

RECOM MANAGED SYSTEMS INC DE/
Form SB-2
January 02, 2004

As filed with the Securities and Exchange Commission on December 31, 2003

Commission File No. 333- _____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form SB-2
Registration Statement Under The Securities Act Of 1933

Recom Managed Systems, Inc.

(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-0441351

(I.R.S. Employer Identification
No.)

Marvin H. Fink

Chief Executive Officer

4705 Laurel Canyon Boulevard, Suite 203

Studio City, California 91607

(818) 432-4560

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

(Name, address, including zip code, and telephone number, including area code, of agent for service of process)

Copies to

John M. Woodbury, Jr., Esq.

Of Counsel

Richardson & Patel LLP

10900 Wilshire Boulevard, Suite 500

Los Angeles, California 90024

Telephone (310) 208-1182

Approximate date of proposed sale to public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If delivery of this prospectus is expected to be made pursuant to Rule 434, please check the following box:

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Offering Price Per Share	Proposed Aggregate Offering Price	Amount of Registration Fee
Common stock underlying series 'A' convertible preferred stock	1,792,921	\$ 3.15 (2)	\$ 5,647,701	\$ 456.90
Common stock underlying class 'C' warrants	896,460	\$ 3.15 (2)	\$ 2,823,849	\$ 228.45
Common stock underlying placement agent's warrants	268,938	\$ 3.15 (2)	\$ 847,155	\$ 68.53

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of Regulation C as of the close of the market on December 26 , 2003 based upon the average of the high and low prices for that date.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED DECEMBER 31, 2003

The information in this prospectus is not complete and may be changed. We have filed a registration statement containing this prospectus with the Securities and Exchange Commission. The common stock offered for sale under this prospectus may not be offered for sale or sold until that registration statement is declared effective by the Securities and Exchange Commission. This prospectus is not an offer to sell the common shares-and doesn't solicit an offer to purchase the common shares-in any jurisdiction where this offer or sale is not otherwise permitted.

Prospectus

2,958,319 Common Shares

This prospectus relates to the offer and sale by some of our shareholders during the period in which the registration statement containing this prospectus is effective of up to 2,958,319 common shares which they may acquire upon their conversion of series 'A' convertible preferred shares or exercise of class 'C' common share purchase warrants. This offering is not being underwritten.

The common shares offered under this prospectus may be sold by the selling shareholders on the public market, in negotiated transactions with a broker-dealer or market maker as principal or agent, or in privately negotiated transactions not involving a broker or dealer. We will not receive any of the proceeds from those sales. Should the selling shareholders in their discretion exercise the class 'C' common share purchase warrants underlying the common shares offered under this prospectus, we would, however, receive the exercise price for those warrants.

Our common shares trade on the Over-The-Counter Bulletin Board, also called the OTCBB, under the trading symbol "RECM". The last reported closing price for our common shares as reported on the OTCBB as of the close of the market on December 26, 2003 was \$3.15 per share. As of December 26, 2003, there were issued and outstanding 32,993,912 common shares and 1,792,921 series 'A' convertible preferred shares.

An investment in the common shares offered for sale under this prospectus involves a high degree of risk.
See "Risk Factors" beginning on page 3 of this prospectus.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the common shares offered for sale under this prospectus or the merits of that offering, or has determined that this prospectus is truthful or complete.
It's illegal for anyone to tell you otherwise.

The date of this prospectus is o , 2003

4705 Laurel Canyon Boulevard, Suite 203, Studio City, California 91607
(818) 432-4560

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On April 11, 2003, we effected a split in our common shares on a 3:1 forward basis through the mechanism of a stock dividend. Whenever we make any reference in this prospectus to the grant or issuance of common shares or options or warrants to purchase common shares, such reference shall, for comparison purposes, be made in reference to post-split numbers and, in the case of options and warrants, exercise prices, unless we state otherwise.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In this prospectus we make a number of statements, referred to as *forward-looking statements*, which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as *seek*, *anticipate*, *believe*, *estimate*, *expect*, *intend*, *plan*, *budget*, *will be*, *will continue*, *will likely result*, and similar expressions. When reading any forward looking statement you should remain mindful that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, such as those relating to:

- the success of our research and development activities, the development of a viable commercial production model, and the speed with which regulatory authorizations and product launches may be achieved;
- whether or not a market for our products develops and, if a market develops, the pace at which it develops;
- our ability to successfully sell our products if a market develops;
- our ability to attract the qualified personnel to implement our growth strategies,
- our ability to develop sales, marketing and distribution capabilities;
- our ability to obtain reimbursement from third party payers for the products that we sell;
- the accuracy of our estimates and projections;
- our ability to fund our short-term and long-term financing needs;
- changes in our business plan and corporate strategies; and
- other risks and uncertainties discussed in greater detail in the sections of this prospectus, including those captioned " Risk Factors " and " Plan of Operation ".

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this prospectus. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this prospectus to reflect new events or circumstances unless and to the extent required by applicable law.

PROSPECTUS SUMMARY

This summary highlights important information about our company and business. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read this entire prospectus and the financial statements and related notes included in this prospectus carefully. Unless the context requires otherwise, *Recom*, *we*, *us*, *our* and similar terms refer to Recom Managed Systems, Inc.

