Avenue Income Credit Strategies Fund
Form N-CSRS
July 08, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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 10022
(Address of principal executive offices) (Zip code)

Copy to:

Randolph Takian
Avenue Capital Group
399 Park Avenue, 6th Floor
New York, NY 10022
(212) 878-3500

Stuart Strauss
Dechert LLP
1095 Avenue of the Americas
New York, NY 10036

(Name and address of agent for service)

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

Date of fiscal year end: October 31, 2013

Date of reporting period: April 30, 2013

Item 1. Shareholder Report

Avenue Income Credit Strategies Fund

Manager Commentary

April 30, 2013 (unaudited)

Dear Shareholder,

We are pleased to present the 2013 Semi Annual Report for Avenue Income Credit Strategies Fund (the Fund). The Manager Commentary covers the six month period ended April 30, 2013.

Fund Objective

The Fund s primary investment objective is to seek a high level of current income with a secondary objective of capital appreciation. Depending on current market conditions and the Fund s outlook over time, the Fund seeks to achieve its investment objectives by opportunistically investing primarily in loan and debt instruments (and loan-related or debt-related instruments, including repurchase and reverse repurchase agreements and derivative instruments) of issuers that operate in a variety of industries and geographic regions.

Performance

For the six month period ended April 30, 2013, the Fund had a total return of 10.92% based on net asset value, and 6.00% based on market value. For the one year period ended April 30, 2013, the Fund had a total return of 22.35% based on net asset value, and 19.23% based on market value. The average annual total return from January 27, 2011 (inception) through April 30, 2013, was 9.63% based on net asset value, and 4.67% based on market value. The closing price of the Fund s shares as of April 30, 2013 on the New York Stock Exchange was $18.59 representing a 5.68% discount to the Fund s net asset value per share of $19.71.

High Yield Bond and Bank Loan Market Returns for the Period November 1, 2012 to April 30, 2013(1)

The Fund invests across a range of assets. The Fund does not benchmark its returns to any indices. However, the indices below cover asset classes that Avenue Capital Management II, L.P. (the Adviser) believes are the same as, or similar to, the asset classes to which the Fund s assets are exposed (in whole or in part).

Fund/Index	**Return Over the Period 11/1/2012 - 4/30/2013**
Avenue Income Credit Strategies Fund (ACP) based on net asset value	10.92%
Avenue Income Credit Strategies Fund (ACP) based on market value	6.00%

The BofA Merrill Lynch US High Yield Master II Index	7.26%
The BofA Merrill Lynch Single-B US High Yield Index	7.26%
CS Leveraged Loan Index	4.31%
The BofA Merrill Lynch Euro High Yield Index	8.45%
The BofA Merrill Lynch Single-B Euro High Yield Index	8.77%
S&P European Leveraged Loan Index (ELLI)	4.14%
Standard and Poor s 500 Index (S&P 500 Index)	13.13%

Performance information is not annualized. The Fund commenced operations on January 27, 2011. Performance data shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data shown. Investment returns and principal value will fluctuate, and when sold, your investment may be worth more or less than its original cost. Accordingly, it is possible to lose money investing in the Fund. All returns assume reinvestment of all dividends. Shares of closed-end investment companies frequently trade at a discount to their net asset value, which may increase an investor s risk of loss. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that a fund s net asset value will decrease. The Fund s shares are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution.

Factors Affecting Performance

The Fund posted strong performance over the period as it benefited from solid security selection across a number of positions within the portfolio. Additionally, the Fund benefitted from the market conditions of rising risk asset prices and sustained low treasury yields. The robust new issuance market allowed the Fund to take advantage of several short term trading opportunities. We believe that the Fund s approach of analyzing each investment on the merits of issuer, industry and rating has benefitted performance and should, in our opinion, continue to allow us to select the credits that are likely to be drivers of alpha.

In addition, the following factors contributed positively to performance:

- Among the top performing credits were companies in the financial and housing sectors. Specific credits included K Hovnanian Enterprises Inc., American General Finance, American International Group, Inc., Radian Group Inc. and Lloyds Banking Group PLC. In addition, the Fund was underweighted to BB-rated bonds and bank loans; the underperformance of these relative to high yield bonds contributed positively to performance.

- The Fund s weight to European credits positively impacted performance. European credits (which averaged more than 30% of the portfolio during the period) performed better than their U.S. counterparts. The return of The BofA Merrill Lynch Euro High Yield Index during the period was 8.45% vs. 7.26% return for The BofA Merrill Lynch US High Yield Master II Index.(1)

- The primary detractors to performance were Cengage Learning Acquisitions Inc., Connacher Oil and Gas Ltd., Nobina SAB and Gymboree Corp., as well as a portfolio hedge (a short position in Ishares Iboxx High Yield Corporate Bond Fund) that was implemented in early December due to macro concerns over the pending year-end fiscal cliff deal.

During the period, the Fund utilized leverage which in a rising market can magnify gains and in a declining market can magnify losses. As the markets in which the Fund invests were up a meaningful amount in the period, the Fund s leverage contributed to its outperformance. The Fund s outstanding borrowings increased from $50 million to $65 million during the period.

Fueled by investor demand and low treasury yields, credit markets remained firm during the period driving U.S. high yield bond yields to a record low of 5.41%.(2) Having price appreciation in mind, we hedged when deemed appropriate and were mindful of cash holdings, seeking attractive entry points.

With mostly positive economic news from the U.S. and European tail risks subsiding, we took gains in some of our positions as positive investor sentiment lifted prices higher. We ended the period with the S&P 500 Index closing at 1,597.57, and the Dow Jones Industrial Average closing at 14,839.80.(3) We were pleased with our credit selection leading to alpha generation for our investors over the period.

