

Avenue Income Credit Strategies Fund  
Form N-Q  
March 30, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-22485

Avenue Income Credit Strategies Fund  
(Exact name of registrant as specified in charter)

399 Park Avenue, 6th Floor

New York, NY  
(Address of principal executive offices)

10022  
(Zip code)

Randolph Takian

Avenue Capital Group

399 Park Avenue, 6th Floor

New York, NY 10022  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 878-3500

Date of fiscal year end: October 31

Date of reporting period: January 31, 2012

---

**Item 1. Schedule of Investments.** The schedule of investments for the period ended January 31, 2012, is filed herewith.

---

## Avenue Income Credit Strategies Fund

## SCHEDULE OF INVESTMENTS

January 31, 2012 (Unaudited)

Security Description	Coupon	Maturity	Principal Amount (000)	Value
<b>CORPORATE BONDS &amp; NOTES 103.4%</b>				
<b>AIRLINES 3.6%</b>				
US Airways 2000-3C Pass Through Trust	8.39%	3/1/2022	\$ 5,784	\$ 4,742,913
<b>COMMERCIAL BANKS 5.1%</b>				
Lloyds Banking Group Capital No.1 PLC (a)	7.88%	11/1/2020	4,200	3,486,000
Royal Bank of Scotland Group PLC	7.65%	8/29/2049	4,000	3,100,000
				6,586,000
<b>COMMUNICATIONS EQUIPMENT 3.8%</b>				
Avaya, Inc. (a)	7.00%	4/1/2019	5,000	4,875,000
<b>CONTAINERS &amp; PACKAGING 2.0%</b>				
Ardagh Packaging Finance PLC (a)	9.25%	10/15/2020	EUR 2,000	2,550,697
<b>DIVERSIFIED TELECOMMUNICATION SERVICES 8.0%</b>				
Intelsat Jackson Holdings SA	11.25%	6/15/2016	\$ 2,000	2,120,000
Intelsat Luxembourg SA	11.25%	2/4/2017	3,000	3,030,000
Level 3 Financing, Inc.:				
	8.75%	2/15/2017	3,000	3,120,000
	10.00%	2/1/2018	2,000	2,135,000
				10,405,000
<b>HEALTH CARE PROVIDERS &amp; SERVICES 8.7%</b>				
HCA, Inc.:				
	7.05%	12/1/2027	745	635,112
	7.50%	11/6/2033	120	108,000
	7.50%	11/15/2095	3,000	2,302,500
	7.58%	9/15/2025	555	510,600
	7.69%	6/15/2025	900	841,500
	7.75%	7/15/2036	525	469,875
Tenet Healthcare Corp.:				
	6.88%	11/15/2031	4,000	3,350,000
	8.00%	8/1/2020	3,000	3,097,500
				11,315,087
<b>HOTELS, RESTAURANTS &amp; LEISURE 15.1%</b>				
Boyd Gaming Corp.	9.13%	12/1/2018	6,000	6,015,000
Chester Downs and Marina LLC (a)	9.25%	2/1/2020	3,000	3,067,500
Punch Taverns Finance Ltd.:				
	5.94%	12/30/2024	GBP 4,000	4,317,694
	7.37%	6/30/2022(a)	1,038	1,308,134
Unique Pub Finance Co. PLC:				
	5.66%	6/30/2027	1,000	1,024,270
	6.54%	3/30/2021	3,300	3,796,104
				19,528,702
<b>HOUSEHOLD DURABLES 3.4%</b>				
K Hovnanian Enterprises, Inc.	10.63%	10/15/2016	\$ 5,000	4,362,500

Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

**INDEPENDENT POWER PRODUCERS & ENERGY**

**TRADERS 4.4%**

GenOn Energy, Inc.	9.50%	10/15/2018	6,000	5,670,000
--------------------	-------	------------	-------	-----------

**INSURANCE 4.8%**

American International Group, Inc.:

	8.00%	5/22/2038(a) EUR	3,000	3,335,527
--	-------	------------------	-------	-----------

	8.18%	5/15/2058 \$	3,000	2,895,000
--	-------	--------------	-------	-----------

6,230,527

**MARINE 3.5%**

Navios Maritime Holdings, Inc. / Navios Maritime Finance

II US, Inc.	8.13%	2/15/2019	5,700	4,488,750
-------------	-------	-----------	-------	-----------

**MEDIA 7.3%**

Sinclair Television Group, Inc.