The Company And Business

Recom is a development stage medical device company focused on researching, developing and marketing heart (cardiac) monitors and other diagnostic medical devices which monitor and measure the body's physiological signals in order to detect and prevent medical complications and diseases that impact an individual's health. Our products will operate using a proprietary patented amplification technology which enables them to more accurately discriminate physiological signals from ambient electromagnetic background noise than existing amplification technologies.

We are currently developing our first product, a non-invasive ambulatory heart monitor, and have submitted the "front-end" or hardware portion of this device, which collects, processes and records data, to the U.S. Food and Drug Administration for marketing approval. We hope to receive this approval during the first quarter of 2004. We are currently developing the "back-end" or software portion of the device, which allows the management and interpretation of the data, and for which FDA approval is not generally required. We anticipate that we will complete a production model of our heart monitor, including both back-end and front-end functions, within two years, and will have also commenced commercial marketing efforts by the end of that period.

Our corporate offices are located at 4705 Laurel Canyon Boulevard, Suite 203, Studio City, California 91607. Our telephone number is (818) 432-4560.

Offering

This prospectus relates to the offer and sale by some of our shareholders during the period in which the registration statement containing this prospectus is effective of up to 2,958,319 common shares, consisting of:

- 1,792,921 common shares underlying series 'A' convertible preferred shares issued on October 2, 2003 to a number of investors pursuant to a private placement effected through Maxim Group, LLC, as placement agent,
- 896,460 common shares underlying class 'C' common share purchase warrants issued to those investors under that private placement;
- 179,292 common shares underlying series 'A' convertible preferred shares issuable under placement agent's unit purchase warrants granted to Maxim Group as agent's compensation under that private placement; and
- 89,646 common shares underlying class 'C' common share purchase warrants also issuable under those placement agent's warrants.

The common shares offered under this prospectus may be sold by the selling shareholders on the public market, in negotiated transactions with a broker-dealer or market maker as principal or agent, or in privately negotiated transactions not involving a broker or dealer. Information regarding the selling shareholders, the common shares they are offering to sell under this prospectus, and the times and manner in which they may offer and sell those shares is provided in the sections of this prospectus captioned *Selling Shareholders*, *Registration Rights* and *Plan of Distribution*. We will not receive any of the proceeds from those sales. Should the selling shareholders in their discretion exercise the class C common share purchase warrants underlying the common shares offered under this prospectus, we would, however, receive the exercise price for those warrants. The registration of common shares pursuant to this prospectus does not necessarily mean that any of those shares will ultimately be offered or sold by the selling shareholders.

RISK FACTORS

An investment in our common shares involves a high degree of risk and is subject to many uncertainties. These risks and uncertainties may adversely affect our business, operating results and financial condition. In such an event, the trading price for our common shares could decline substantially, and you could lose all or part of your investment. In order to attain an appreciation for these risks and uncertainties, you should read this prospectus in its entirety and consider all of the information and advisements contained in this prospectus, including the following risk factors and uncertainties.

Risks Relating To Our Business

As a recently formed company with a limited operating history, we are subject to all the risks and issues inherent in the establishment and expansion of a new business enterprise. Our failure to address these risks and issues will adversely affect our business and the value of your investment

We have a limited operating history and have not to date finalized development of or introduced our heart monitoring products commercially to the markets or entered into any binding contracts to do so. We are, as a consequence, subject to all the risks and issues inherent in the establishment and expansion of a new business enterprise. Our failure to successfully address these risks would adversely affect our ability to introduce our products onto the market and to compete, with consequential delays in our ability to generate revenues and profits, and raise additional working capital. Our activities through the date of this prospectus have been limited to developing our business plan; establishing administrative offices; engaging administrative and research and development personnel; developing the front-end or hardware portion of our heart monitor device and submitting it to the FDA for marketing approval, and continuing development on the "back-end" or software portion of our device. Risks and issues inherent in the establishment and expansion of a new business enterprise which we face include, among others, problems of entering new markets, marketing new technologies, hiring and training personnel, acquiring reliable facilities and equipment, and implementing operational controls. In general, development stage companies are subject to risks and or levels of risk that are often greater than those encountered by companies with established operations and relationships. Development stage companies often require significant capital from sources other than operations. The management and employees of startup business shoulder the burdens of the business operations and a workload associated with company growth and capitalization that is disproportionately greater than that for an established business. Our limited operating history makes it difficult, if not impossible, to predict future operating results. We cannot give you any assurance that we will successfully address these risks.

We have accumulated losses since our inception. Our continued inability to generate revenues and profits will adversely affect our business and the value of your investment

We are a developmental stage company since we have not commenced commercial sales of our products to date and have no revenues. Our failure to generate revenues and ultimately profits would, in the shorter-term, adversely affect our ability to introduce our heart monitor products onto the market and to compete, with consequential delays in our ability to generate revenues and profits; and raise additional working capital; and in the longer-term, force us to suspend our operations, and possibly even liquidate our assets and wind-up and dissolve our company. We do not anticipate that we will generate revenues for at least two years at the earliest. We have, as a result of our lack of revenues, incurred operating losses in the amount of \$3,727,712 from our inception through September 30, 2003, and we anticipate that we will continue to incur substantial operating losses for the foreseeable future, despite any revenues we may receive in the short-term, due to the significant costs associated with the development and marketing of our products and services. We cannot give you any assurance that we will generate revenues or profits in the near future or at all.