Market Outlook

The U.S. markets performed strongly over the period, largely in reaction to a stabilizing outlook for the Eurozone, the continued U.S. economic recovery and healthy quarterly results from U.S. corporates. Specifically within the levered credit markets, debt new issuance was robust and inflows to credit mutual funds remained healthy. Bonds and loans were supported by continued strength in equities. The positive news has been well received by the market, but gross domestic product (GDP) growth may continue to be sluggish. Corporate earnings have remained on course, but lower guidance going forward and soft margins keep us mindful of downside risks. For 2013, S&P 500 Index consensus earnings per share estimates have fallen 2%, and 2014 estimates have fallen 1%.(4)

Despite concerns regarding the U.S. presidential election, debt ceiling and fiscal cliff in the U.S., debt capital markets remained resilient and continued to be strong through the period, buoyed by a material decline in European tail risks and a much-improved U.S. housing market.

Investors took comfort after the Federal Reserve announced its latest form of quantitative easing whereby, beginning in January 2013, it would purchase $45 billion of Treasury securities every month, in addition to the existing program to purchase $40 billion of mortgage-backed securities per month. The Federal Reserve also indicated that its near-zero interest rate policy would remain in place until the unemployment rate hits 6.5%.(5)

On the U.S. economic front, the most encouraging news flow came from the housing sector. Housing starts for each month of the first quarter of 2013 were significantly above the prior year levels, with March 2013 starts at 46.7% above the March 2012 level.(6) Jobs numbers were also generally supportive of the continued, if protracted, U.S. recovery. Showing some degree of improvement from 8.2% unemployment in March 2012, the unemployment rate declined during the period from 7.9% in January 2013 to 7.6% in March 2013.(7) Revisions to employment released during the period were all more favorable than previously-announced data.

The European high yield market has become increasingly bifurcated, with assets being drawn to large liquid names and shying away from smaller issuers. Small and mid-cap companies are facing the dual challenges of a low growth environment and reduced access to capital. With continued weak GDP growth across the Eurozone, companies without a diversified revenue stream are having trouble growing into their balance sheets. With access to capital having diminished, the number of bankruptcies for these companies has increased.

In Europe, the markets took solace in Mario Draghi s Outright Monetary Transactions (OMT) program. With the OMT backstop in place, investors drove down yields in the peripheral countries, including Spain and Italy. Ireland and Portugal continued to make progress with their fiscal adjustments, and partially regained access to the bond markets.

As sovereign fears abated, investors hoped that action by the European Central Bank (ECB) would filter into the real economy, improving economic data. While there were some green shoots (i.e. signs of growth and recovery) in January, it appears that the economic data has stabilized at low levels and it is possible that Europe could muddle along in a slight recession for all of 2013. With Eurozone GDP contraction in the third and fourth quarters of 2012, the Purchasing Managers Index (PMI) registering below 50, unemployment levels reaching new highs, and continued austerity measures, it remains difficult to see where economic growth will come from in Europe.

Cyprus entered the fray March 16th when Euro officials announced a new tax on bank deposits in efforts to raise funds as part of a 10 billion rescue plan.(8) This announcement prompted concerns of contagion (i.e. similar policies developing elsewhere in Europe). On balance, we believe that Eurozone risks are no longer systemic in nature, but rather economic and will take years to resolve.

Moving forward, opportunities in the leveraged loan space are currently less attractive than bonds with 82% of the leveraged loan market trading above par.(2) High yield new issuance has surged, with March pricing $43 billion for the fifth highest month volume on record.(2) Year-to-date high yield new issuance is already $149.9 billion (as of April 26, 2013), compared to $126.4 billion for the same period last year. Of this record new issuance, 65% of this year s proceeds have been used for refinancing.(2)

Below are data points we find significant to our asset mix and credit selection process:

U.S. high yield defaults continue to be below average

- For 2013, seven bond issuers have defaulted on $2.3 billion in high yield bonds (through April 26, 2013). During 2012, 20 companies had defaulted on high yield bonds, affecting $14.1 billion, compared with 21 defaults and $18.5 billion in 2011 during the same time frame.(2)

- The par-weighted high yield default rate is 0.96%, and is slightly higher including distressed exchanges at 1.13%.(2)

- It is anticipated that the high yield default rate will remain below its 4.0% long-term average over the next few years. The refinancings of high yield bonds over the past two years have significantly pushed out the wall of maturities and delayed, in our opinion, a number of inevitable defaults.

Leveraged loan defaults continue to be below average

- For 2013, five loan borrowers have defaulted affecting $4.5 billion in institutional loans (through April 26, 2013). During 2012, 22 companies had defaulted on institutional loans, affecting $8.4 billion, compared with 10 defaults and $2.4 billion in 2011 during the same time frame.(2)

- The par-weighted loan default rate is 1.66%, and is slightly higher including distressed exchanges at 1.84%.(2)

- It is anticipated that the loan default rate will remain below its 3.5% long-term average over the next few years. Similar to high yield bonds, the substantial amount of loan refinancings have significantly pushed out the wall of maturities .

European high yield bond and leveraged loan default outlook

- Weak economic conditions, including a recessionary environment across the Eurozone, combined with continued deleveraging by the European commercial banks and financial institutions, lead us to believe that defaults in Europe should continue to increase and remain elevated for the foreseeable future.

We continue to work hard identifying attractive investment opportunities across the performing, stressed and distressed universe on a global basis. We appreciate your continued interest and support.

Avenue Capital Management II, L.P.

May 2013

The views and opinions in the preceding discussion are subject to change. There is no guarantee that any market forecast set forth in the discussion will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

(1) The BofA Merrill Lynch US High Yield Master II Index tracks the performance of short-term US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. The BofA Merrill Lynch Single-B US High Yield Index is a subset of The BofA Merrill Lynch US High Yield Master II Index including all securities rated B1 through B3, inclusive. The CS Leveraged Loan Index is designed to mirror the investible universe of the US dollar denominated leveraged loan market. The BofA Merrill Lynch Euro High Yield Index tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or Eurobond markets. The BofA Merrill Lynch Single-B Euro High Yield Index is a subset of The BofA Merrill Lynch Euro High Yield Index including all securities rated B1 through B3, inclusive. The S&P European Leveraged Loan Index (ELLI) is a market-value-weighted index designed to measure the performance of the European institutional leveraged loan market. On a real-time basis, the ELLI tracks the current outstanding balance and spread over EURIBOR for fully funded term loans. The facilities included in the ELLI represent a broad cross section of leveraged loans syndicated in Europe. The Standard and Poor s 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Investors cannot invest directly in an index, and index performance does not reflect the deduction of any fees or expenses. There are material differences between such indices and the Fund, including without limitation that such indices are unmanaged, broadly-based indices, do not reflect payment of management or brokerage fees and differ in numerous other respects from the portfolio composition of the Fund; as a result, the Fund s investment portfolio is materially different from any given index. Indices include reinvestment of dividends and other income.

