-SECTOR HIGH INCOME FUND, INC.**  
**Financial Highlights**

	For the Fiscal Year Ended March 31,			For the
	2009	2008	2007	Period Ended March 31, 2006(a)
<b>Per Share Operating Performance:</b>				
Net asset value, beginning of period	\$ 3.01	\$ 14.10	\$ 14.54	\$ 14.33(b)
Net investment income	0.24	1.34	1.81	0.21
Net realized and unrealized gain (loss) on investments	(1.91)	(10.63)	(0.36)	0.14
Net increase (decrease) in net asset value resulting from operations	(1.67)	(9.29)	1.45	0.35
Dividends from net investment income	(0.24)	(1.55)	(1.66)	(0.12)
Distributions from capital gains	—	(0.07)	(0.23)	—
Return of capital	(0.22)	(0.18)	—	—
Total distributions	(0.46)	(1.80)	(1.89)	(0.12)
Offering costs charged to additional paid in capital	—	—	—	(0.02)
Net asset value, end of period	\$ 0.88	\$ 3.01	\$ 14.10	\$ 14.54
Market price, end of period	\$ 0.71	\$ 3.33	\$ 15.71	\$ 15.98
<b>Total Investment Return†</b>	(72.05)%	(72.67)%	10.96%	7.38%
<b>Ratios to Average Net Assets/Supplementary Data:</b>				
Net assets, end of period (000s)	\$33,460	\$109,633	\$468,879	\$453,523
Gross operating expenses	2.54%	3.71%	2.83%	0.71%(c)
Interest expense	0.06%	N/A(e)	N/A(e)	N/A(e)
Total expenses	2.60%	3.71%	2.83%	0.71%(c)
Net expenses, including fee waivers and reimbursement and excluding interest expense, debt issuance costs and extraordinary expenses	1.18%	3.55%	2.83%	0.71%
Net investment income	16.18%	16.03%	12.46%	6.72%(c)
Net investment income, excluding the effect of fee waivers and reimbursement	15.31%	15.87%	12.46%	6.72%(c)
Portfolio turnover rate	74%	68%	85%	131%(d)

† Total investment return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effect of brokerage commissions. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

(a) From the commencement of investment operations on January 19, 2006.

(b) Net of sales load of \$0.675 on initial shares issued.

(c) Annualized.

(d) Not Annualized.

(e) Not available. During this period, interest expense was not reported separately from operating expenses.

See Notes to Financial Statements.

**HELIOS STRATEGIC INCOME FUND, INC.**  
**Financial Highlights**

	For the Fiscal Year Ended March 31,				
	2009	2008	2007	2006	2005
<b>Per Share Operating Performance:</b>					
Net asset value, beginning of year	\$ 3.17	\$ 12.89	\$ 13.54	\$ 14.23	\$ 14.31
Net investment income	0.36	1.27	1.63	1.78	1.76
Net realized and unrealized loss on investments	(2.04)	(9.55)	(0.52)	(0.20)	(0.16)
Net increase (decrease) in net asset value resulting from operations	(1.68)	(8.28)	1.11	1.58	1.60
Dividends from net investment income	(0.34)	(1.28)	(1.71)	(1.89)	(1.68)
Distributions from capital gains	—	—	—	(0.38)	—
Return of capital	(0.14)	(0.16)	(0.05)	—	—
Total distributions	(0.48)	(1.44)	(1.76)	(2.27)	(1.68)
Net asset value, end of year	\$ 1.01	\$ 3.17	\$ 12.89	\$ 13.54	\$ 14.23
Market price, end of year	\$ 0.82	\$ 3.18	\$ 14.81	\$ 16.70	\$ 15.74
<b>Total Investment Return†</b>	(65.85)%	(74.01)%	(1.09)%	22.60%	9.68%
<b>Ratios to Average Net Assets/Supplementary Data:</b>					
Net assets, end of year (000s)	\$29,816	\$91,481	\$359,230	\$362,768	\$359,781
Gross operating expenses	2.20%	3.86%	3.50%	2.94%	1.70%
Interest expense	0.21%	N/A(a)	N/A(a)	N/A(a)	N/A(a)
Total expenses	2.41%	3.86%	3.50%	2.94%	1.70%
Net expenses, including fee waivers and reimbursement and excluding interest expense, debt issuance costs and extraordinary expenses	1.25%	3.69%	3.50%	2.94%	1.70%
Net investment income	22.51%	16.64%	12.17%	12.80%	12.47%
Net investment income, excluding the effect of fee waivers and reimbursement	21.61%	16.47%	12.17%	12.80%	12.47%
Portfolio turnover rate	70%	73%	106%	101%	69%

† Total investment return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effect of brokerage commissions. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

(a) Not available. During this period, interest expense was not reported separately from operating expenses.

See Notes to Financial Statements.

## **1. Organization**

Helios Advantage Income Fund, Inc. (formerly RMK Advantage Income Fund, Inc.), Helios High Income Fund, Inc. (formerly RMK High Income Fund, Inc.), Helios Multi-Sector High Income Fund, Inc. (formerly RMK Multi-Sector High Income Fund, Inc.) and Helios Strategic Income Fund, Inc. (formerly RMK Strategic Income Fund, Inc.) (each a "Fund" and, collectively, the "Funds" or the "Helios Funds") were organized as separate Maryland corporations on September 7, 2004, April 16, 2003, November 14, 2005 and January 16, 2004, respectively. Each Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company with its own investment objective.

Effective July 29, 2008, Hyperion Brookfield Asset Management, Inc. ("HBAM" or "Advisor"), a wholly owned subsidiary of Brookfield Asset Management Inc. and a registered investment advisor, became investment advisor to the Funds. Prior to July 29, 2008, Morgan Asset Management, Inc. ("MAM" or "Former Advisor") served as investment advisor to the Funds.

Each Fund's primary investment objective is to seek a high level of current income with capital growth as a secondary investment objective.

## **2. Significant Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Valuation of Investments:* Debt securities, including U. S. government securities, listed corporate bonds, other fixed income and asset-backed securities, and unlisted securities and private placement securities, are generally valued at the latest price furnished by an independent pricing service or a broker-dealer. Short-term debt securities with remaining maturities of sixty days or less are valued at cost with interest accrued or discount accreted to the date of maturity, unless such valuation, in the judgment of the Advisor's Valuation Committee, does not represent market value.

Investments in equity securities listed or traded on any securities exchange or traded in the over-the-counter market are valued at the last quoted price as of the close of business on the valuation date. Equity securities for which no sales were reported for that date are valued at "fair value" as determined in good faith by the Advisor's Valuation Committee. Investments in open-end registered investment companies, if any, are valued at the net asset value ("NAV") as reported by those investment companies.

When price quotations for certain securities are not readily available, or if the available quotations are not believed to be reflective of market value by the Advisor, those securities will be valued at "fair value" as determined in good faith by the Advisor's Valuation Committee using procedures established by and under the supervision of each Fund's Board of Directors. There can be no assurance that a Fund could purchase or sell a portfolio security at the price used to calculate a Fund's NAV.

Fair valuation procedures may be used to value a substantial portion of the assets of the Funds. A Fund may use the fair value of a security to calculate its NAV when, for example, (1) a portfolio security is not traded in a public market or the principal market in which the security trades is closed, (2) trading in a portfolio security is suspended and not resumed prior to the normal market close, (3) a portfolio security is not traded in significant volume for a substantial period, or (4) the Advisor determines that the quotation or price for a portfolio security provided by a broker-dealer or independent pricing service is inaccurate.