We currently expect a working capital deficit in approximately two years. Our inability to raise additional working capital funds to cover this deficit until such time as we have sufficient revenues will adversely affect our business and the value of your investment

Based upon our current projections, we have sufficient working capital to fund our projected operating costs for approximately two years, although this coverage could be less than two years as the result of changes in our business plans, anticipated level of operations and higher than expected costs. We do not expect to receive revenues for at least two years, meaning that we will need to raise additional capital to cover any shortfall. We have no current arrangements for obtaining this additional capital, and will seek to raise it in one or more increments through contract advances, public or private sales of debt or equity securities, debt financing or short-term loans, or a combination of the foregoing. We cannot give you any assurance that we will be able to secure the additional capital we require to continue our operations at all, or on terms which will not be objectionable to our company or our shareholders, including substantial dilution or the sale or licensing of our technologies. Our inability to raise sufficient additional working capital to carry us beyond that two year period pending receipt of meaningful revenues would likely force us to suspend our operations, and possibly even liquidate our assets and wind-up and dissolve our company.

Our heart monitor products and technologies might not successfully compete with established products and technologies which have already achieved market acceptance on the market. Our inability to successfully compete will adversely affect our business and the value of your investment

The market for heart monitoring devices is intensely competitive and characterized by rapidly changing technology, evolving industry standards, price competition and frequent new product introductions. There are no substantial barriers to entry, and we expect that competition will continue to intensify. Most of our existing competitors have greater financial, technical, product development, marketing, and other resources than we do. These organizations may be better known and are likely to have more customers, money, products and systems than we have now or will have in the near future. These competitors may also be able to respond more quickly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion and sales of their products than we are presently able to. Our ability to compete will ultimately will be a function of many variables, including the efficacy, performance and attributes of our products; the ability to obtain necessary regulatory approvals to commercially market our products; the effectiveness of our marketing, sales and distribution efforts, including educating potential customers as to the distinctive characteristics and benefits of our products; our ability to meet manufacturing and delivery schedules; and our ability to price our products competitively. We cannot give you any assurance that we will be able to compete successfully in our markets, or that competitive factors we face will not have a material adverse effect on our business, operating results and financial condition. The failure of our heart monitor products to achieve and then sustain market acceptance would likely force us to suspend our operations, liquidate our assets, and wind-up and dissolve our company.

Our products are regulated by the FDA and, in the worldwide market, government agencies like the FDA. We may be unsuccessful in obtaining regulatory approvals for our products, even though we may invest a significant amount of time and money into seeking such approvals. Our failure to receive the regulatory approvals we need to sell our products will adversely affect our business and the value of your investment

The manufacture, sale, promotion and marketing of our heart monitor products and other products we intend to develop are subject to regulation by the FDA and similar government regulatory bodies in other countries. As we develop or obtain new products we will be required to determine what regulatory requirements, if any, we must comply with in order to market and sell our products in the United States and worldwide. The process of obtaining regulatory approval could take years and be very costly, if approval can be obtained at all. If we fail to comply with these requirements, we could be subjected to enforcement actions such as an injunction to stop us from marketing the product at issue or a possible seizure of our assets. We intend to work diligently to assure compliance with all applicable regulations that impact our business. We cannot assure you, however, that we will be able to obtain regulatory approval for all of our products or that, in the future, additional regulations will not be enacted which might adversely impact our operations. In either case, our revenues and operating results could be adversely effected and the value of your investment may decline.

Since we will focus on only one product line to date, heart monitors, we will not have the ability to rely upon other product lines in the event of our inability to successfully compete in the heart monitor market. Our inability to reduce our risk by diversifying into other product lines or businesses will adversely affect our business and the value of your investment

The only business opportunities we are presently pursuing are the heart monitor (ECG) market and, later, the neurological brain scan (EEG) markets. We do not presently intend to engage in other businesses, although we may eventually branch out by either acquisition or development into markets for other medical devices once we have successfully introduced our initial heart monitor products to market. According, our success will depend entirely upon the success of our single anticipated product line. We will not have the benefit of reducing risk by diversifying our business and funds among a portfolio of businesses, properties, investments or other income producing assets.

Our customers may not be able to receive third party reimbursement for our future products. If our customers are not reimbursed by third party payors, such as private health insurers, it is not likely that they will use our products. The inability of our customers to receive third party reimbursements for our products may adversely affect our business and the value of your investment

We intend to sell our heart monitoring device to individual patients and doctors who will seek reimbursement from various third party payers, including government health programs, private health insurance plans, managed care organizations and other similar programs. We cannot assure you that reimbursement will be available from third party payers or, if available, that the reimbursement policies of the third party payers will not adversely affect our ability to sell our product profitably. If our customers are not reimbursed by third party payers or if the reimbursement by third party payers is too low, our business may be adversely affected and the value of your investment will decline.