(2) J.P. Morgan Credit Strategy Weekly Update, April 26, 2013.

(3) Bloomberg as of May 22, 2013.

(4) Goldman Sachs US Equity Views, May 3, 2013.

(5) FOMC Press Release, January 30, 2013.

(6) U.S. Census Bureau, New Residential Construction in March 2013, April 16, 2013.

(7) U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, as of April 26, 2013.

(8) Cyprus Bank Deposits to Be Taxed in $13 Billion Bailout, Bloomberg, March 16, 2013.

Avenue Income Credit Strategies Fund

Financial Data(a)

April 30, 2013 (unaudited)

Security Type(b)(f) **Ratings(b)(g)** **Geographic Allocation(b)(d)**

Top Five Industries(b)

Top 10 Largest Holdings(b)(c)

1	American International Group, Inc.	3.4%

2	K Hovnanian Enterprises, Inc.		3.1%
3	Avaya, Inc.		2.9%
4	Punch Taverns Finance Ltd.		2.9%
5	Tenet Healthcare Corp.		2.8%
6	US Airways, Inc.		2.7%
7	Edgen Murray Corp.		2.5%
8	Caesars Entertainment Corp.		2.5%
9	Ontex		2.5%
10	Univision Communications, Inc.		2.4%
		Total Top 10:	**27.7%**

(a) Fund information is subject to change due to active management. Data are based on total market value of the Fund investments unless otherwise indicated.

(b) As a percent of managed assets. Percentages may not add to 100% in all cases due to rounding.

(c) Beginning November 30, 2012, the holdings of the Fund were calculated based on Issuer as opposed to Issue.

(d) Geographic Allocation is based on where Avenue believes the country of risk to be. Country of risk is the country where the majority of the company s operations are based or where it is headquartered. Investment in non-U.S. securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

(e) Cash and Cash Equivalents includes cash as well as other non-investment asset and liabilities (net), excluding borrowings under credit facilities.

(f) Security Type, as defined by Avenue, is sourced from Bloomberg as well as developed via internal classifications.

(g) Beginning November 30, 2012, ratings information represent Standard & Poor s ratings on instruments in the portfolio. Ratings are provided for informational purposes only and may change over time. Standard & Poor s rates securities from AAA (highest quality) to C (lowest quality), and D to indicate securities in default. BB and below are considered below investment grade securities. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield (junk) bonds. The Fund may invest all or a substantial portion of its assets in below investment grade securities which are often referred to as high yield or junk securities.

Avenue Income Credit Strategies Fund

Schedule of Investments

April 30, 2013 (unaudited)

Security Description	Coupon	Maturity		Principal Amount (000)		Value
CORPORATE BONDS & NOTES 119.3%						
Aerospace & Defense 2.1%						
Silver II Borrower / Silver II US Holdings LLC (a)	7.75%	12/15/2020	$	3,800	$	4,075,500
Airlines 3.6%						
US Airways 2000-3C Pass Through Trust	8.39%	3/1/2022		5,370		5,463,803
US Airways 2011-1C Pass Through Trust	10.88%	10/22/2014		1,337		1,430,923
						6,894,726
Building Products 4.0%						
HD Supply, Inc.	10.50%	1/15/2021		4,150		4,352,313
Nortek, Inc.	10.00%	12/1/2018		3,000		3,371,250
						7,723,563
Chemicals 4.8%						
Kerling PLC (a)	10.63%	2/1/2017	EUR	3,000		4,094,070
Perstorp Holding AB (a)	8.75%	5/15/2017	$	4,825		5,192,906
						9,286,976
Commercial Banks 3.3%						
Lloyds Banking Group Capital No.1 PLC (a)	7.88%	11/1/2020		2,000		2,184,000
Royal Bank of Scotland Group PLC	7.65%	8/29/2049		4,000		4,200,000
						6,384,000
Communications Equipment 5.4%						
Aspect Software, Inc.	10.63%	5/15/2017		2,925		3,071,250
Avaya, Inc. (a)	10.50%	3/1/2021		8,000		7,380,000
						10,451,250
Containers & Packaging 6.3%						
Albea Beauty Holdings SA (a)	8.38%	11/1/2019		3,200		3,440,000
Ardagh Packaging Finance PLC (a)	9.25%	10/15/2020	EUR	3,000		4,385,445
Reynolds Group Issuer, Inc. / Reynolds Group Issuer LLC	9.00%	4/15/2019	$	4,000		4,320,000
						12,145,445
Diversified Financial Services 2.2%						
Springleaf Finance Corp.	6.90%	12/15/2017		4,000		4,162,500
Diversified Telecommunication Services 3.6%						
Level 3 Financing, Inc.	10.00%	2/1/2018		2,000		2,202,500
Numericable Finance & Co. SCA (a)	12.38%	2/15/2019	EUR	3,000		4,701,513
						6,904,013
Electric Utilities 2.9%						
Energy Future Holdings Corp. (a)	11.75%	3/1/2022	$	4,950		5,667,750
Energy Equipment & Services 7.1%						
Hercules Offshore LLC (a)	10.25%	4/1/2019		4,990		5,726,025
Ocean Rig UDW, Inc. (a)	9.50%	4/27/2016		4,800		5,064,000
Tervita Corp. (a)	8.00%	11/15/2018		2,725		2,854,438
						13,644,463
Food & Staples Retailing 0.5%						
Chiquita Brands International, Inc. / Chiquita Brands LLC (a)	7.88%	2/1/2021		850		911,625

See Accompanying Notes to Financial Statements.

