

# Helios Multi-Sector High Income Fund, Inc.

DATA AS DECEMBER 31, 2009 (UNAUDITED)

## FUND HIGHLIGHTS

The Fund seeks a high level of current income and capital growth by investing 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 can invest up to 50% of its total assets in investment grade debt securities, up to 30% of its total assets in domestic and foreign equity securities 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.

## NAV/MARKET PRICE HISTORY - TRAILING 18 MONTHS



Performance data quoted represents past performance. Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or market price (as applicable) with all distributions reinvested. The Fund's performance at market price will differ from its results at NAV. Although market price performance generally reflects investment results over time, during shorter periods, returns at market price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less, than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than quoted. To obtain performance information current to the most recent month-end, please call (800) 497-3746. Performance includes reinvestment of income dividends and capital gain distributions. Please refer to the next page for additional disclosures.

## TOP TEN HOLDINGS (%)

COMPANY NAME	SECTOR	(%)
U.S. Steel	Industrials	2.9%
American Tower Corp.	Telecommunications	2.8%
AK Steel Corp.	Industrials	2.6%
Terex Corp.	Capital Goods	2.6%
L-3 Communications Corp.	Capital Goods	2.5%
Frontier Oil Corp.	Energy	2.5%
Charter Communications Corp.	Services Cyclical	2.4%
Chesapeake Energy	Energy	2.4%
Windstream Corp.	Telecommunications	2.4%
Sungard Data Systems	Technology & Electronics	2.3%

The top ten holdings reflect only the top ten long-term holdings in the Fund and will vary over time. The holdings listed should not be considered recommendations to purchase or sell a particular security. Each individual security is calculated as a percentage of the Fund's net assets and does not include the use of derivative positions, where applicable.

For more information, please visit [www.brookfieldim.com](http://www.brookfieldim.com).

## FUND BASICS

Symbol	HMH
Fund Inception Date	01/19/06
Exchange	NYSE
CUSIP	42327Y103
Dividend Frequency	Monthly

## FUND DATA

Total Net Assets (in millions)	\$40.3
Net Asset Value (NAV) Per Share	\$5.31
Share Price	\$4.60
Shares Outstanding	7,588,538
Premium (Discount)	(13.37)%
Dividend Yield <sup>1</sup>	10.43%
Average Effective Maturity	6.87 yrs
Weighted Average Coupon	10.72%
Leverage (Net)	26.3%
Duration (Net)	3.7 yrs

<sup>1</sup> Dividend Yield is calculated by dividing the last distribution per share (annualized) by market price.

## SECTOR ALLOCATION<sup>2</sup>

High Yield Corporate Bonds	93%
Investment Grade Corporate Bonds	2%
Equities	4%
Cash	1%

## CREDIT ALLOCATION<sup>2</sup>

BBB	3%
BB	41%
B	37%
CCC	18%
Cash	1%

<sup>2</sup> Sector and Credit allocations are expressed as a percentage of total investments (by market value) and will vary over time. Credit allocation excludes equities.

## DISTRIBUTION HISTORY (last six months)

Record Date	Dividend Per Share
12/16/09	\$0.040
11/18/09	\$0.040
10/14/09	\$0.040
09/16/09	\$0.040
08/19/09	\$0.050
07/22/09	\$0.050

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## PORTFOLIO MANAGEMENT TEAM

**Dana Erikson** Mr. Erikson is the lead portfolio manager for the Fund. He has over 22 years of investment experience in the high yield and loan business, including management of multiple closed- and open-end high yield and multi-sector funds.  
*Lead Portfolio Manager*

**Anthony Breaks** Mr. Breaks is the co-portfolio manager for the Fund. Mr. Breaks has over 12 years of investment experience, primarily in the area of structured finance investments.  
*Co-Portfolio Manager*

The portfolio managers are supported by Brookfield Investment Management's teams of specialists in the asset-backed securities (ABS), mortgage-backed securities (MBS) and corporate bond sectors.

## MANAGEMENT COMMENTARY

The high yield market set a new record in 2009, posting a total return of 58.1% on the Barclays Capital U.S. High Yield Corporate Index<sup>1</sup>. Quarterly returns cooled compared to the second and third quarters with the Merrill Lynch U.S. High Yield Master II Index rising 6% in the fourth quarter, which was down from 14.8% in the third quarter and 23.2% in the second quarter<sup>2</sup>.

Spreads over U.S. Treasuries on the broad market<sup>3</sup> tumbled from 1,809 basis points to 640 basis points at the end of the year as investors came to move beyond an 'end-of-the-world' view that dominated following the 2008 market crash to a more benign view of credit and equity markets. Driving this reevaluation was a view that the extraordinary and coordinated actions by the Federal government and the Federal Reserve meant that the U.S. economy was likely to avoid a 1930's-type Great Depression.