We currently have no internal sales, marketing and distribution capabilities. Our inability to develop our sales, marketing and distribution capabilities either internally or through licensees, strategic partners or third party marketing and distribution companies will adversely affect our business and the value of your investment

We currently have no internal sales, marketing and distribution capabilities, and will likely be forced to rely extensively on third-party licensees, strategic partners or third party marketing and distribution companies. Our failure to generate substantial sales through any third-party arrangements we procure or to otherwise develop our own internal sales, marketing and distribution capabilities would, in the shorter-term, adversely affect our ability to introduce our products onto the market and to compete, with consequential delays in our ability to generate revenues and profits; and raise additional working capital; and in the longer-term, force us to suspend our operations, and possibly even liquidate our assets and wind-up and dissolve our company.

As a consequence of our prospective reliance upon third-party licensees, strategic partners or third party marketing and distribution partners, our ability to effectively market and distribute our products will be dependent in large part on the strength and financial condition of others, the expertise and relationships of those third-parties with customers, and the interest of those parties in selling and marketing our products. Prospective third-party licensees, strategic partners and marketing and distribution parties may also market and distribute the products of other companies. If our relationships with any third-party licensees, strategic partners or marketing and distribution partners were to terminate, we would need to either develop alternative relationships or develop our own internal sales and marketing forces to continue to sell our products. Even if we are able to develop our internal sales, marketing and distribution capabilities, these efforts would require significant cash and other resources that would be diverted from other uses, if available at all, and could cause delays or interruptions in our product supply to customers, which could result in the loss of significant sales or customers. We can give you no assurance that we will be successful in our efforts to engage licensees, strategic partners or third party marketing and distribution companies to meet our sales, marketing and distribution requirements.

We currently have no internal manufacturing capability. The failure of our licensees, strategic partners or third party suppliers to satisfy our manufacturing requirements will adversely affect our ability to introduce our products to the market, which will adversely affect our business and the value of your investment

We currently have no internal manufacturing capability, and will likely be forced to rely extensively on licensees, strategic partners or third party contract manufacturers or suppliers. A delay or interruption in the supply of components or finished products would, in the shorter-term, adversely affect our ability to introduce our products onto the market and to compete, with consequential delays in our ability to generate revenues and profits; and raise additional working capital; and in the longer-term, force us to suspend our operations, and possibly even liquidate our assets and wind-up and dissolve our company. Should we be forced to manufacture our products, we cannot give you any assurance that we will be able to develop an internal manufacturing capability or procure third party suppliers. Moreover, we cannot give you any assurance that any contract manufacturers or suppliers we procure will be able to supply our product in a timely or cost effective manner or in accordance with applicable regulatory requirements or our specifications.

We are dependent for our success on a few officers. Our inability to retain those officers will adversely affect our business and the value of your investment

Our success depends to a significant extent on the continued efforts of services of our Chief Executive Officer, Mr. Marvin H. Fink, and our Vice President and Chief Technology Officer, Dr. Budimir S. Drakulic. The loss of any of these personnel could, in the shorter-term, adversely affect our ability to introduce our products onto the market and to compete, with consequential delays in our ability to generate revenues and profits; and raise additional working capital; and in the longer-term, if not satisfactorily replaced, force us to suspend our operations, and possibly even liquidate our assets and wind-up and dissolve our company. Although Mr. Fink has signed an employment agreement and Dr. Drakulic is employed as a consultant under a loan-out agreement, we cannot give you any assurance that one or more of these employees will not leave our company. We maintain key man life insurance policies in the amount of \$1 million with respect to Mr. Fink and \$3 million with respect to Dr. Drakulic.

Our inability to attract the qualified personnel engineering, managerial, sales and marketing and administrative personnel required to implement our growth strategies will adversely affect our business and the value of your investment

Our ability to implement our growth strategies will be dependent upon our continuing ability to attract and retain highly qualified engineering, managerial, sales and marketing and administrative personnel. Our inability to attract and retain the necessary personnel would impede our growth. Competition for the type of personnel we require is intense and we cannot give you any assurance that we will be able to retain our key managerial and technical employees, or that we will be able to attract and retain additional highly qualified managerial and technical personnel in the future.

Our inability to effectively manage our growth will adversely affect our business and the value of your investment

Our success will depend upon the rapid expansion of our business. Our inability to effectively manage our growth, or the failure of our new personnel to achieve anticipated performance levels, would adversely affect our ability to introduce our products onto the market and to compete, with consequential delays in our ability to generate revenues and profits; and raise additional working capital. Expansion will place a significant strain on our financial, management and other resources, and will require us, among other things, to change, expand and improve our operating, managerial and financial systems and controls; improve the coordination between our various corporate functions; and hire additional engineering, sales and marketing, customer service and managerial personnel. We cannot give you any assurance that our efforts to hiring or retain these personnel will be successful, or that we will be able to manage the expansion of our business effectively.

Our inability to protect our patents and proprietary rights will adversely affect our business and the value of your investment

Our ability to compete effectively will be materially dependent upon the proprietary nature of our designs, processes, technologies and materials. The invalidation or circumvention of key patents or proprietary rights which we own or license would likely force us to suspend our operations, liquidate our assets, and wind-up and dissolve our company.