## HELIOS FUNDS

### Notes to Financial Statements

March 31, 2009

The “fair value” of securities may be difficult to determine and thus judgment plays a greater role in the valuation process. The fair valuation methodology may include or consider the following guidelines, as appropriate: (1) evaluation of all relevant factors, including but not limited to, pricing history, current market level, supply and demand of the respective security; (2) comparison to the values and current pricing of securities that have comparable characteristics; (3) knowledge of historical market information with respect to the security; (4) other factors relevant to the security which would include, but not be limited to, duration, yield, fundamental analytical data, the Treasury yield curve, and credit quality.

The values assigned to fair valued investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future developments inherent in long-term investments. Changes in the fair valuation of portfolio securities may be less frequent and of greater magnitude than changes in the price of portfolio securities valued at their last sale price, by an independent pricing service, or based on market quotations. Imprecision in estimating fair value can also impact the amount of unrealized appreciation or depreciation recorded for a particular portfolio security and differences in the assumptions used could result in a different determination of fair value, and those differences could be material.

The Funds have adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective April 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - quoted prices in markets that are not active or other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

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

The following is a summary of the inputs used as of March 31, 2009 in valuing the Funds’ investments carried at fair value:

Valuation Inputs	Investments in Securities			
	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi-Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
Level 1 — Quoted Prices	\$ 864,674	\$ 836,107	\$ 847,095	\$ 839,404
Level 2 — Other Significant Observable Inputs	24,186,697	18,475,373	21,420,810	17,510,195
Level 3 — Significant Unobservable Inputs	13,909,820	10,334,969	10,529,269	9,883,132
<b>Total</b>	<b>\$38,961,191</b>	<b>\$29,646,449</b>	<b>\$32,797,174</b>	<b>\$28,232,731</b>

**HELIOS FUNDS**  
**Notes to Financial Statements**  
March 31, 2009

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Valuation Inputs	Investments in Securities			
	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi-Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
Balance as of April 1, 2008	\$ 64,930,271	\$ 42,248,380	\$ 69,393,904	\$ 55,312,805
Net sales at cost	(40,315,297)	(18,312,208)	(34,031,080)	(35,141,313)
Realized loss	(189,627,626)	(141,978,362)	(224,892,149)	(156,862,960)
Change in unrealized appreciation/(depreciation)	178,889,399	128,327,610	200,013,594	146,534,566
Accretion/(amortization)	33,073	49,549	45,000	40,034
Transfers in and/or out of Level 3	—	—	—	—
Balance as of March 31, 2009	<u>\$ 13,909,820</u>	<u>\$ 10,334,969</u>	<u>\$ 10,529,269</u>	<u>\$ 9,883,132</u>

*Investment Transactions and Investment Income:* Securities transactions are recorded on the trade date. Realized gains and losses from securities transactions are calculated on the identified cost basis. Interest income is recorded on the accrual basis. Discounts and premiums on securities are accreted and amortized, respectively on a daily basis, using the effective yield to maturity method adjusted based on management's assessment of the collectability of such interest. Dividend income is recorded on the ex-dividend date.

*Taxes:* Each Fund intends to qualify and meet the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and distribute substantially all of its taxable income to its stockholders. Therefore, no federal income or excise tax provision is required.

The FASB has issued FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Funds' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the taxing authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized as: a liability for unrecognized tax benefits; a reduction of an income tax refund receivable; a reduction of a deferred tax asset; an increase in deferred tax liability; or a combination thereof. As of March 31, 2009, the Funds have implemented FIN 48 and have determined that there is no impact on their financial statements.

The Funds have reviewed all taxable years that are open for examination (i.e., not barred by the applicable statute of limitations) by taxing authorities of all major jurisdictions, including the Internal Revenue Service. As of March 31, 2009, open taxable years consisted of the taxable years ended March 31, 2006 through March 31, 2009. No examination of any Fund is currently in progress.

*Expenses:* Expenses directly attributable to a Fund are charged directly to that Fund, while expenses which are attributable to more than one Fund are allocated among the respective Funds based upon relative net assets.

*Dividend and Other Distributions to Stockholders:* Distributions from net investment income (including net short term capital gains), if any, are declared and paid monthly to stockholders. Each Fund also pays distributions at least annually from its net realized capital gains, if any. Dividends and other distributions to stockholders are recorded on the ex-dividend date. All common shares have equal dividend and other distribution rights. A notice disclosing the source(s) of a distribution will be provided if payment is made from any source other than net investment income. Any such notice would be provided only for informational purposes in order to comply with the requirements of Section 19(a) of the 1940 Act and not for tax reporting purposes. The tax composition of each Fund's distributions for each calendar year is reported on IRS Form 1099-DIV.

## HELIOS FUNDS

### Notes to Financial Statements

March 31, 2009

Income dividends and capital gain distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatment of income and gains on various investment securities held by the Funds, timing differences and differing characterization of distributions made by each Fund.

*Restricted Securities:* The Funds own investment securities which are unregistered and thus restricted as to resale. These securities are valued by the Funds after giving due consideration to pertinent factors including recent private sales, market conditions and the issuer's financial performance. Where future disposition of these securities requires registration under the Securities Act of 1933, the Funds have the right to include these securities in such registration, generally without cost to the Funds. The Funds have no right to require registration of unregistered securities.

At March 31, 2009:

Fund	Restricted Securities Aggregated Value	Restricted Securities Percentage of Net Assets
Helios Advantage Income Fund, Inc. ....	\$5,705,382	14.03%
Helios High Income Fund, Inc. ....	4,571,042	15.14
Helios Multi-Sector High Income Fund, Inc. ....	4,269,715	12.76
Helios Strategic Income Fund, Inc. ....	4,518,759	15.16

*Repurchase Agreements:* Each Fund may invest in repurchase agreements. A repurchase agreement is an agreement by which the Funds purchase securities from a third party with the commitment that they will be repurchased by the seller at a fixed price on an agreed upon future date. The Funds, through their custodian, receive delivery of the underlying collateral, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. The Advisor is responsible for determining that the value of these underlying securities is sufficient at all times. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings commence with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. The Funds had no repurchase agreements outstanding as of March 31, 2009.

*Options Writing:* When a Fund writes an option, an amount equal to the premium received by the Fund is included in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked to market to reflect the current value of the option written in accordance with the Fund's policies on investment valuations discussed above. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option in excess of the amounts recorded in the Statements of Assets and Liabilities. The Funds had no transactions in written options during the fiscal year ended March 31, 2009.

*When-Issued and Delayed Delivery Transactions:* The Funds may engage in when-issued or delayed delivery transactions. The Funds record when-issued securities on the trade date and maintain security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

*Cash Flow Information:* Each Fund invests in securities and distributes dividends and distributions which are paid in cash or are reinvested at the discretion of stockholders. These activities are reported in the Statement of Changes in Net Assets. Additional information on cash receipts and cash payments is presented in the Statement

of Cash Flows. Cash, as used in the Statement of Cash Flows, is the amount reported as “Cash” in the Statement of Assets and Liabilities, and does not include short-term investments.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value and accreting discounts and amortizing premiums on debt obligations.