	8.38%	10/15/2018	6,000	6,390,000
--	-------	------------	-------	-----------

Univision Communications, Inc. (a)

	7.88%	11/1/2020	3,000	3,120,000
--	-------	-----------	-------	-----------

9,510,000

*See accompanying Notes to Schedule of Investments*

Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

Avenue Income Credit Strategies Fund

SCHEDULE OF INVESTMENTS (continued)

January 31, 2012 (Unaudited)

Security Description	Coupon	Maturity	Principal Amount (000)	Value
<b>OIL, GAS &amp; CONSUMABLE FUELS 5.3%</b>				
Connacher Oil and Gas Ltd. (a)	8.50%	8/1/2019	4,000 \$	3,920,000
Offshore Group Investments Ltd.	11.50%	8/1/2015	2,640	2,923,800
				6,843,800
<b>ROAD &amp; RAIL 10.7%</b>				
Nobina Europe AB	9.13%	8/1/2012	EUR 4,900	5,768,499
Swift Services Holdings, Inc.	10.00%	11/15/2018	\$ 7,500	8,146,875
				13,915,374
<b>SPECIALTY RETAIL 12.5%</b>				
CDW LLC / CDW Finance Corp.	8.50%	4/1/2019	7,000	7,350,000
Gymboree Corp.	9.13%	12/1/2018	10,000	8,900,000
				16,250,000
<b>TRADING COMPANIES &amp; DISTRIBUTORS 5.2%</b>				
RSC Equipment Rental, Inc.	8.25%	2/1/2021	6,500	6,711,250
<b>TOTAL CORPORATE BONDS &amp; NOTES</b>				
<b>(Cost \$142,644,137)</b>				133,985,600
<b>SENIOR LOANS 18.4% (b)</b>				
<b>DIVERSIFIED TELECOMMUNICATION SERVICES</b>				
<b>4.9%</b>				
Tyrol Acquisitions 2 SAS Term Loan 2nd Lien (c)	6.48%	7/29/2016	EUR 4,660	4,602,111
Tyrol Acquisitions 2 SAS Term Loan B2 (c)	4.48%	1/29/2016	255	288,053
Tyrol Acquisitions 2 SAS Term Loan C2 (c)	4.73%	1/29/2016	1,275	1,440,263
				6,330,427
<b>ENERGY EQUIPMENT &amp; SERVICES 1.4%</b>				
Abbot Group Ltd. Term Loan B2 (c)	5.79%	3/15/2016	\$ 1,700	1,398,250
Abbot Group Ltd. Term Loan C2 (c)	6.04%	3/15/2017	250	206,875
Abbot Group Ltd. Term Loan C3 (c)	6.04%	3/15/2017	250	206,875
				1,812,000
<b>HOTELS, RESTAURANTS &amp; LEISURE 7.4%</b>				
MGM Resorts International Term Loan E (c)	7.00%	2/21/2014	5,000	4,997,650
Travelodge Hotels Term Loan B (c)	4.92%	9/3/2014	GBP 1,830	2,276,347
Travelodge Hotels Term Loan C (c)	5.24%	9/3/2015	1,830	2,290,766
				9,564,763
<b>MEDIA 4.7%</b>				
Lavena Holdings Revolving Credit Facility (c)	3.52%	3/2/2015	EUR 3,750	3,904,528
Lavena Holdings Term Loan B1 (c)	3.81%	4/10/2015	1,000	1,100,253
Lavena Holdings Term Loan C1 (c)	4.06%	4/9/2016	1,000	1,106,793
				6,111,574
<b>TOTAL SENIOR LOANS</b>				
<b>(Cost \$28,163,306)</b>				23,818,764
<b>TOTAL LONG-TERM INVESTMENTS 121.8%</b>				
<b>(Cost \$170,807,443)</b>				157,804,364
<b>SHORT-TERM INVESTMENTS 1.3%</b>				
<b>REPURCHASE AGREEMENT 1.3%</b>				

Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

State Street Repurchase Agreement, dated 1/31/12, due 2/1/12 at 0.01%, collateralized by Federal National Mortgage Administration Notes maturing 7/30/12, market value \$1,673,325 (repurchase proceeds \$1,633,535) (Cost \$1,633,534)	\$	1,634	1,633,534
<b>TOTAL SHORT-TERM INVESTMENTS</b> 1.3%			
(Cost \$1,633,534)			1,633,534
<b>TOTAL INVESTMENTS</b> 123.1%			
(Cost \$172,440,977)	\$		159,437,898
<b>OTHER ASSETS &amp; LIABILITIES</b> (23.1)%			(29,877,454)
<b>NET ASSETS</b> 100.0%	\$		129,560,444

*See accompanying Notes to Schedule of Investments*

**Avenue Income Credit Strategies Fund**

**SCHEDULE OF INVESTMENTS (concluded)**

*January 31, 2012 (Unaudited)*

Percentages are calculated as a percentage of net assets as of January 31, 2012.

(a) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional investors.

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

(c) Variable rate security. Rate shown is rate in effect at January 31, 2012.

Settlement Date	Amount		Value	In Exchange for U.S. \$	Net Unrealized Appreciation (Depreciation)	Counterparty
<b>FORWARD FOREIGN CURRENCY CONTRACTS TO SELL:</b>						
02/17/2012	22,488,349	EUR	\$ 29,416,690	\$ 30,545,022	\$ 1,128,332	State Street Bank and Trust Co.
02/17/2012	9,830,344	GBP	15,488,833	15,661,134	172,301	State Street Bank and Trust Co.
	<b>TOTAL</b>				<b>\$ 1,300,633</b>	

EUR - Euro Currency

GBP - Great British Pound

**Geographic Allocation of Investments:**

Country	Percentage of Net Assets	Value
United States	82.0%	\$ 106,195,386
United Kingdom	18.1	23,411,315
France	4.9	6,330,427
Germany	4.7	6,111,574
Sweden	4.5	5,768,499
Luxembourg	3.9	5,150,000
Canada	3.0	3,920,000

## Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

Ireland	2.0	2,550,697
Total Investments	123.1% \$	159,437,898

The geographic allocation is based on where the Investment Adviser believes the country of risk to be. Country of risk is traditionally the country where the majority of the issuer's operations are based or where it is headquartered.

*See accompanying Notes to Schedule of Investments*



**Avenue Income Credit Strategies Fund**

**NOTES TO SCHEDULE OF INVESTMENTS**

*January 31, 2012 (Unaudited)*

**1. Organization**

Avenue Income Credit Strategies Fund (the Fund) is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a non-diversified, closed-end management investment company. The Fund's primary investment objective is to seek a high level of current income, with a secondary objective of capital appreciation. The Fund commenced operations on January 27, 2011. Prior to that, the Fund had no operations other than matters relating to its organization and the sale and issuance of 5,240 common shares of beneficial interest (Common Shares) in the Fund to Avenue Capital Management II, L.P. (the Investment Adviser) at a price of \$19.10 per share.

**2. Significant Accounting Policies**

**SECURITY VALUATION** The net asset value (NAV) per Common Share is determined by State Street Bank and Trust Company (State Street) on each day the New York Stock Exchange is open for business as of the close of the regular trading session on the New York Stock Exchange. The NAV per share of the Common Shares is determined by calculating the total value of the Fund's assets (the value of the securities, plus cash and/or other assets, including interest accrued but not yet received), deducting its total liabilities (including accrued expenses and liabilities), and dividing the result by the number of Common Shares outstanding of the Fund.