During 2009, investors saw the primary (new issue) market reopen, at first tentatively and then, more robustly. Beginning in April, new issues came in volume and many traded to a premium in the secondary market, indicating strong investor demand. New deals continued over the year, resulting in a total of \$152 billion of new issuance in 2009, exceeding the 2006 record of \$142 billion<sup>4</sup>. As typically happens, new issues were initially higher-rated companies. However, by the end of the year, the market was accepting more lower-rated companies. As access to capital improved, credit risk was diminished because refinancing risk was reduced and this pushed market spreads narrower.

The level of defaults rose during 2009 and the widely watched 12-month default rate ended the year at 12.7%<sup>5</sup>. However, the market noticed a steady improvement in credit for much of the year as data showed that the number of companies defaulting peaked in March and April 2009, and declined on a monthly basis since then. As a result, investors took more risk during the year as buyers snapped up lower-tier issues which significantly outperformed higher-rated issues. Accordingly, upper-tier BBs rose 41% while the lower-tier CCCs soared 111%<sup>6</sup>.

We continue to maintain our positive view of the high yield market despite the record returns and narrowing in yield spreads, although we caution that the extreme profits of 2009 are unlikely to be repeated for the rest of this credit cycle. We believe defaults have seen their peak for this cycle and will fall throughout 2010. We are also more bullish than the building market consensus which calls for around a 4% default rate in 2010<sup>7</sup>, and are therefore anticipating a better result.

<sup>1</sup> Barclays Capital "High Yield Corporate Update, 2009 Rounddown," January 5, 2010, p. 1. <sup>2</sup> Performance numbers for the Merrill Lynch US High Yield, Master II Index, H0A0 retrieved from Bloomberg.

<sup>3</sup> Performance numbers for the Merrill Lynch US High Yield, Master II Index, H0A0 retrieved from Bloomberg. <sup>4</sup> Barclays Capital "High Yield Corporate Update, 2009 Rounddown," January 5, 2010, p. 2.

<sup>5</sup> Merrill Lynch "Situation Room: High Yield in 2010: Year Ahead Outlook," December 28, 2009, p. 4. <sup>6</sup> JP Morgan "High Yield Market Monitor," January 5, 2010, p. 5.

<sup>7</sup> JP Morgan "High Yield Market Monitor" and "Default Monitor High Yield," January 4, 2010, p. 1.

## ABOUT BROOKFIELD INVESTMENT MANAGEMENT INC.

Helios Multi-Sector High Income Fund, Inc. is managed by Brookfield Investment Management Inc., an SEC-registered investment advisor specializing in core fixed income, high yield, structured products (Commercial MBS, Residential MBS and ABS) as well as global REITs and listed infrastructure securities. Headquartered in New York, the firm has approximately \$24 billion of assets under management as of December 31, 2009. Brookfield Investment Management is a subsidiary of Brookfield Asset Management Inc., a global asset manager focused on property, power and other infrastructure assets with approximately \$90 billion of assets under management as of December 31, 2009.

*All information and data, including portfolio holdings and performance characteristics, is as of December 31, 2009, unless otherwise noted, and is subject to change. Note that closed-end funds often trade at a discount to NAV but may trade at a premium.*

*This closed-end Fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request. The Fund's investment objective may be changed without a vote of the Fund's stockholders. Investment return and principal value of an investment will fluctuate so that investors' shares, when sold, may be worth more or less than their original costs. The Fund may use leverage. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of shares of common stock. Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation and the risk of non-correlation to the relevant instruments they are designed to hedge or to closely track. High yield, lower-rated bonds, may contain more risk due to the increased possibility of default. The return of principal is not guaranteed due to fluctuation in the Fund's NAV caused by changes in the price of individual securities held by the Fund and the buying and selling of securities by the Fund. Bond funds have the same inflation, interest rate and credit risks as individual bonds. Generally, the value of bond funds rises when prevailing interest rates fall, and falls when interest rates rise. Where an S&P rating was not available, a Moody's or Fitch rating was converted to a comparable S&P ratings category. The dividend yield is calculated by annualizing the last monthly distribution and then dividing by the period ending market price. The Fund charges an annual advisory fee of 0.65% management fee and a 0.15% administrative fee. The fees are based on a percentage of the Fund's average daily total assets minus the sum of accrued liabilities other than debt entered into for the purpose of leverage.*

*Effective November 25, 2008, at the recommendation of the Advisor, the Board of Directors of the Fund approved a change in the Fund's benchmark to the Barclays Capital U.S. Corporate High Yield Index, formerly known as the Lehman Brothers U.S. Corporate High Yield Index. The new benchmark more accurately reflects the Fund's expected investment profile than its previous benchmark, the Barclays Capital Ba U.S. High Yield Index, formerly known as the Lehman Brothers Ba U.S. High Yield Index. The Barclays Capital U.S. Corporate High Yield Index is a broad-based unmanaged index of fixed rate, non-investment grade debt. The Barclays Capital 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. It is not possible to invest directly in an index. Each Barclays Index does not reflect fees and expenses associated with the active management of a portfolio.*

## Investment Products:

Not FDIC Insured | May Lose Value | Not Bank Guaranteed

For more information, please visit [www.brookfieldim.com](http://www.brookfieldim.com).