### **3. Risks of Investing in Asset-Backed Securities and Below-Investment Grade Securities**

The value of asset-backed securities may be affected by, among other factors, changes in: interest rates, the market’s assessment of the quality of the underlying assets, the creditworthiness of the servicer for the underlying assets, information concerning the originator of the underlying assets, or the creditworthiness or rating of the entities that provide any supporting letters of credit, surety bonds, derivative instruments, or other credit enhancement. The value of asset-backed securities also will be affected by the exhaustion, termination or expiration of any credit enhancement.

The Funds have significant investments in below-investment grade debt securities, including mortgage-backed and asset-backed securities. Below-investment grade securities involve a higher degree of credit risk than investment grade debt securities. In the event of an unanticipated default, the Funds would experience a reduction in their income, a decline in the market value of the securities so affected and a decline in the NAV of their shares. During an economic downturn or period of rising interest rates, highly leveraged and other below-investment grade issuers have experienced financial stress that could adversely affect their ability to service principal and interest payment obligations, to meet projected business goals and to obtain additional financing. The market prices of below-investment grade debt securities generally are less sensitive to interest rate changes than higher-rated investments but are more sensitive to adverse economic or political changes or individual developments specific to the issuer than higher-rated investments. Periods of economic or political uncertainty and change can be expected to result in significant volatility of prices for these securities. Rating services consider these securities to be speculative in nature.

Below-investment grade securities may be subject to market conditions, events of default or other circumstances which cause them to be considered “distressed securities.” Distressed securities frequently do not produce income while they are outstanding. The Funds may be required to bear certain extraordinary expenses in order to protect and recover their investments in certain distressed securities. Therefore, to the extent the Funds seek capital growth through investment in such securities, the Funds’ ability to achieve current income for its stockholders may be diminished. The Funds also are subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor’s assets, an exchange offer or plan of reorganization involving the securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to distressed securities held by the Funds, there can be no assurance that the securities or other assets received by the Funds in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by the Funds upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Funds’ participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of such securities, the Funds may be restricted from disposing of distressed securities.

Mortgage-backed and asset-backed securities are subject to the credit risk associated with the performance of the underlying mortgage properties or other assets. In certain instances, third-party guarantees or other forms of credit support can reduce the credit risk.

### **4. Investment Advisory Agreements and Affiliated Transactions**

Effective July 29, 2008, each of the Funds entered into separate Investment Advisory Agreements (the “Advisory Agreements”) with the Advisor under which the Advisor is responsible for the management of each Fund’s

**HELIOS FUNDS**  
**Notes to Financial Statements**  
 March 31, 2009

portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. Each Advisory Agreement provides, among other things, that the Advisor will bear all expenses of its employees and overhead incurred in connection with the performance of its duties under the Advisory Agreements, and will pay all salaries of the Funds' directors and officers who are affiliated persons (as such term is defined in the 1940 Act) of the Advisor. The Advisory Agreements provide that each Fund shall pay the Advisor a monthly fee for its services an annual rate of 0.65% of each Fund's average daily total assets minus liabilities (other than aggregate indebtedness entered into for purposes of leverage).

Effective July 29, 2008, each of the Funds entered into separate expense limitation agreements (the "Expense Limitation Agreements") under which the Advisor has contractually agreed to waive its fees and/or reimburse each Fund for its expenses to the extent necessary to ensure each Fund's annual operating expenses (excluding brokerage, interest expenses and taxes, and acquired fund fees and expenses) do not exceed 1.30% of average annual assets of each Fund. Each contractual waiver will remain in effect until July 28, 2010. In addition, thereafter, the contractual waivers shall continue indefinitely, unless sooner terminated by the Board of Directors of a Fund, or the Advisor, upon sixty (60) days written notice to the other party. Pursuant to the Expense Limitation Agreements, the Advisor retains its right to receive reimbursement of any payments made by it, or to recoup any fees waived by it during the prior three fiscal years, provided that after giving effect to such repayment or recoupment, such adjusted total annual operating expenses (expressed as a percentage of average net assets) for each Fund would not exceed the percentage limitations listed above.

During the period between July 29, 2008 and March 31, 2009, the Advisor earned the following in investment advisory fees under the Advisory Agreements. Further, under the Expense Limitation Agreements, the Advisor was required to waive its investment advisory fees and/or reimburse the following costs to the Funds:

Fund	Investment Advisory Fees	Waiver and/or Expense Reimbursement
Helios Advantage Income Fund, Inc. ....	\$199,944	\$ (314,001)
Helios High Income Fund, Inc. ....	147,848	(283,797)
Helios Multi-Sector High Income Fund, Inc. ....	162,678	(337,309)
Helios Strategic Income Fund, Inc. ....	154,400	(304,331)
	<u>\$664,870</u>	<u>\$(1,239,438)</u>

Prior to July 29, 2008, each of the Funds were party to separate Investment Advisory Agreements with the Former Advisor. Under the terms of the prior agreements, the Funds were charged an annual advisory fee of 0.65% based on a percentage of each Fund's average daily total assets minus the sum of accrued liabilities other than debt entered into for purposes of leverage. The Former Advisor contractually agreed to waive its fees and/or reimburse each Fund for its expenses to the extent necessary to ensure each Fund's annual operating expenses (excluding brokerage, interest expenses and taxes, and acquired fund fees and expenses) exceeded 1.30% of net assets of each Fund. In addition, the Former Advisor voluntarily agreed to pay certain extraordinary expenses of the Funds, including legal expenses of pending litigation and the external valuation consultant fees.

For the period April 1, 2008 through July 28, 2008, the Former Advisor earned and waived Investment Advisory fees and reimbursed extraordinary expenses in the following amounts:

Fund	Investment Advisory Fees	Waiver and/or Expense Reimbursement
Helios Advantage Income Fund, Inc. ....	\$205,917	\$(135,344)
Helios High Income Fund, Inc. ....	154,241	(143,387)
Helios Multi-Sector High Income Fund, Inc. ....	198,495	(136,781)
Helios Strategic Income Fund, Inc. ....	183,639	(135,939)
	<u>\$742,292</u>	<u>\$(551,451)</u>

**HELIOS FUNDS**  
**Notes to Financial Statements**  
 March 31, 2009

Effective July 29, 2008, the Funds have entered into an Administration Agreement with the Advisor. The Advisor entered into a sub-administration agreement with State Street Bank and Trust Company (the "Sub-Administrator"). The Advisor and Sub-Administrator perform administrative services necessary for the operation of the Funds, including maintaining certain books and records of the Funds and preparing reports and other documents required by federal, state, and other applicable laws and regulations, and providing the Funds with administrative office facilities. For these services, each Fund pays to the Advisor a monthly fee at an annual rate of 0.15% of each Fund's average daily total assets minus liabilities (other than the aggregate indebtedness entered into for purposes of leverage). The Advisor is responsible for any fees due the Sub-Administrator, except for N-Q filing fees.

During the period between July 29, 2008 and March 31, 2009, the Advisor earned the following in Administration fees:

Fund	Administration Fee
Helios Advantage Income Fund, Inc. ....	\$ 46,141
Helios High Income Fund, Inc. ....	34,119
Helios Multi-Sector High Income Fund, Inc. ....	37,542
Helios Strategic Income Fund, Inc. ....	35,631
	<u>\$153,433</u>

The Administration fees shown in the Statement of Operations includes expenses incurred for the N-Q filing, which amounted to \$3,996 for each of the Funds.

Prior to July 29, 2008, the Funds were party to an Accounting and Administration Services Agreement with the Former Advisor. Under the terms of the prior agreements the Funds were charged a monthly fee at an annual rate of 0.15% of each Fund's average daily total assets minus liabilities (other than the aggregate indebtedness entered into for purposes of leverage).