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

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

Where reliable market quotes are not readily available, loans and debt obligations are valued, where possible, using independent market indicators provided by independent pricing sources approved by the Board of Trustees of the Fund (the Board). Any investment and other assets or liabilities for which current market quotations are not readily available are valued at fair value as determined in good faith in accordance with procedures established by the Board.

Forward foreign currency contracts are valued using quoted foreign exchange rates. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by a third party pricing service. If events materially affecting the price of foreign

## Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the Fund's net asset value was last calculated, such securities may be valued at their fair value as determined in good faith in accordance with procedures established by the Board.

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

---

**Avenue Income Credit Strategies Fund**

**NOTES TO SCHEDULE OF INVESTMENTS (continued)**

*January 31, 2012 (Unaudited)*

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

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

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

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

**3. Derivative Instruments and Hedging Activities**

## Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

The Fund is subject to foreign exchange risk in the normal course of pursuing its investment objectives. Because the Fund holds foreign currency denominated investments, the value of these investments and related receivables and payables may change due to future changes in foreign currency exchange rates. To hedge against this risk, the Fund used forward foreign currency contracts.

At January 31, 2012, the fair value of derivative instruments in an asset position and whose primary underlying risk exposure is foreign exchange risk was \$1,300,633.

---

**Avenue Income Credit Strategies Fund****NOTES TO SCHEDULE OF INVESTMENTS (continued)***January 31, 2012 (Unaudited)***4. Unrealized Appreciation/(Depreciation)**

The cost and unrealized appreciation (depreciation) of investments of the Fund at January 31, 2012, as determined on a federal income tax basis, were as follows:

<b>Aggregate cost</b>	<b>\$</b>	<b>172,440,977</b>
Gross unrealized appreciation	\$	2,820,679
Gross unrealized depreciation		(15,823,758)
<b>Net unrealized depreciation</b>	<b>\$</b>	<b>(13,003,079)</b>

**5. Fair Value Measurements**

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

- Level 1 Prices are determined using quoted prices in active markets for identical assets.
- Level 2 Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.
- Level 3 Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

## Edgar Filing: Avenue Income Credit Strategies Fund - Form N-Q

The valuation techniques used by the Fund to measure fair value during the period ended January 31, 2012 maximized the use of observable inputs and minimized the use of unobservable inputs.

The following is a summary of the tiered valuation input levels, as of January 31, 2012. The Schedule of Investments includes disclosure of each security type by category and/or industry. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the Schedule of Investments may materially differ from the value received upon actual sale of those investments.

During the period ended January 31, 2012, there were no significant transfers between investment levels.

---

**Avenue Income Credit Strategies Fund**

**NOTES TO SCHEDULE OF INVESTMENTS (concluded)**

*January 31, 2012 (Unaudited)*

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investment Securities in an Asset Position</b>				
Corporate Bonds and Notes				
Airlines	\$	\$	\$ 4,742,913	\$ 4,742,913
All Other		129,242,687		129,242,687
Senior Loans		23,818,764		23,818,764
Repurchase Agreements		1,633,534		1,633,534
<b>Total Investment Securities in an Asset Position</b>	<b>\$</b>	<b>\$ 154,694,985</b>	<b>\$ 4,742,913</b>	<b>\$ 159,437,898</b>
Other Financial Instruments - Forward Foreign Currency Contracts*		1,300,633		1,300,633
<b>Total Asset Position</b>	<b>\$</b>	<b>\$ 155,995,618</b>	<b>\$ 4,742,913</b>	<b>\$ 160,738,531</b>

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

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

**Item 2. Controls and Procedures.**

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

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

**Item 3. Exhibits.**

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

---



**SIGNATURES**

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

Avenue Income Credit Strategies Fund

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

Date March 29, 2012

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

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

Date March 29, 2012

By /s/ Robert Ollwerther  
Robert Ollwerther  
Treasurer and Chief Financial Officer (Principal Financial Officer)

Date March 29, 2012

---