Security Description	Coupon	Maturity		Principal Amount (000)		Value
Health Care Providers & Services 9.7%						
HCA, Inc.:						
	7.05%	12/1/2027	$	745	$	754,312
	7.50%	11/6/2033		120		125,400
	7.50%	11/15/2095		3,000		2,782,500
	7.58%	9/15/2025		555		592,463
	7.69%	6/15/2025		900		974,250
	7.75%	7/15/2036		525		546,000
Priory Group Ltd. (a)	7.00%	2/15/2018	GBP	3,500		5,790,111
Tenet Healthcare Corp.:						
	6.88%	11/15/2031	$	4,000		3,740,000
	8.00%	8/1/2020		3,000		3,375,000
						18,680,036
Hotels, Restaurants & Leisure 10.4%						
Boyd Gaming Corp. (a)	9.00%	7/1/2020		2,325		2,534,250
Caesars Operating Escrow LLC / Caesars Escrow Corp. (a)	9.00%	2/15/2020		6,615		6,515,775
Punch Taverns Finance Ltd.:						
	5.94%	12/30/2024	GBP	4,000		5,902,729
	7.37%	6/30/2022(a)		934		1,472,434
Unique Pub Finance Co. PLC	5.66%	6/30/2027		2,500		3,718,331
						20,143,519
Household Durables 4.1%						
K Hovnanian Enterprises, Inc. (a)	9.13%	11/15/2020	$	7,000		7,945,000
Household Products 0.2%						
The Sun Products Corp. (a)	7.75%	3/15/2021		470		485,275
Industrial Conglomerates 3.4%						
Edgen Murray Corp. (a)	8.75%	11/1/2020		6,160		6,552,700
Insurance 4.5%						
American International Group, Inc.:						
	8.00%	5/22/2038(a)	EUR	3,000		4,652,128
	8.18%	5/15/2068	$	3,000		4,057,500
						8,709,628
Machinery 2.8%						
Meritor, Inc.:						
	7.88%	3/1/2026(a)		1,045		1,177,584
	10.63%	3/15/2018		3,500		3,858,750
Milacron LLC / Mcron Finance Corp. (a)	7.75%	2/15/2021		460		478,400
						5,514,734
Marine 1.5%						
Navios Maritime Holdings, Inc. / Navios Maritime Finance II US, Inc.	8.13%	2/15/2019		3,000		2,842,500
Media 9.3%						
Cengage Learning Acquisitions, Inc. (a)	11.50%	4/15/2020		4,000		3,140,000
Central European Media Enterprises Ltd. (a)	11.63%	9/15/2016	EUR	2,500		3,522,843
Clear Channel Communications, Inc.	9.00%	3/1/2021	$	1,500		1,466,250
Clear Channel Worldwide Holdings, Inc.	7.63%	3/15/2020		3,500		3,771,250
Univision Communications, Inc.:						
	7.88%	11/1/2020(a)		3,000		3,375,000
	8.50%	5/15/2021(a)		2,500		2,787,500
						18,062,843
Metals & Mining 0.6%						
AK Steel Corp. (a)	8.75%	12/1/2018		970		1,076,700

See Accompanying Notes to Financial Statements.

Security Description	Coupon	Maturity		Principal Amount (000)		Value
Oil, Gas & Consumable Fuels 9.9%						
Calumet Specialty Products Partners LP/Calumet Finance Corp.	9.38%	5/1/2019	$	3,480	$	3,897,600
CHC Helicopter SA	9.25%	10/15/2020		4,780		5,096,675
Connacher Oil and Gas Ltd. (a)	8.50%	8/1/2019		4,000		2,550,000
Halcon Resources Corp. (a)	8.88%	5/15/2021		2,350		2,520,375
Midstates Petroleum Co, Inc. / Midstates Petroleum Co. LLC (a)	10.75%	10/1/2020		2,680		2,948,000
Penn Virginia Resource Partners LP / Penn Virginia Resource Finance Corp. II	8.38%	6/1/2020		2,000		2,162,500
						19,175,150
Paper & Forest Products 2.1%						
Lecta SA (a)	8.88%	5/15/2019	EUR	3,000		4,099,008
Personal Products 3.3%						
Ontex IV (a)	7.50%	4/15/2018		4,560		6,425,665
Road & Rail 0.9%						
Swift Services Holdings, Inc.	10.00%	11/15/2018	$	1,500		1,717,500
Software 1.9%						
Infor US, Inc.	9.38%	4/1/2019		3,250		3,705,000
Specialty Retail 1.4%						
CDW LLC / CDW Finance Corp.	8.50%	4/1/2019		2,500		2,803,125
Textiles, Apparel & Luxury Goods 1.7%						
Takko Luxembourg 2 SCA (a)	9.88%	4/15/2019	EUR	2,560		3,287,108
Thrifts & Mortgage Finance 3.0%						
Radian Group, Inc.	9.00%	6/15/2017	$	5,000		5,725,000
Wireless Telecommunication Services 2.8%						
Arqiva Broadcast Finance PLC (a)	9.50%	3/31/2020	GBP	2,375		3,910,558
NII International Telecom Sarl (a)	11.38%	8/15/2019	$	1,350		1,559,250
						5,469,808
TOTAL CORPORATE BONDS & NOTES (Cost $216,985,875)						230,672,110
SENIOR LOANS (c) 6.0%						
Communications Equipment 0.8%						
Alcatel Lucent Term Loan C (b)	7.25%	1/30/2019		1,546		1,583,897
Containers and Packaging 0.3%						
Caraustar Industries Inc. Term Loan (b)	6.50%	5/1/2019		660		663,300
Diversified Telecommunication Services 2.9%						
Tyrol Acquisitions 2 SAS Term Loan 2nd Lien PIK (b)	4.37%	7/29/2016	EUR	4,731		5,582,765
Electric Utilities 1.1%						
Astoria Generating Company Acquisitions Term Loan (b)	8.50%	10/26/2017	$	2,000		2,075,000
Oil, Gas & Consumable Fuels 0.9%						

Panda Temple Power LLC Term Loan B	7.25%	4/3/2019	1,620	1,652,400
TOTAL SENIOR LOANS (Cost $11,929,799)				11,557,362
			Shares (000)	
PREFERRED STOCK 1.2%				
COMMERCIAL BANKS 1.2%				
HBOS Capital Funding LP	6.85%	3/23/2049	2,249	2,240,004
TOTAL PREFERRED STOCKS (Cost $2,025,757)				2,240,004
TOTAL LONG-TERM INVESTMENTS 126.5% (Cost $230,941,431)				244,469,476

See Accompanying Notes to Financial Statements.