Fund	Administration Fee
Helios Advantage Income Fund, Inc. ....	\$ 47,519
Helios High Income Fund, Inc. ....	35,594
Helios Multi-Sector High Income Fund, Inc. ....	45,806
Helios Strategic Income Fund, Inc. ....	42,378
	<u>\$171,297</u>

For the period April 1, 2008 through July 28, 2008, the Advisor earned the following fees as the external valuation consultant to the Funds:

Fund	Valuation Fee
Helios Advantage Income Fund, Inc. ....	\$ 76,179
Helios High Income Fund, Inc. ....	56,538
Helios Multi-Sector High Income Fund, Inc. ....	71,937
Helios Strategic Income Fund, Inc. ....	61,178
	<u>\$265,832</u>

Certain officers and/or directors of the Funds are officers and/or directors of the Advisor.

## HELIOS FUNDS

### Notes to Financial Statements

March 31, 2009

During the fiscal year ended March 31, 2009, the Former Advisor reimbursed the Funds the following amounts for errors when applying cross-trading policies under the applicable regulations:

Helios Advantage Income Fund, Inc. ....	\$ 559,860
Helios High Income Fund, Inc. ....	373,865
Helios Multi-Sector High Income Fund, Inc. ....	866,129
Helios Strategic Income Fund, Inc. ....	298,592
	<u>\$2,098,446</u>

These amounts are included in net realized loss on investment transactions in the Statements of Operations.

#### 5. Purchases and Sales of Investments

Purchases and sales of investments, excluding short-term securities and U.S. Government securities, for the fiscal year ended March 31, 2009 were as follows:

<u>Fund</u>	<u>Purchases</u>	<u>Sales</u>
Helios Advantage Income Fund, Inc. ....	\$49,743,904	\$99,490,590
Helios High Income Fund, Inc. ....	36,936,716	64,757,278
Helios Multi-Sector High Income Fund, Inc. ....	39,173,855	82,269,108
Helios Strategic Income Fund, Inc. ....	33,893,400	93,788,794

For the fiscal year ended March 31, 2009 there were no transactions in U.S. Government securities.

#### 6. Borrowings

*Reverse Repurchase Agreements:* Under reverse repurchase agreements, the Funds sell securities and agree to repurchase them at a mutually agreed upon date and price. Under the 1940 Act, reverse repurchase agreements will be regarded as a form of borrowing by each Fund unless, at the time it enters into a reverse repurchase agreement, it establishes and maintains a segregated account with its custodian containing securities from its portfolio having a value not less than the repurchase price (including accrued interest). Each Fund has established and maintained such an account for each of its reverse repurchase agreements.

Reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Funds may decline below the price of the securities a Fund has sold but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its Trustee or receiver may receive an extension of time to determine whether to enforce the Funds' obligation to repurchase the securities, and the Funds' use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. Also, the Funds would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreements are less than the value of the securities subject to such agreements.

At March 31, 2009, Helios Multi-Sector High Income Fund, Inc. had the following reverse repurchase agreement outstanding:

<u>Face Value</u>	<u>Description</u>	<u>Maturity Amount</u>
<u>\$150,000</u>	Goldman Sachs, 6.50%, dated 03/16/09, maturity date 04/15/09 .....	<u>\$150,813</u>
	Maturity Amount, Including Interest Payable .....	<u>\$150,813</u>
	Market value of Assets Sold Under Agreements .....	<u>\$402,500</u>
	Weighted Average Interest Rate .....	<u>6.50%</u>

**HELIOS FUNDS**  
**Notes to Financial Statements**  
March 31, 2009

The Helios Multi-Sector High Income Fund's average daily balance of reverse repurchase agreements outstanding during the fiscal year ended March 31, 2009 was \$89,949 at a weighted average interest rate of 6.21%. The maximum amount of reverse repurchase agreements outstanding at any time during the fiscal year was \$178,500, which was 0.45% of total assets.

*Credit Facilities:* Each Fund is permitted to borrow up to one-third of the value of its total assets, including such borrowings, for investment purposes. Such borrowing is referred to as leveraging and each Fund utilized collateralized bank lines of credit in the beginning of the fiscal year. The Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and the Helios Strategic Income Fund, Inc. repaid the outstanding balance of each Fund's bank line of credit on May 1, 2008, April 22, 2008, May 5, 2008 and June 10, 2008, respectively, and each Fund irrevocably terminated its credit facility. As of March 31, 2009, the Funds' had no outstanding loan amounts open.

For the fiscal year ended March 31, 2009, the Funds use of their facility was as follows:

Fund	Average Daily Balance	Average Interest Rate
Helios Advantage Income Fund, Inc. ....	\$ 679,452	3.16%
Helios High Income Fund, Inc. ....	556,164	3.58
Helios Multi-Sector High Income Fund, Inc. ....	808,219	3.23
Helios Strategic Income Fund, Inc. ....	3,006,849	3.42

The maximum amount of borrowings outstanding under this facility during the fiscal year ended March 31, 2009 was \$15,000,000 for the Helios Advantage Income Fund, Inc., \$12,000,000 for the Helios High Income Fund, Inc., \$17,000,000 for the Helios Multi-Sector High Income Fund, Inc. and \$35,000,000 for the Helios Strategic Income Fund, Inc., respectively.

**7. Capital Stock**

Each Fund is authorized to issue 1,000,000,000 shares of capital stock with a par value of \$0.0001 per share. The Funds' Boards of Directors are authorized to classify and reclassify any unissued shares of capital stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or terms and conditions of redemption of such shares by the Funds. The common shares have no preemptive, conversion, exchange or redemption rights. All common shares have equal voting, dividend, distribution and liquidation rights. The common shares, when issued, will be fully paid and non-assessable. Common stockholders are entitled to one vote per share and all voting rights for the election of directors are non-cumulative. The Funds have no present intentions of offering additional shares, except as described in the Dividend Reinvestment Plan.

**8. Federal Income Tax Information**

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America.

The tax character of distributions paid for the fiscal year ended March 31, 2009 was as follows:

	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi- Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
Ordinary income <sup>(1)</sup> .....	\$ 7,792,400	\$ 6,693,644	\$ 8,774,368	\$ 9,717,511
Return of capital .....	6,704,405	4,014,614	8,287,794	4,160,354
Total distributions .....	<u>\$14,496,805</u>	<u>\$10,708,258</u>	<u>\$17,062,162</u>	<u>\$13,877,865</u>

**HELIOS FUNDS**  
**Notes to Financial Statements**  
March 31, 2009

The tax character of distributions paid for the fiscal year ended March 31, 2008 was as follows:

	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi- Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
Ordinary income <sup>(1)</sup> .....	\$44,688,670	\$31,537,838	\$59,396,292	\$36,808,696
Long-term capital gains .....	—	—	2,344,774	—
Return of capital .....	1,260,966	2,127,300	—	3,929,720
Total distributions .....	<u>\$45,949,636</u>	<u>\$33,665,138</u>	<u>\$61,741,066</u>	<u>\$40,738,416</u>

<sup>(1)</sup> For tax purposes, short-term capital gain distributions are considered ordinary income distributions.