Although we protect our proprietary property, technologies and processes through a combination of patent law, trade secrets and non-disclosure agreements, we cannot give you any assurance that these measures will prove to be effective. For example, in the case of patents, we cannot give you any assurance that our existing patents will not be invalidated, that any patents that we currently or prospectively apply for will be granted, or that any of these patents will ultimately provide significant commercial benefits. Moreover, it is possible that competing companies may circumvent any patents that we may hold by developing products which closely emulate but do not infringe our patents, and accordingly market products that compete with our products without obtaining a license from us. In addition to patented or potentially patentable designs, technologies, processes and materials, we also rely on proprietary designs, technologies, processes and know-how not eligible for patent protection. We cannot give you any assurance that our competitors will not independently develop the same or superior designs, technologies, processes and know-how as we possess.

We believe that the international market for our products and technologies is as important as the domestic market, and we will therefore seek patent protection for our products and technologies or those of our licensors in selected foreign countries. Because of the differences in foreign patent and other laws concerning proprietary rights, our products and technologies may not receive the same degree of protection in a number of foreign countries as they would in the United States.

We cannot give you any assurance that we will be able to successfully defend our patents and proprietary rights. We also cannot give you any assurance that we will not be required to defend against litigation involving the patents or proprietary rights of others, or that we will be able to obtain licenses for these rights. Legal and accounting costs relating to prosecuting or defending patent infringement litigation may be substantial.

Risks relating to an investment in our securities

Our common shares are thinly traded, so you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares

Our common shares are thinly-traded on the OTCBB, meaning that the number of persons interested in purchasing our common shares at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven development stage company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common shares will develop or be sustained, or that current trading levels will be sustained. Due to these conditions, we can give you no assurance that you will be able to sell your shares at or near ask prices or at all if you need money or otherwise desire to liquidate your shares.

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The market price for our common shares is extremely volatile, which could result in your suffering a substantial or total loss in your investment

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be volatile for the indefinite future. The volatility in our share price is attributable to a number of factors.

First, as noted above, our common shares are thinly traded. In addition, we have relatively few common shares outstanding in the public float since most of our shares are held by a small number of shareholders. As a consequence, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price.

The volatility of our share price is further affected due to our status as a development stage company. Since we have a limited operating history and no revenues or profits to date, the market price for the common shares is more volatile than that of a seasoned issuer both because we do not have a history of sales or earnings traditionally used to determine stock prices and our viability is more in doubt.

Finally, we will remain subject to variety of internal and external factors which generally affect the stock price of all companies. Examples of internal factors, which can generally be described as factors that are directly related to our operating performance or financial condition, would include release of reports by securities analysts and announcements we may make from time-to-time relative to our ability to enter into contracts or other arrangement, our operating performance, advances in our technology or other business developments specific to our company. Examples of external factors, which can generally be described as factors that are unrelated to the operating performance or financial condition of any particular company, include changes in interest rates and worldwide economic and market conditions and trends, as well as changes in industry conditions, such as changes in the cost of components and energy, regulatory and environment rules, announcements of technology innovations or new products by other companies, and quarterly fluctuation in our or in our competitors' operating results. In this regard we note that changes in the market price of our common shares may have no connection with our operating results, financial condition or prospects. Further, declines in our stock price may be exacerbated in periods where the general market is rapidly declining due to, among other things, our lack of liquidity as discussed above. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, or as to what effect, if any, that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price.

We have issued a large number of common share purchase options and warrants. The sale of common shares on the public market to finance their exercise or pay associated income taxes could substantially depress the prevailing market prices for our shares

There are currently outstanding common share purchase options and warrants entitling the holders to purchase 172,292 series "A" preferred shares and 4,014,090 common shares, including a number granted to directors, officers, employees and consultants that are subject to vesting conditions. It is likely that a number of the holders of these options and warrants will sell common shares in tandem with their exercise of these securities to finance that exercise. Further, it is likely that a number of the holders of these options and warrants who have received these securities as compensation and will therefore be subject to taxation on their exercise of those securities will also sell common shares in tandem with that exercise in order to cover that income tax liability. Sales of substantial amounts of common shares on the public market to finance these exercises or to pay income taxes, or the perception that substantial sales could occur as these options and warrants become vested and exercisable, could substantially depress the prevailing market prices for our shares.

Our common shares are thinly-traded on the OTCBB, meaning that the number of persons interested in purchasing

We are subject to the penny stock rules and these rules may adversely effect trading in our common shares

Our common shares are considered a low-priced security under rules promulgated under the Securities Exchange Act of 1934. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document which describes the risks associated with such stocks, the broker-dealer's duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely be a decrease in the willingness of broker-dealers to make a market in our common shares, decreased liquidity of our common shares and increased transaction costs for sales and purchases of our common shares as compared to other securities.

Our right to issue additional capital stock at any time could have an adverse effect on your proportionate ownership and voting rights

We are entitled under our Certificate of Incorporation to issue up to 100,000,000 common shares and 10,000,000 blank check preferred shares having such rights, preferences, privileges and restrictions as may be designated from time-to-time by our board. Our board may generally issue those common and preferred shares, or options or warrants to purchase those shares, without further approval by our shareholders based upon such factors as our board of directors may deem relevant at that time. It is likely that we will be required to issue a large amount of additional securities to raise capital to further our development and marketing plans. It is also likely that we will be required to issue a large amount of additional securities to directors, officers, employees and consultants as compensatory grants in connection with their services, both in the form of stand-alone grants or under our various stock plans. If you are a common shareholder, your proportionate ownership and voting rights could be adversely effected by the issuance of additional common or preferred shares, or options or warrants to purchase those shares, including a substantial dilution in your proportionate ownership and voting rights. We cannot give you any assurance that we will not issue additional common or preferred shares, or options or warrants to purchase those shares, under circumstances we may deem appropriate at the time. The issuance of preferred shares may also have the effect of delaying, deferring or preventing a change in control of the company.