Security Description	Principal Amount (000)	Value
SHORT-TERM INVESTMENTS 5.1%		
REPURCHASE AGREEMENT 5.1%		
State Street Repurchase Agreement, dated 4/30/13, due 5/1/13 at 0.01%, collateralized by Federal National Mortgage Association obligations maturing 12/1/26, market value $10,024,098 (repurchase proceeds $9,825,012) (Cost $9,825,009)	$ 9,825	$ 9,825,009
TOTAL SHORT-TERM INVESTMENTS 5.1% (Cost $9,825,009)		9,825,009
TOTAL INVESTMENTS 131.6% (Cost $240,766,440)		254,294,485
OTHER ASSETS & LIABILITIES (31.6)%		(61,027,471)
NET ASSETS 100.0%		$ 193,267,014

Percentages are calculated as a percentage of net assets as of April 30, 2013.

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

(b) Variable rate security. Rate shown is rate in effect at April 30, 2013.

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

PIK Payment in Kind
PLC Public Limited Company
SCA Societe en Commandite par Actions

Forward Foreign Currency Contracts:

Settlement Date	Amount		Value	In Exchange for U.S. $	Net Unrealized Appreciation (Depreciation)	Counterparty
Forward Foreign Currency Contracts to Buy:						
05/07/2013	EUR	35,803,202	$ 47,152,244	$ 46,669,640	$ 482,604	State Street Bank and Trust Co.
05/07/2013	GBP	15,783,431	24,516,376	24,266,769	249,607	State Street Bank and Trust Co.
					732,211	
Forward Foreign Currency Contracts to Sell:						
05/07/2013	EUR	35,803,202	47,152,245	48,417,668	1,265,423	State Street Bank and Trust Co.
05/07/2013	GBP	15,783,431	24,516,376	24,763,372	246,996	State Street Bank and Trust Co.

08/06/2013	EUR	31,438,508	41,429,701	40,915,426	(514,275)	State Street Bank and Trust Co.
08/06/2013	GBP	13,011,602	20,200,398	20,070,656	(129,742)	State Street Bank and Trust Co.
					868,402	
	Total				**$ 1,600,613**	

EUR Euro Currency

GBP Great British Pound

See Accompanying Notes to Financial Statements.

Geographic Allocation of Investments:

Country	Percentage of Net Assets	Value
United States (Includes Short-Term Investments)	81.5% $	157,361,235
United Kingdom	19.5	37,611,245
France	7.9	15,308,175
Canada	5.4	10,501,113
Luxembourg	4.6	8,921,858
Belgium	3.3	6,425,665
Sweden	2.7	5,192,906
Greece	2.6	5,064,000
Ireland	2.3	4,385,445
Czech Republic	1.8	3,522,843
Total Investments	131.6% $	254,294,485

The geographic allocation is based on where Avenue Capital Management II L.P., the investment adviser, believes the country of risk to be. Country of risk is traditionally the country where the majority of the company s operations are based or where it is headquartered.

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Statement of Assets and Liabilities

April 30, 2013 (unaudited)

Assets		
Investments in securities of unaffiliated issuers, at value (cost $240,766,440)	$	254,294,485
Interest receivable unaffiliated issuers		5,023,271
Unrealized appreciation on forward foreign currency contracts		1,600,613
Prepaid expenses		91,524
Total Assets		261,009,893
Liabilities		
Payable for line of credit		65,000,000
Payable for investments purchased		2,258,850
Accrued investment advisory fee		261,701
Accrued Trustee s fees and expenses		14,279
Interest payable		3,250
Accrued expenses		204,799
Total Liabilities		67,742,879
Net Assets	$	193,267,014
Net Asset Value Per Common Share		
$193,267,014 divided by 9,805,554 common shares outstanding	$	19.71
Net Assets Consist of:		
Common shares, $0.001 par value, unlimited number of shares authorized, 9,805,554 shares issued and outstanding	$	9,806
Paid in capital		175,958,672
Undistributed net investment income		904,024
Accumulated net realized gain on investments, forward foreign currency contracts, foreign currency transactions and swap contracts		1,257,025
Net unrealized appreciation (depreciation) on investments, forward foreign currency contracts, foreign currency translations and swap contracts		15,137,487
Net Assets	$	193,267,014

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Statement of Operations

For the six months ended April 30, 2013 (unaudited)

Investment Income:		
Interest income unaffiliated issuers	$	9,307,005
Interest income affiliated issuers		629,911
Total Investment Income		9,936,916
Expenses		
Investment Advisory fee		1,535,889
Interest expense and commitment fee		346,519
Professional fees		170,439
Custody fees		82,510
Accounting and Administration fees		73,545
Insurance expense		47,641
Trustee s fees and expenses		43,005
Shareholder reporting expenses		38,165
Loan servicing fees		6,247
Transfer agent fees		4,576
Other expenses		38,527
Total expenses		2,387,063
Expenses reimbursed by Investment Adviser		(34,550)
Net Expenses		2,352,513
Net Investment Income		7,584,403
Realized And Unrealized Gain (Loss) on Investments, Forward Foreign Currency Contracts, Foreign Currency Transactions and Swap Contracts:		
Net realized gain (loss) on:		
Investments in securities of unaffiliated issuers		3,492,210
Investments in securities of unaffiliated issuers sold short		(201,067)
Investments in securities of affiliated issuers		(766,574)
Forward foreign currency contracts		(4,075,583)
Foreign currency transactions		(48,016)
Swap contracts		10,394
		(1,588,636)
Net change in unrealized appreciation (depreciation) on:		
Investments in securities of unaffiliated issuers		8,697,422
Investments in securities of affiliated issuers		213,724
Forward foreign currency contracts		4,110,584
Foreign currency transactions		3,893
Swap contracts		242,454
		13,268,077
Net realized and unrealized gain on investments, forward foreign currency contracts, foreign currency transactions and swap contracts		11,679,441
Net increase in net assets resulting from operations	$	19,263,844