At March 31, 2009, the components of net assets (excluding paid-in capital) on a tax basis were as follows:

	Helios Advantage Income Fund, Inc.	Helios High Income Fund, Inc.	Helios Multi- Sector High Income Fund, Inc.	Helios Strategic Income Fund, Inc.
Capital loss carryforward <sup>(1)</sup> .....	\$(239,347,708)	\$(177,929,909)	\$(273,546,362)	\$(218,301,229)
Post-October losses <sup>(2)</sup> .....	(155,615,172)	(115,628,866)	(166,335,879)	(136,882,167)
Unrealized depreciation .....	(20,643,760)	(14,787,701)	(20,673,856)	(18,022,425)
	<u>\$(415,606,640)</u>	<u>\$(308,346,476)</u>	<u>\$(460,556,097)</u>	<u>\$(373,205,821)</u>

<sup>(1)</sup> To the extent future capital gains are offset by capital loss carryforwards, such gains will not be distributed.

<sup>(2)</sup> Capital losses incurred after October 31 ("post-October losses") within the taxable year are deemed to arise on the first business day of each Fund's next taxable year. Capital losses can be carried forward for a period of eight years.

As of March 31, 2009, the Funds' capital loss carryforwards were as follows:

Fund	Expiring in 2014	Expiring in 2015	Expiring in 2016	Expiring in 2017
Helios Advantage Income Fund, Inc. ....	\$ —	\$ —	\$63,416,568	\$175,931,140
Helios High Income Fund, Inc. ....	—	—	47,702,451	130,227,458
Helios Multi-Sector High Income Fund, Inc. ....	—	—	67,821,037	205,725,325
Helios Strategic Income Fund, Inc. ....	5,339,876	193,592	59,889,208	152,878,553

Because federal income tax regulations differ in certain respects from generally accepted accounting principles, income and capital gain distributions, if any, determined in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. These differences are primarily due to differing treatments for gains/losses on principal payments of mortgage-backed and asset-backed securities, distribution reclassifications and return of capital. Permanent book and tax differences, if any, relating to stockholder distributions will result in reclassifications to paid-in-capital or to undistributed capital gains. These reclassifications have no effect on net assets or NAVs per share. Any undistributed net income and realized gain remaining at fiscal year-end is distributed in the following year.

*Federal Income Tax Basis:* The federal income tax basis of the Funds' investments at March 31, 2009 was as follows:

Fund	Cost of Investments	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Depreciation
Helios Advantage Income Fund, Inc. ....	\$59,604,951	\$473,776	\$(21,117,536)	\$(20,643,760)
Helios High Income Fund, Inc. ....	44,434,150	281,016	(15,068,717)	(14,787,701)
Helios Multi-Sector High Income Fund, Inc. ....	53,471,030	406,795	(21,080,651)	(20,673,856)
Helios Strategic Income Fund, Inc. ....	46,255,156	276,830	(18,299,255)	(18,022,425)

**HELIOS FUNDS**  
**Notes to Financial Statements**  
March 31, 2009

*Capital Account Reclassifications:* At March 31, 2009, each Fund's components of net assets were increased or (decreased) by the amounts shown in the table below. These adjustments were primarily the result of the reclassification of net gains on security paydowns and partnership income in order to account for permanent book/tax differences and to present components of net assets on a tax basis. These adjustments have no effect on net assets or net asset value per share.

Fund	Distributions in Excess of Net Investment Income	Accumulated Net Realized Loss in Investments	Paid-In Capital
Helios Advantage Income Fund, Inc. ....	\$(1,210,791)	\$940,464	\$270,327
Helios High Income Fund, Inc. ....	(663,653)	248,723	414,930
Helios Multi-Sector High Income Fund, Inc. ....	(898,477)	898,477	—
Helios Strategic Income Fund, Inc. ....	(917,940)	577,556	340,384

**9. Indemnification**

Under each Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to each Fund. In addition, in the normal course of business, the Funds enter into contracts with their vendors and others that provide for general indemnifications. The Funds' maximum exposure under these arrangements is unknown, since this would involve the resolution of certain claims, as well as future claims that may be made, against the Funds. Thus, an estimate of the financial impact, if any, of these arrangements cannot be made at this time.

**10. Designation of Restricted Illiquid Securities**

Helios Advantage Income Fund, Inc.						
Restricted Securities	Interest Rate	Maturity	Acquisition Date	Acquisition Cost	Market Value	Percentage of Net Assets
Countrywide Alternative Loan Trust NIM						
Series 2006-OA11, Class N3 .....	12.50%	09/25/46	10/04/06	\$ 883,991	\$ 0	0.0%
Credit Genesis CLO 2005 .....	0.00	06/23/10	06/17/05	3,000,000	18,000	0.0
FSI Realty Trust .....	—	—	04/26/07	283,100	0	0.0
Linker Finance PLC						
Series 16A, Class E .....	4.06	05/19/45	05/05/06	2,912,003	30,000	0.1
Mid Country .....	—	—	05/22/07	850,000	164,000	0.4
Port Townsend Company Inc. ....	—	—	10/18/07	667,311	0	0.0
Sharp SP I LLC NIM Trust						
Series 2006-AHM3, Class N3 .....	12.50	10/25/46	08/02/05	735,600	50,462	0.1
Steers			02/05/07-			
Series 2007-A .....	3.99	06/20/18	08/23/07	6,530,633	1,485,000	3.7
					\$1,747,462	4.3%
Helios High Income Fund, Inc.						
Restricted Securities	Interest Rate	Maturity	Acquisition Date	Acquisition Cost	Market Value	Percentage of Net Assets
Countrywide Alternative Loan Trust NIM						
Series 2006-OA11, Class N3 .....	12.50%	09/25/46	10/04/06	\$ 479,908	\$ 0	0.0%
Credit Genesis CLO 2005 .....	0.00	06/23/10	06/17/05	1,000,000	6,000	0.0
FSI Realty Trust .....	—	—	04/26/07	248,900	0	0.0
Linker Finance PLC						
Series 16A, Class E .....	4.06	05/19/45	05/05/06	1,941,335	20,000	0.1
Mid Country .....	—	—	05/22/07	649,995	125,411	0.4
Port Townsend Company Inc. ....	—	—	10/18/07	486,581	0	0.0

**HELIOS FUNDS**  
**Notes to Financial Statements**  
March 31, 2009

<b>Helios High Income Fund, Inc.</b>						
<b>Restricted Securities</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Acquisition Date</b>	<b>Acquisition Cost</b>	<b>Market Value</b>	<b>Percentage of Net Assets</b>
Sasco NIM Trust						
Series 2003-S, Class A .....	7.50%	12/28/33	12/18/03	\$1,294,011	\$ 118,149	0.4%
Sharp SP I LLC NIM Trust						
Series 2006-AHM3, Class N3 .....	12.50	10/25/46	10/12/06	735,600	50,462	0.2
Steers						
Series 2007-A .....	3.99	06/20/18	08/23/07	4,855,106	1,100,000	3.6
					<u>\$1,420,022</u>	4.7%

<b>Helios Multi-Sector High Income Fund, Inc.</b>						
<b>Restricted Securities</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Acquisition Date</b>	<b>Acquisition Cost</b>	<b>Market Value</b>	<b>Percentage of Net Assets</b>
Credit Genesis CLO 2005 .....	0.00%	06/23/10	07/20/06	\$2,970,000	\$ 18,000	0.1%
FSI Realty Trust .....	—	—	04/26/07	332,500	0	0.0
Linker Finance PLC						
Series 16A, Class E .....	4.06	05/19/45	05/05/06	4,853,338	50,000	0.1
Mid Country .....	—	—	05/22/07	899,997	173,646	0.5
Port Townsend Company Inc. ....	—	—	10/18/07	672,750	0	0.0
Sharp SP I LLC NIM Trust						
Series 2006-AHM3, Class N3 .....	12.50	10/25/46	10/12/06	1,471,200	100,924	0.3
Steers						
Series 2007-A .....	3.99	06/20/18	08/23/07	5,095,120	1,155,000	3.5
					<u>\$1,497,570</u>	4.5%