A single shareholder currently beneficially owns the majority of our outstanding common shares. This means that that shareholder will be able to control our company by electing a majority of the members of our board of directors

Ms. Tracey Hampton beneficially owns, through ARC Finance Group, LLC, approximately 70% of our outstanding common shares. As a consequence, Ms. Hampton will retain the ability to elect a majority of our board of directors, and thereby control our management. Ms. Hampton also has the ability to control the outcome of corporate actions requiring shareholder approval, including mergers and other changes of corporate control, going private transactions, and other extraordinary transactions. This concentration of ownership may have the effect of delaying or preventing a change of control, even if a change of control would benefit our other shareholders.

USE OF PROCEEDS

The proceeds from the sale of the shares to be sold under this prospectus will be retained by the selling shareholders, and will not be paid or remitted or otherwise made available to our company.

BUSINESS

Overview

Recom is a development stage medical device company focused on researching, developing and marketing heart (cardiac) monitors and other diagnostic medical devices which monitor and measure the body's physiological signals in order to detect and prevent medical complications and diseases that impact an individual's health. Our products will operate using a proprietary patented amplification technology which enables them to more accurately discriminate physiological signals from ambient electromagnetic background noise than existing amplification technologies.

We are currently developing our first product, a non-invasive ambulatory heart monitor, and have submitted the "front-end" or hardware portion of this device, which collects, processes and records data, to the U.S. Food and Drug Administration for marketing approval. We hope to receive this approval during the first quarter of 2004. We are currently developing the "back-end" or software portion of the device, which allows the management and interpretation of the data, and for which FDA approval is not generally required. We anticipate that we will complete a production model of our heart monitor, including both back-end and front-end functions, within two years, and will have also commenced commercial marketing efforts by the end of that period.

Corporate History

We were originally incorporated in Delaware on January 19, 1987. We had no specific business purpose on the date of incorporation and were inactive until October 30, 1998. On that date, we completed a reverse acquisition with J2 Technologies LLC and changed our name to Recom Managed Systems, Inc. Subsequent to the reverse acquisition, we engaged in the business of developing, servicing and managing commercial computer networks both on-site and remotely.

On June 26, 2000, we filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. Our plan of reorganization was confirmed by the Bankruptcy Court and the confirmation order became final on November 7, 2000. Subsequent to declaring bankruptcy, we ceased our business operations. The plan of reorganization provided for a total discharge of the company and our officers and directors from all pre-petition debts, expenses and legal causes of action which may have existed on or before the filing of the bankruptcy. The plan further provided for the consolidation of all previously issued common shares, and the issuance of additional common shares to various creditors of the company. As of December 31, 2000, following full implementation of the plan, there were 4,139,784 common shares (1,379,928 shares pre-split) issued and outstanding.

On September 19, 2002, we acquired certain know how, trade secrets and other proprietary intellectual property rights relating to the development of a human biomedical signal amplification equipment and technology, referred to in this prospectus as the "*Signal Technologies*", from ARC Finance Group, LLC in exchange for 23,400,000 common shares (7,800,000 shares pre-split). The shares represented approximately 85% of our issued and outstanding common shares. We valued the Signal Technologies at \$150,000,780,23 for financial accounting purposes. The principal component of the Signal Technologies is a patented "amplification" technology which was originally invented by Dr. Budimir S. Drakulic. The underlying patent covers methods of discriminating different biomedical signals from a background of ambient noise. Also included in the Signal Technologies was an assignment of a license agreement dated December 9, 1993 between Dr. Drakulic and Teledyne Electronic Technologies pursuant to which Dr. Drakulic granted a limited license to use an early version of the amplification technology to analyze signals produced by the brain (EEG) in an effort to understand a patient's sleep patterns. Additional components of the Signal Technologies include methods to automatically and remotely provide and evaluate the signals over the telephone, the Internet, or other wireless transmissions systems. Concurrent with our acquisition of the Signal Technologies, we obtained Dr. Drakulic's services as our Vice President and Chief Technology Officer to lead our product development efforts.

On April 15, 2003, we completed a three for one forward stock split, resulting in a total of 31,510,848 common shares being outstanding as of that date.

Our Products And Services

We have recently completed development of the front-end or hardware portion of our initial product, a non-invasive heart monitor for ambulatory (freely-moving) patients which we anticipate will enable physicians to accurately monitor, in real-time, changes in the patient's physiological signals and assist in the detection of heart disease through the conduct of electrocardiogram tests, commonly known as ECGs or EKGs. This portion of our product principally consists of the data collection, processing and recording functions of the heart monitor utilizing, in part, our amplification technology. Our front-end hardware as presently designed will record up to 48 hours of data from each of its twelve leads. We submitted this portion of our heart monitor product to the U.S. Food and Drug Administration for approval on September 12, 2003, and hope to receive FDA clearance to market it within the United States during the first quarter of 2004.