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Statement of Changes In Net Assets

	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Increase In Net Assets From Operations:		
Net investment income	$ 7,584,403	$ 13,289,391
Net realized gain (loss) on investments, forward foreign currency contracts, foreign currency transactions and swap contracts	(1,588,636)	3,237,532
Net change in unrealized appreciation (depreciation) on investments, forward foreign currency contracts, foreign currency transactions and swaps	13,268,077	14,880,001
Net increase in net assets resulting from operations	19,263,844	31,406,924
Distributions To Shareholders from:		
Net investment income	(7,058,292)	(12,791,435)
Total distributions to shareholders	(7,058,292)	(12,791,435)
From Beneficial Interest Transactions:		
Reinvestment of distributions	70,707	
Net proceeds from the sale of shares during rights offering (net of offering costs of $406,747)		35,788,588
Net increase (decrease) in net assets from beneficial interest transactions	70,707	35,788,588
Net increase in net assets during the period	12,276,259	54,404,077
Net assets at beginning of period	180,990,755	126,586,678
Net assets, end of period (including undistributed net investments income of $904,024 and $377,913, respectively)	$ 193,267,014	$ 180,990,755

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Statement of Cash Flows

For the six months ended April 30, 2013 (unaudited)

Cash Flows from Operating Activities		
Net increase in net assets resulting from operations	$	19,263,844
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Investments purchased		(100,028,901)
Investments sold		103,413,764
Increase in short term investments, net		(5,453,187)
Net amortization/accretion of premium/(discount)		(159,966)
Increase in interest receivable		(652,369)
Decrease in premiums received for open swap contracts		(634,700)
Change in unrealized depreciation on forward foreign currency transactions		(4,110,584)
Increase in prepaid expenses		(64,494)
Decrease in cash collateral held at broker		750,000
Increase in accrued investment advisory fee		4,911
Decrease in accrued interest expense for credit facility		(12,058)
Increase in accrued trustees fees and expenses		4,969
Decrease in accrued expenses and other liabilities		(90,131)
Net change in unrealized appreciation from investments		(8,911,146)
Net change in unrealized depreciation on swap contracts		(242,454)
Net realized gain on investments		(2,524,569)
Net cash provided by operating activities		552,929
Cash Flows from Financing Activities		
Proceeds from shares issued through dividend reinvestment		70,707
Distributions paid to shareholders		(7,058,292)
Proceeds from secured borrowings		12,000,000
Repayment of secured borrowings		(6,000,000)
Net cash used in financing activities		(987,585)
Net change in cash*		(434,656)
Cash at beginning of period(1)		434,656
Cash at end of period	$	

* Includes net change in unrealized appreciation (depreciation) on foreign currency of $3,893.

(1) Balance includes foreign currency, at value.

Supplemental disclosure of cash flow information:		
Cash paid for interest during period	$	358,577

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Financial Highlights

Selected data for a share outstanding throughout each period

	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	For the period January 27, 2011*- October 31, 2011
Net asset value, beginning of period	$ 18.46	$ 17.22	$ 19.10(1)
Income (loss) from investment operations:			
Net investment income(2)	0.77	1.51	1.01
Net realized and unrealized gain (loss)	1.20	2.13	(1.94)
Total from investment operations	1.97	3.64	(0.93)
Distributions to shareholders from:			
Net investment income	(0.72)	(1.46)	(0.91)
Total distributions	(0.72)	(1.46)	(0.91)
Capital Share Transactions			
Dilutive effect on net asset value as a result of rights offering		(0.90)	
Offering costs charged to paid-in-capital		(0.04)	(0.04)
Net asset value, end of period	$ 19.71	$ 18.46	$ 17.22
Market value, end of period	$ 18.59	$ 18.22	$ 16.40
Total return on net asset value(3)	10.92%(5)	16.94%(4)	(5.12)%(5)
Total return on market value(3)	6.00%(5)	21.19%(4)	(13.71)%(5)
Net assets, end of period (in 000 s)	$ 193,267	$ 180,991	$ 126,587
Ratio of expenses to average net assets	2.55%(6)	2.50%	2.50%(6)
Ratio of expenses to average net assets excluding interest expense, commitment fee and loan servicing fees	2.17%(6)	2.12%	2.09%(6)
Ratio of net investment income to average net assets	8.23%(6)	8.61%	7.28%(6)
Ratios before expense limitation:			
Ratio of expenses to average net assets	2.59%(6)	2.77%	3.00%(6)
Ratio of net investment income to average net assets	8.20%(6)	8.34%	6.78%(6)
Portfolio turnover rate	41%(5)	60%	56%(5)
Loans Outstanding, End of Period (000s)	$ 65,000	$ 59,000	$ 43,000
Asset Coverage per $1,000 unit of senior indebtedness(7)	$ 3,973	$ 4,068	$ 3,944

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* Commencement of operations.

(1) Net asset value at beginning of period reflects the deduction of the underwriters discount of $0.90 per share from the $20.00 offering price.

(2) Per share amounts have been calculated using average shares outstanding.

(3) Total market value return is computed based upon the New York Stock Exchange market price of the Fund s shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund s dividend reinvestment plan.

(4) Includes dilution (net of offering costs) of $0.94 to N.A.V. per share resulting from the Fund s transferrable rights offering, which expired on March 23, 2012. In connection with such offering, the Fund issued 2,450,466 additional common shares at a subscription price per share below the then-current N.A.V. per share of the Fund.

(5) Not annualized.

(6) Annualized.

(7) Calculated by subtracting the Fund s total liabilities (not including borrowings) from the Fund s total assets and dividing by the total number of senior indebtedness units, where one unit equals $1,000 of senior indebtedness.

See Accompanying Notes to Financial Statements.