<b>Helios Strategic Income Fund, Inc.</b>						
<b>Restricted Securities</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Acquisition Date</b>	<b>Acquisition Cost</b>	<b>Market Value</b>	<b>Percentage of Net Assets</b>
Countrywide Alternative Loan Trust NIM						
Series 2006-OA11, Class N3 .....	12.50%	09/25/46	10/04/06	\$ 959,817	\$ 0	0.0%
Credit Genesis CLO 2005 .....	0.00	06/23/10	06/17/05	1,000,000	6,000	0.0
FSI Realty Trust .....	—	—	04/26/07	248,900	0	0.0
Lake Country Mortgage Loan Trust						
Series 2006-HE1, Class M8 .....	3.27	07/25/34	10/31/06	3,271,466	354,621	1.2
Linker Finance PLC						
Series 16A, Class E .....	4.06	05/19/45	05/05/06	1,941,335	20,000	0.1
Mid Country .....	—	—	05/22/07	724,999	139,882	0.5
Port Townsend Company Inc. ....	—	—	10/18/07	583,898	0	0.0
Sharp SP I LLC NIM Trust						
Series 2006-AHM3, Class N3 .....	12.50	10/25/46	10/12/06	735,600	50,462	0.2
Steers						
Series 2007-A .....	3.99	06/20/18	08/23/07	4,855,106	1,100,000	3.6
					<u>\$1,670,965</u>	5.6%

**11. New Accounting Pronouncements**

In March 2008, FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“FAS 161”). FAS 161 is effective for fiscal periods and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about each Fund’s derivative and hedging activities. The Advisor is currently evaluating the impact the adoption of FAS 161 will have on each Fund’s financial statements and disclosures.

In April 2009, FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4" or the "Position"). FSP 157-4 provides additional guidance for estimating fair value when the volume and level of activity has significantly decreased in relation to normal market activity for the asset or liability. The Position also provides additional guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures in annual and interim reporting periods. FSP 157-4 is effective for fiscal periods and interim periods beginning after June 15, 2009. The Advisor is currently evaluating the impact the adoption of FSP 157-4 will have on each Fund's financial statements and disclosures.

## **12. Pending Litigation**

Beginning in late 2007, lawsuits were filed in state and federal courts in Tennessee, Alabama, Mississippi and Louisiana relating to certain fixed income funds managed by the Advisor, including the Funds. Certain of the cases were filed as putative class actions on behalf of investors who purchased shares of the Funds from December 2004 through February 2008 and other cases were filed as actions on behalf of one or more individuals or trusts. The complaints name various entities and individuals as defendants including, among others, the Funds, the former advisor, Morgan Asset Management, Inc. ("MAM"), Morgan Keegan & Company, Inc. ("Morgan Keegan"), Regions Financial Corporation and several affiliates ("Regions"), certain former directors and former officers of the Funds and the Funds' former portfolio managers. The complaints generally allege that the defendants misrepresented or failed to disclose material facts relating to portfolio composition, fair valuation, liquidity and risk in Fund registration statements and other documents. The plaintiffs seek unspecified damages and reasonable costs and, in some cases, attorneys' fees. Each of the cases is at a preliminary stage. No responses to the complaints have been filed and no classes have been certified in any of the putative class actions.

In addition, on March 12, 2008, a derivative action was filed in the United States District Court for the Western District of Tennessee seeking damages on behalf of Helios Multi-Sector High Income Fund, Inc. The complaint in this action alleges, among other things, that defendants MAM, Morgan Keegan, Regions, and certain former directors and officers of the Fund breached duties of care and mismanaged the Fund in connection with portfolio composition, fair valuation, liquidity, risk management and disclosure. The complaint seeks unspecified damages and reasonable costs and attorneys' fees. The proceeding is at a preliminary stage and no responses to the complaint have been filed.

Claims substantially similar to those described above have been made in lawsuits filed in the United States Federal and state courts concerning certain open-end funds also managed by the Advisor.

On September 23, 2008, most of the cases pending in federal court in the Western District of Tennessee in which the Funds are defendants, and other cases pending in that court involving the same or similar claims against other defendants, were consolidated into a single proceeding captioned In re Regions Morgan Keegan Closed End Fund Litigation.

On February 12, 2009, the Judicial Panel on Multidistrict Litigation ("Judicial Panel") issued an order transferring related actions pending in other federal courts to the United States District Court for the Western District of Tennessee and directing that the transferred cases be coordinated or consolidated with the above-described actions relating to the Funds.

No estimate of the effect, if any, of these lawsuits on the Funds can be made at this time.

**13. Subsequent Events**

The Funds' Boards of Directors declared the following monthly dividends:

<b>Fund</b>	<b>Dividend Per Share</b>	<b>Record Date</b>	<b>Payable Date</b>
Helios Advantage Income Fund, Inc. ....	\$0.015	4/16/2009	4/23/2009
Helios High Income Fund, Inc. ....	\$0.015	4/16/2009	4/23/2009
Helios Multi-Sector High Income Fund, Inc. ....	\$0.010	4/16/2009	4/23/2009
Helios Strategic Income Fund, Inc. ....	\$0.015	4/16/2009	4/23/2009

<b>Fund</b>	<b>Dividend Per Share</b>	<b>Record Date</b>	<b>Payable Date</b>
Helios Advantage Income Fund, Inc. ....	\$0.015	5/13/2009	5/28/2009
Helios High Income Fund, Inc. ....	\$0.015	5/13/2009	5/28/2009
Helios Multi-Sector High Income Fund, Inc. ....	\$0.010	5/13/2009	5/28/2009
Helios Strategic Income Fund, Inc. ....	\$0.015	5/13/2009	5/28/2009

**14. Change of Independent Registered Public Accounting Firm**

On June 25, 2008, the Boards of Directors determined not to retain PricewaterhouseCoopers LLP ("PwC") as the Funds' Independent Registered Public Accounting Firm. The Audit Committee of the Funds then submitted a recommendation to the Board of Directors to engage Briggs, Bunting & Dougherty, LLP ("BBD") as the Funds' Independent Registered Public Accounting Firm for the fiscal year ended March 31, 2009. During the two most recent fiscal years and through June 25, 2008, the date the Board of Directors notified PwC of their decision not to retain them as the Funds' auditor, PwC's audit reports contained no adverse opinion or disclaimer of opinion; nor were their reports qualified as to uncertainty, audit scope or accounting principles. Further, there were no disagreements between the Funds and PwC on accounting principles, financial statements disclosure or audit scope, which, if not resolved to the satisfaction of PwC, would have caused them to make reference to the disagreement in their reports.

During the two most recent fiscal years and through June 25, 2008, the date the Board of Directors approved BBD as the Funds' auditor, the Funds did not consult BBD regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Funds' financial statements, or (2) any matter that was either the subject of a disagreement or a reportable event, as such terms are defined in Item 304 of Regulation S-K.