We continue to develop the "back-end" or software portion of our heart monitor, which can be best described as the data management and interpretation functions of the heart monitor device which will allow the physician to analyze the data collected and processed by the "front-end" hardware. Much of the software used for the back-end functions can be readily acquired off the shelf and then modified to meet our needs. As of this date, we do not anticipate that we will need to submit any of the back-end software to the FDA for approval. Once we have completed these steps, we must design and engineer a "production" model for mass manufacturing which will be durable, reliable and maintenance-free, and competitively priced. We anticipate that we will complete a production model of our heart monitor, including both back-end and front-end functions, within two years, and will have also commenced commercial marketing efforts by the end of that period.

We are also developing an enhanced version of our first heart monitor. Our long term goal is to transmit the signal electronically, in real time, to a specially designed website that we will host and that the patient's physician can access.

We are also developing algorithms for use with our heart monitor, to facilitate the electronic recognition and categorization of different physiological signals and their correlation to different heart diseases. The algorithms will compare the user's ECG to a known database of ECG anomalies and to the user's historical baseline ECG data in order to assist the physician with his or her diagnosis.

Our amplification technology is also extremely effective when used for other biomedical signals such as electroencephalogram or EEG tests used to measure neurological (brain) responses. Indeed, as discussed below, the technology was originally developed for this purpose. We intend in the future to devote a portion of our development activities to EEG-related applications of our technology, such as Alzheimer's and other neurological diseases.

Description Of Heart Monitors And ECGs

A heart monitor is a device used to collect and record data when conducting ECG tests to detect and identify heart disease. An ECG gives the physician important information about the heart. For example, it can show the heart's rate and rhythm. It can also detect decreased blood flow (cardiac ischemia), enlargement (hypertrophy) of the heart and the presence of either current or past heart attacks. When an ECG test is conducted, the physiological signals from the patient's heart are collected through ten electrodes (12 leads) attached to the patient's arms, chest and legs. These signals are then amplified and recorded in the form of a series of wavy lines that can be either displayed on a screen or printed on paper for review by the physician or a medical technician. Any irregularity in the heart rhythm or damage or stress to the heart muscle will show up as a deviation from the normal waveform. Most ECGs today are given either under emergency circumstances when an individual complains of symptoms typically associated with heart disease (i.e. chest pains, shortness of breath, heart palpitations), or every year or so for older patients as part of their annual physicals.

While most ECG tests are conducted at the physician's office or a hospital, physicians are aware that some types of heart disease may only become apparent when the patient is subject to the stresses of normal day-to-day activities, and are further aware that other conditions such as episodic heart-beat irregularities only become apparent as the result of longer term monitoring which is otherwise impractical or unduly expensive to conduct on a clinical basis. For this reason the medical device industry has created a number of ambulatory or holter monitors which allow the patient's heart to be continuously monitored over a period of hours or days, while the patient carries out his or her daily activities away from the physician's office or hospital. Unfortunately, as discussed below, these ambulatory devices have limited effectiveness due to the susceptibility of the device to artifact or noise.

Product Advantages

As previously noted, ECGs monitor electronic activity generated by the heart, and physiological irregularities are more likely to be detected while the patient is in an ambulatory environment. Detection and isolation of ambulatory ECG signals are difficult due to the significant interference from other electromagnetic fields found in the environment, including those generated by the body itself as well as those generated by appliances and machines. This interference results in artifact or noise that interfere with the ability of current ECG monitoring devices to accurately isolate a high quality signal in an ambulatory environment. Cardiologists attempt to address the issue of noise by having the patient remain as still as possible while a reading is taken (that is why 12-lead ECGs are normally taken in the hospital or in physician offices) or by reducing the sensitivity of the monitoring. Reducing the sensitivity of the signal, however, results in a loss of both signal quality and the ability to read certain signal intricacies. The noise problem is compounded when a patient uses an ambulatory ECG monitor due to the physician's inability to control the patient's movement and enhanced unshielded electromagnetic interference from the surrounding environment.

Our patented amplification technology was originally developed by Dr. Drakulic to address the noise issue in response to the requirements of the United States Air Force. In an effort to explore ways to accurately and objectively monitor pilot performance, the Air Force wanted to record a pilot's neurological (brain) responses, consisting of tiny electrical impulses, to different tasks and stresses occurring in-flight using an electroencephalogram or EEG test. However, the Air Force found that the neurological signal monitoring equipment then available were not able to accurately monitor EEG in an electromagnetically charged environment such as the cockpit of a fighter jet or a B-52 bomber. In 1992 the United States Air Force selected Dr. Drakulic to lead the effort to develop a device to solve the monitoring problem. This effort ultimately resulted in the creation by Dr. Drakulic in 1994 of his first-generation amplifier, and its use by the Air Force to monitor pilot EEG signals. This model is currently used by the National Institute of Health as well as companies such as Titan Systems and Teledyne, Inc. for purposes of monitoring different neurological biomedical signals.

Dr. Drakulic has since enhanced signal processing technology and adopted it for heart monitors. These enhancements have resulted in Recom filing three additional patents covering different aspects of 24/7, 12-lead ECG monitoring technology.