Avenue Income Credit Strategies Fund

Notes to Financial Statements

April 30, 2013 (unaudited)

1. Organization

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

2. Significant Accounting Policies

The following is a summary of significant accounting policies of the Fund in preparation of the financial statements.

SECURITY VALUATION The net asset value (NAV) per Common Share is generally determined daily by State Street Bank and Trust Company (State Street) as of the close of the regular trading session on the New York Stock Exchange (NYSE) on the days the NYSE is open for business. 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.

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

Equity securities listed on a U.S. Stock Exchange are valued at the latest quoted sales price on valuation date. Securities listed on a foreign exchange are valued at their closing price.

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 portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

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.

FEDERAL INCOME TAXES The Fund has elected to be treated as, and intends to continue to qualify as a regulated investment company by qualifying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and distributing substantially all of its ordinary income and long-term capital gains, if any, each year. Accordingly, no provision for U.S. federal income or excise taxes is required in the financial statements.

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

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

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 Statement of Assets and Liabilities. It is the Fund s policy to net the unrealized appreciation and depreciation amounts for the same counterparty.

CREDIT DEFAULT SWAPS A credit default swap is an agreement between two parties to exchange the credit risk of a particular issuer or reference entity. In a credit default swap transaction, a buyer pays periodic fees in return for payment by the seller which is contingent upon an adverse credit event occurring in the underlying issuer or reference entity. The seller collects periodic fees from the buyer and profits if the credit of the underlying issuer or reference entity remains stable or improves while the swap is outstanding, but the seller in a credit default swap contract would be required to pay an agreed upon amount to the buyer (which may be the entire notional amount of the swap) in the event of an adverse credit event in the reference entity. A buyer of a credit default swap is said to buy protection whereas a seller of a credit default swap is said to sell protection.

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

Credit default swap agreements on corporate issuers involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest to deliver option (the buyer of protection s right to choose the deliverable obligation with the lowest value following a credit event). The Fund uses credit default swaps on corporate issuers to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Fund owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer s default.

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

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

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

OTC (Over the Counter) swap payments received or made at the beginning of the measurement period are reflected as such on the Fund s Statements of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Funds Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Fund s Statement of Operations. Net periodic payments received or paid by the Fund are included as part of realized gains or losses on the Fund s Statement of Operations. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation on the Fund s Statements of Operations.

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. It is the Fund s policy that the value of collateral pledged (the securities received), which consists primarily of U.S. government securities and those of its agencies or instrumentalities, is not less than the repurchase price and is held by the custodian bank for the benefit of the Fund until maturity of the repurchase agreement. Repurchase agreements involve certain risks, including bankruptcy or other default of a seller of a repurchase agreement.

UNFUNDED LOAN COMMITMENTS The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower s discretion. These commitments are disclosed in the accompanying Schedule of Investments. At April 30, 2013, the Fund had no outstanding unfunded loan commitments.

INDEMNIFICATIONS In the normal course of business, the Fund enters into general business contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund s maximum exposure under these arrangements is unknown. However, the Fund expects the risk of material loss to be remote and no amounts have been recorded for such arrangements.

BASIS OF PREPARATION AND USE OF ESTIMATES These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates and assumptions by the Investment Adviser that affect the reported amounts and disclosures in these financial statements. Actual amounts and results could differ from these estimates, and such differences could be material.

STATEMENT OF CASH FLOWS The cash amount shown in the Statement of Cash Flows of the Fund is the amount included in the Fund s Statement of Assets and Liabilities and represents the cash (including foreign currency) on hand at State Street, the Fund s custodian.

INTEREST EXPENSE Interest expense primarily relates to the Fund s participation in a revolving credit facility. Interest expense is recorded as incurred.

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

3. Distributions

The Fund intends to make regular monthly distributions of net investment income to holders of Common Shares (Common Shareholders). The Fund expects to pay its Common Shareholders annually all or substantially all of its investment company taxable income. In addition, at least annually, the Fund intends to distribute all or substantially all of its net capital gains, if any. Distributions from net realized gains for book purposes may include short-term capital gains which are ordinary income for tax purposes. Distributions to Common Shareholders are recorded on the ex-dividend date. The amount of distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment. Temporary differences do not require reclassification. To the extent distributions exceed current and accumulated earnings and profits for federal income tax purposes they are reported to shareholders as return of capital.

4. Investment Advisory and Administration Agreements

Under an advisory agreement, Avenue Capital Management II, L.P. (the Investment Adviser), an affiliate of Avenue Capital Group, will receive an annual fee, payable monthly, in an amount equal to 1.25% of the Fund s average daily Managed Assets. Managed Assets means the total assets of the Fund (including any assets attributable to money borrowed for investment purposes, including proceeds from (and assets subject to) reverse repurchase agreements, any credit facility and any issuance of preferred shares or notes) minus the sum of the Fund s accrued liabilities (other than Fund liabilities incurred for the purpose of leverage). Other entities advised by the Investment Adviser and its affiliates may have investments in the issuers held by the Fund.

At an in person meeting held on December 13, 2012 the Board unanimously approved the amendment and restatement of the currently effective Letter Agreement (an Expense Limitation Agreement) between the Fund and the Investment Adviser, dated as of December 8, 2011, to extend the term of such Expense Limitation Agreement through and including February 28, 2014. At a special telephonic meeting held on April 12, 2013, the Board unanimously voted to further extend the term of the Expense Limitation Agreement through and including April 30, 2014. Under the Expense Limitation Agreement, the Investment Adviser has contractually agreed to reimburse the Fund so that the Fund s Other Expenses (as such term is used in the Fund s registration statement on Form N-2) are limited to 0.50% (as a percentage of net assets attributable to Common Shares of the Fund) through and including April 30, 2014 (excluding (i) interest, taxes, brokerage commissions and expenditures capitalized in accordance with generally accepted accounting principles, (ii) portfolio transactions and investment related expenses and (iii) extraordinary expenses not incurred in the ordinary course of the Fund s business). The Fund may repay any such reimbursement from the Investment Adviser if, within three years of the reimbursement, the Fund could repay the Investment Adviser without causing the Fund s total Other Expenses to exceed 0.50% (as a percentage of net assets attributable to Common Shares of the Fund) for the fiscal year in which such repayment would occur when such amount repaid to the Investment Adviser is included in the Fund s total Other Expenses. Thus, until those amounts are repaid, the Fund and the Common Shareholders will not enjoy any benefit of any reduced expenses. For the period ended April 30, 2013, the year ended October 31, 2012 and the period ended October 31, 2011, these expense reductions, including any fee waivers were as follows:

Subject to repayment dates		
April 30, 2016	October 31, 2015	October 31, 2014
$ 34,550	$ 414,490	$ 502,176

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

Under the terms of the Expense Limitation Agreement, if the Fund s expense ratio declines sufficiently, the Fund may be liable to the Investment Adviser to repay such reimbursed amounts until (i) no later than October 31, 2014, in the case of amounts reimbursed during the first fiscal year, (ii) no later than October 31, 2015, in the case of amounts reimbursed during the second fiscal year, and (iii) no later than April 30, 2016, in the case of amounts reimbursed during the current fiscal year, as of April 30, 2013.

State Street provides, or arranges for the provision of certain administrative services for the Fund, including preparing certain reports and other documents required by federal and/or state laws and regulations. State Street also provides legal administration services, including corporate secretarial services and preparing regulatory filings. For administration related services, State Street receives an annual fee, plus certain out-of-pocket expenses.

The Fund has also contracted with State Street to provide custody, fund accounting and transfer agent services to the Fund. Custody, fund accounting and transfer agent fees are payable monthly based on assets held in custody, investment purchases and sales activity and other factors, plus reimbursement for certain out-of-pocket expenses. In addition, the Fund has entered into repurchase agreements and foreign currency transactions with State Street during the period.

5. Related Party Transactions

No shareholder, to the knowledge of the Fund, other than (i) First Trust Portfolios L.P., First Trust Advisors L.P. and The Charger Corporation (together, First Trust), and (ii) Morgan Stanley and Morgan Stanley Smith Barney LLC (together, MS), beneficially owned more than five percent of the Fund s Common Shares.

The following shareholders filed an amended beneficial ownership report on Schedule 13G with the SEC stating that as of December 31, 2012 they owned beneficially:

Shareholder	**Date of filing**	**Reported Common Shares**	**Percent of Net Assets***
First Trust	February 12, 2013	2,192,385	22.4%
Morgan Stanley	February 14, 2013	862,793	8.8%
Morgan Stanley Smith Barney LLC	February 14, 2013	861,911	8.8%

* Representing approximate percentage of net assets as of April 30, 2013 under the assumption the percentage remained constant post rights offering.

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

A summary of the Fund s transactions in securities of affiliated issuers (as defined in the 1940 Act) of the Fund for the period ended April 30, 2013 is as follows:

Name of Issuer	**Shares/Principal Amount (000 s) Held at October 31, 2012**	**Gross Purchases and Additions Shares/Par**	**Gross Sales and Reductions Shares/Par**	**Shares/Principal Amount (000 s) Held at April 30, 2013**	**Value at April 30, 2013**	**Investment Income November 1, 2012- April 30, 2013**	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**
Travelodge Hotels (Full Moon Holding Co. 6 Ltd.) Term Loan	GBP 3,385		GBP (3,385)			$ 629,911	$ (766,574)	

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

6. Purchases and Sales of Investments

Purchases and sales of investments, other than short-term obligations and including maturities and principal repayments on Senior Loans, aggregated $96,967,365 and $97,307,786, respectively, for the period ended April 30, 2013.

7. Share Transactions

The Fund is authorized to issue an unlimited number of common shares of beneficial interest at par value $0.001 per common share.

On February 10, 2012 the Fund s Board of Trustees approved a transferable rights offering (an Offer) which entitled the Fund s common shareholders of record as of February 24, 2012 (Record Date Shareholders) to one transferable right for each common share held, entitling Record Date Shareholders to purchase one newly issued share of common stock for every three rights held. The Offer commenced on February 24, 2012 and expired on March 23, 2012. The Offer was over-subscribed. The actual subscription price pursuant to the Offer was $15.31 per common share for the Fund, and was calculated based on a formula equal to 90% of the average of the last reported sales price of a common share of the Fund on the New York Stock Exchange on the expiration date of the Offer and on each of the four preceding trading days. Shareholders exercised rights to purchase 2,450,466 shares with an aggregate net asset value of $44,672,035. The net asset value for each of the Fund s common shares was reduced by $0.94 for the Fund as a result of the Offer, which includes the effect of dealer manager commissions and offering costs. The details of the Offer are as follows:

Settlement Date		Price	Shares		Amount
March 13, 2012*	$	15.74	100,000	$	1,574,100
March 20, 2012*		15.27	50,000		763,650
March 22, 2012*		15.17	119,312		1,810,440
March 23, 2012**		15.31	2,181,154		33,393,468
Gross Proceeds			2,450,466		37,541,658
Commissions					(1,407,812)
Trading Profits					61,489
Net Proceeds					36,195,335
Offering Costs (charged against Paid in Capital)					(406,747)
				$	35,788,588

* Rights converted to newly issued shares prior to the expiration of the Offer. Trading profits realized by UBS Securities LLC, the deal manager, were reimbursed to the Fund and treated as additional proceeds.

** Expiration date.

Transactions in Common Shares were as follows:

	Period Ended April 30, 2013
Shares issued through dividend reinvestment	3,688

8. Federal Tax Information

As of April 30, 2013, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Fund s federal tax returns filed for the year ended October 31, 2012, and the period ended October 31, 2011 remain subject to examination by the Internal Revenue Service for a period of three years.

Avenue Income Credit Strategies Fund

Notes to Financial Statements (continued)

April 30, 2013 (unaudited)

The tax character of distributions declared for the year ended October 31, 2012 and period ended October 31, 2011 were as follows:

	October 31, 2012	October 31, 2011
Distributions declared from:		
Ordinary income	$ 12,791,435	$ 6,682,190