The Funds provided PwC with a copy of these disclosures and PwC furnished the Funds with a letter addressed to the commission stating that it agrees with the statements made by the Funds herein.

## **HELIOS FUNDS**

### **Report of Independent Registered Public Accounting Firm**

March 31, 2009

---

#### **To the Stockholders and Board of Directors of**

**Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc.,**

**Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc.**

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of the Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc. (formerly RMK Advantage Income Fund, Inc., RMK High Income Fund, Inc., RMK Multi-Sector High Income Fund, Inc. and RMK Strategic Income Fund, Inc., respectively) as of March 31, 2009, and the related statements of operations, changes in net assets and cash flows and the financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The statements of changes in net assets for the year ended March 31, 2008 and the financial highlights for each of the years and periods presented in the four-year period ended March 31, 2008, have been audited by other auditors, whose report dated May 29, 2008 expressed an unqualified opinion on such financial statements and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2009, by correspondence with the custodian and brokers. An audit also includes 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, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc. as of March 31, 2009, the results of their operations, changes in their net assets, their cash flows and their financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements include securities valued at \$2,427,463 (5.97% of net assets), \$1,420,023 (4.70% of net assets), \$1,817,572 (5.43% of net assets) and \$2,270,966 (7.62% percent of net assets) of the Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc., and Helios Strategic Income Fund, Inc., respectively, whose fair values have been estimated under procedures established by the Funds' Board of Directors, in the absence of readily ascertainable market values. These estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

BRIGGS, BUNTING & DOUGHERTY, LLP

Philadelphia, Pennsylvania

May 28, 2009

## **HELIOS FUNDS**

### **Tax Information (Unaudited)**

March 31, 2009

---

For the fiscal year ended March 31, 2009, 46.25%, 37.49%, 48.57% and 29.98% of the distributions to stockholders declared from net investment income for the Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc., respectively, were reclassified as return of capital and are reflected as such in each Fund's Statement of Changes in Net Assets and Financial Highlights.

## HELIOS FUNDS

### Information Concerning Directors and Officers (Unaudited)

The following tables provide information concerning the directors and officers of Helios Advantage Income Fund, Inc., Helios High Income Fund, Inc., Helios Multi-Sector High Income Fund, Inc. and Helios Strategic Income Fund, Inc. (the "Funds").

#### Directors of the Funds

Name, Address and Age	Position(s) Held with Funds and Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Director	Number of Portfolios in Fund Complex Overseen by Director
-----------------------	--	--	---

#### Disinterested Directors

##### Class I Directors to serve until 2009 Annual Meeting of Stockholders:

Robert F. Birch c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 73	Director since July 2008, Member of the Audit Committee, Member of the Nominating and Compensation Committee  Elected for Three Year Term	Director of several investment companies advised by the Advisor (1998-Present); President and Director of New America High Income Fund (1992-Present); Director of Brandywine Funds (3) (2001-2008).	11
--	--	--	----

Stuart A. McFarland c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 61	Director since July 2008, Member of the Audit Committee, Member of the Nominating and Compensation Committee  Elected for Three Year Term	Director of several investment companies advised by the Advisor (2006-Present); Director of Brandywine Funds (2003-Present); Director of New Castle Investment Corp. (2000-Present); Chairman and Chief Executive Officer of Federal City Bancorp, Inc. (2005-2007); Managing Partner of Federal City Capital Advisors (1997- Present).	11
--	--	--	----

#### Disinterested Director

##### Class II Director to serve until 2010 Annual Meeting of Stockholders:

Rodman L. Drake c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 66	Chairman Elected July 2008 Director since July 2008, Member of the Audit Committee, Chairman of the Nominating and Compensation Committee  Elected for Three Year Term	Chairman (since 2003) and Director of several investment companies advised by the Advisor (1989-Present); Director, and/or Lead Director of Crystal River Capital, Inc. (2005-Present); Director of Celgene Corporation (2006-Present); Director of Student Loan Corporation (2005- Present); Director of Apex Silver Mines Limited (2007-2009); General Partner of Resource Capital II and III CIP L.P. (1998-2006); Co- founder, Baringo Capital LLC (2002-Present); Director of Jackson Hewitt Tax Services Inc. ("JTX") (2004-Present); Director of Animal Medical Center (2002-Present); Director and/or Lead Director of Parsons Brinckerhoff, Inc. (1995-2008); Trustee and Chairman of Excelsior Funds (1994-2007); Trustee of Columbia Atlantic Funds (2007-Present).	11
--	---	--	----

**HELIOS FUNDS**  
**Information Concerning Directors and Officers (Unaudited)**

**Directors of the Funds (continued)**

Name, Address and Age	Position(s) Held with Funds and Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Director	Number of Portfolios in Fund Complex Overseen by Director
<b>Disinterested Director</b> <b>Class III Director to serve until 2011 Annual Meeting of Stockholders</b>			
Louis P. Salvatore c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 62	Director since July 2008, Chairman of the Audit Committee, Member of the Nominating and Compensation Committee  Elected for Three Year Term	Director of several investment companies advised by the Advisor (2005-Present); Director of Crystal River Capital, Inc. (2005-Present); Director of Turner Corp. (2003-Present); Director of Jackson Hewitt Tax Services, Inc. (2004-Present); Employee of Arthur Andersen LLP (2002-Present); Partner of Arthur Andersen LLP (1977-2002).	11
<b>Interested Director</b> <b>Class III Director to serve until 2011 Annual Meeting of Stockholders:</b>			
Clifford E. Lai*† c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 55	Director since July 2008  Elected for Three Year Term	Managing Partner of Brookfield Asset Management, Inc. (2006-Present); Chairman (2005-Present), Chief Executive Officer (1998-2007), President (1998-2006) and Chief Investment Officer (1993-2002) of the Advisor; President and Chief Executive Officer (2005-2008) and Director (2005-2009) of Crystal River Capital, Inc.; President and Director of several investment companies advised by the Advisor (1995-Present); Co-Chairman (2003-2006) and Board of Managers (1995-2006) of Hyperion GMAC Capital Advisors, LLC (formerly, Lend Lease Hyperion Capital, LLC).	11
John J. Feeney, Jr.† c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010	Director since 2009 President since July 2008	Member of the Board of Directors (2002-Present), Chief Executive Officer (2007-Present), President (2006-Present) of the Advisor; President (2008-Present) or Vice President (2007-Present) of several investment Companies advised by the Advisor; Executive Vice President and Secretary of Crystal River Capital, Inc. (2005-2007).	11

\* Interested person as defined by the Investment Company Act of 1940, as amended (the "1940 Act") because of affiliations with Hyperion Brookfield Asset Management, Inc., Advisor of the Helios Funds.

† Mr. Lai resigned from the Board of Directors effective April 2009. Mr. Feeney was appointed to the Board of Directors effective April 2009.

## HELIOS FUNDS

### Information Concerning Directors and Officers (Unaudited)

#### Officers of the Funds

Name, Address and Age	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
John J. Feeney, Jr.* c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 49	President	Elected Annually Since July 2008	Member of the Board of Directors (2002-Present), Chief Executive Officer (2007-Present), President (2006-Present) and Director of Marketing (1997-2006) of the Advisor; President (2008-Present) or Vice President (2007-Present) of several investment companies advised by the Advisor; Executive Vice President and Secretary of Crystal River Capital, Inc. (2005-2007).
Dana E. Erikson* c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 43	Vice President	Elected Annually Since July 2008	Senior Portfolio Manager/Managing Director of the Advisor (2006-Present); Senior Portfolio Manager/Managing Director of Evergreen Investment Management Company, LLC (1996-2006).
Steven M. Pires* c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 52	Treasurer**	Elected Annually Since April 2009	Treasurer of several investment companies advised by the Advisor (April 2009-Present); Vice President of Brookfield Operations and Management Services LLC (2008-Present); Assistant Vice President of Managers Investment Group LLC (2004-2008); Vice President of Robeco Investment Management (1999-2004).
Jonathan C. Tyras* c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 40	Secretary***	Elected Annually Since March 2009	Director, General Counsel and Secretary of the Advisor (2006-Present); Vice President and General Counsel (2006-Present) and Secretary (2007-Present) of Crystal River Capital, Inc.; Secretary of several investment companies advised by the Advisor (2006-Present); Attorney at Paul, Hastings, Janofsky & Walker LLP (1998-2006).
Lily Y. Tjioe* c/o Three World Financial Center, 200 Vesey Street, 10 <sup>th</sup> Floor, New York, New York, 10281-1010  Age 30	Interim Chief Compliance Officer ("Interim CCO")***	Elected Annually Since March 2009	Interim CCO of several investment companies advised by the Advisor (March 2009-Present); Assistant Vice President (2009-Present) and Associate (2007-2009) of the Advisor; Juris Doctor, Boston University School of Law (2004-2007); Analyst, Goldman, Sachs & Co. (2000-2004).

\* Interested person as defined by the Investment Company Act of 1940, as amended (the "1940 Act") because of affiliations with Hyperion Brookfield Asset Management, Inc., Advisor of the Helios Funds.

\*\* Thomas F. Doodian served as the Funds' Treasurer until April 2009.

\*\*\* Josielyne K. Pacifico served as the Funds' Secretary and CCO until March 2009.

The Funds' Statement of Additional Information includes additional information about the directors and is available, without charge, upon request by calling 1-800-HYPERION.

## **DIVIDEND REINVESTMENT PLAN**

The Funds offer a dividend reinvestment plan (the “Plan”) pursuant to which stockholders, unless they elect otherwise, automatically have dividends and other distributions reinvested in common shares of the Fund by Computershare Trust Company, N.A. and Computershare Shareholder Services, Inc. (together, the “Plan Agent”). Stockholders who elect not to participate in the Plan receive all distributions in cash paid by wire or check mailed directly to the recordholder by the Plan Agent.

### *How the Plan Works*

After a Fund declares a dividend or determines to make other distributions, the Plan Agent will acquire shares for the participants’ accounts, depending upon the circumstances described below, either (i) through receipt of newly-issued shares of the Fund or (ii) by open-market purchases as follows:

- If, on the payment date, the NAV is equal to or less than the market price per share plus estimated brokerage commissions, the Plan Agent will invest the distribution amount in newly-issued shares on behalf of the participants. The number of newly-issued shares to be credited to each participant’s account will be determined by dividing the dollar amount of the distribution by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the distribution will be divided by 95% of the market price on the payment date. Because common shares may be issued at less than their market price, Plan participants may get a benefit that non-participants do not.
- If, on the payment date, the NAV is greater than the market value per share plus estimated brokerage commissions, the Plan Agent will invest the distribution amount in shares acquired on behalf of the participants in open-market purchases, which may be made on the New York Stock Exchange (“NYSE”), in the over-the-counter market or in negotiated transactions and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. It is possible that the market price for the shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share the Plan Agent pays may exceed the market price thereof on the payment date. If the market price per share increases so that it equals or exceeds the NAV per share (minus estimated brokerage commissions), the Plan Agent will cease its purchases. Otherwise, the Plan Agent will use all distributions received in cash to purchase shares in the open market on or shortly after the payment date, but in no event more than thirty (30) days after the payment date, except where temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of the federal securities laws. If the Plan Agent is unable to invest the full amount through open-market purchases during the purchase period, the Plan Agent will request that, with respect to the uninvested portion of such amount, the Fund issue new shares at the close of business on the earlier of the last day of the purchase period or the first day during the purchase period on which the NAV per share (minus estimated brokerage commissions) equals or is less than the market price per share.

### *Costs of the Plan*

The Plan Agent’s fees for the handling of the reinvestment of dividends and other distributions will be paid by the Funds. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent’s open-market purchases in connection with the reinvestment of dividends and other distributions. If a participant elects to have the Plan Agent sell part or all of his or her shares and remit the proceeds, the participant will be subject to a \$15.00 service fee and a \$0.12 per share sold processing fee (which includes applicable brokerage commissions the Plan Agent is required to pay). The participant will not be charged any other fees for this service. However, each Fund reserves the right to amend the Plan to include a service fee payable by the participant.

### *Tax-Implications*

The automatic reinvestment of dividends or other distributions does not relieve participants of any taxes that may be payable on such distributions. Participants will receive tax information annually for their personal records and to help them prepare their federal income tax returns. For further information as to the tax consequences of participation in the Plan, participants should consult with their own tax advisors.

## **HELIOS FUNDS**

### **Supplemental Information (Unaudited)**

---

#### *Right to Withdraw*

Participants may withdraw from the Plan by calling the Plan Agent at 800-426-5523, writing to the Plan Agent at 250 Royall Street, Canton, Massachusetts 02021 or completing and returning the transaction form attached to each Plan statement. The withdrawal will be effective immediately if the participant's notice is received by the Plan Agent not less than ten days prior to any dividend or other distribution record date. Otherwise, the withdrawal will be effective the first trading day after the payment date for the dividend or other distribution with respect to any subsequent dividend or other distribution.

## **CORPORATE INFORMATION**

---

### **Investment Advisor**

Hyperion Brookfield Asset Management, Inc.  
Three World Financial Center  
200 Vesey Street, 10th Floor  
New York, New York 10281-1010  
www.hyperionbrookfield.com

Please direct your inquiries to:  
Investor Relations  
Phone: 1-800-HYPERION  
E-mail: funds@hyperionbrookfield.com

### **Transfer Agent**

Stockholder inquiries relating to distributions, address changes and stockholder account information should be directed to the Funds' transfer agent:

Computershare Shareholder Services, Inc.  
250 Royall Street  
Canton, Massachusetts 02021  
1-800-426-5523

### **Sub-Administrator**

State Street Bank and Trust Company  
801 Pennsylvania Avenue  
Kansas City, Missouri 64105

### **Independent Registered Public Accounting Firm**

Briggs, Bunting & Dougherty, LLP  
1835 Market Street, 26th Floor  
Philadelphia, Pennsylvania 19103

### **Legal Counsel**

Paul, Hastings, Janofsky and Walker LLP  
75 East 55th Street  
New York, New York 10022

### **Custodian and Fund Accounting Agent**

State Street Bank and Trust Company  
2 Avenue De Lafayette  
Lafayette Corporate Center  
Boston, Massachusetts 02116

The Funds will file their complete schedules of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q will be available on the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, the Funds' Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

You may obtain a description of the Funds' proxy voting policies and procedures, and information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge, upon request by calling 1-800-HYPERION, or go to the SEC's website at [www.sec.gov](http://www.sec.gov).

**Hyperion Brookfield Asset Management, Inc.**

Three World Financial Center  
200 Vesey Street, 10th Floor  
New York, New York 10281-1010  
1-800-HYPERION

[www.hyperionbrookfield.com](http://www.hyperionbrookfield.com)