The amplification technology also affords several other valuable product advantages relating to the quality of its signals. First, ambulatory heart monitors currently on the market only have three leads with limited bandwidth. Due to the ability of our amplification technology to eliminate noise and increase signal quality, we can increase the bandwidth on our ambulatory device to be comparable with the signal derived from stationary clinical devices without material interference.

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Precision Drilling Corp., 7.125%, 1/15/26 (144A)
615,750

815,000

Shelf Drilling Holdings, Ltd., 8.25%, 2/15/25 (144A)
831,300

120,000

Transocean, Inc., 7.5%, 1/15/26 (144A)
122,700

160,000

Trinidad Drilling, Ltd., 6.625%, 2/15/25 (144A)
154,800

\$1,941,675

Oil & Gas Equipment & Services - 1.8%

540,000

Archrock Partners LP / Archrock Partners Finance Corp., 6.0%, 10/1/22
\$534,600

1,168,000

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Calfrac Holdings LP, 8.5%, 6/15/26 (144A)

1,128,580

750,000

KCA Deutag UK Finance Plc, 9.625%, 4/1/23 (144A)

752,813

170,000

SESI LLC, 7.75%, 9/15/24

175,100

\$2,591,093

Oil & Gas Exploration & Production - 6.3%

300,000

Alta Mesa Holdings LP / Alta Mesa Finance Services Corp., 7.875%, 12/15/24

\$312,000

460,000

Chaparral Energy, Inc., 8.75%, 7/15/23 (144A)

461,725

795,000

Covey Park Energy LLC / Covey Park Finance Corp., 7.5%, 5/15/25 (144A)

806,925

410,000

Great Western Petroleum LLC / Great Western Finance Corp., 9.0%, 9/30/21 (144A)

420,250

740,000

Gulfport Energy Corp., 6.0%, 10/15/24

714,100

450,000

Gulfport Energy Corp., 6.375%, 5/15/25

436,500

402,000

Halcon Resources Corp., 6.75%, 2/15/25

372,855

420,000

MEG Energy Corp., 6.5%, 1/15/25 (144A)

413,175

1,045,000

Nostrum Oil & Gas Finance BV, 8.0%, 7/25/22 (144A)

991,883

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450,000

Novatek OAO via Novatek Finance, DAC, 4.422%, 12/13/22 (144A)
447,042

369,000

Oasis Petroleum, Inc., 6.875%, 3/15/22
375,919

571,627(g)

PetroQuest Energy, Inc., 10.0% (9.0% PIK 1.0% cash), 2/15/21
257,232

400,000

Resolute Energy Corp., 8.5%, 5/1/20
400,750

225,000

Sanchez Energy Corp., 7.25%, 2/15/23 (144A)
221,411

870,000

Sanchez Energy Corp., 7.75%, 6/15/21
752,550

Principal

Amount

USD (\$)

Value

Oil & Gas Exploration & Production - (continued)

707,000

SEPLAT Petroleum Development Co. Plc, 9.25%, 4/1/23 (144A)
\$703,465

480,000

Whiting Petroleum Corp., 5.75%, 3/15/21
489,600

100,000

Whiting Petroleum Corp., 6.625%, 1/15/26
103,562

150,000

WPX Energy, Inc., 8.25%, 8/1/23
169,695

\$8,850,639

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Oil & Gas Refining & Marketing - 0.6%

669,000

Calumet Specialty Products Partners LP / Calumet Finance Corp., 6.5%, 4/15/21

\$662,310

200,000

PBF Holding Co., LLC / PBF Finance Corp., 7.0%, 11/15/23

208,000

\$870,310

Oil & Gas Storage & Transportation - 4.5%

220,000

Blue Racer Midstream LLC / Blue Racer Finance Corp., 6.125%, 11/15/22 (144A)

\$222,816

310,000

Blue Racer Midstream LLC / Blue Racer Finance Corp., 6.625%, 7/15/26 (144A)

312,325

200,000

Cheniere Corpus Christi Holdings LLC, 7.0%, 6/30/24

219,500

450,000(e)

Energy Transfer Partners LP, 5.361% (3 Month USD LIBOR + 302 bps), 11/1/66

389,250

118,000

EnLink Midstream Partners LP, 5.05%, 4/1/45

97,951

344,000

EnLink Midstream Partners LP, 5.6%, 4/1/44

296,300

950,000

Genesis Energy LP / Genesis Energy Finance Corp., 6.75%, 8/1/22

969,000

480,000

Global Partners LP / GLP Finance Corp., 7.0%, 6/15/23

476,400

585,000

Hess Infrastructure Partners LP / Hess Infrastructure Partners Finance Corp., 5.625%, 2/15/26 (144A)

587,925

935,000

Product Advantages

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PBF Logistics LP / PBF Logistics Finance Corp., 6.875%, 5/15/23
949,025

600,000

TransMontaigne Partners LP / TLP Finance Corp., 6.125%, 2/15/26
592,500

1,175,000

Williams Cos., Inc., 5.75%, 6/24/44
1,251,375

\$6,364,367

Total Energy

\$26,227,318

FOOD & STAPLES RETAILING - 0.1%

Food Retail - 0.1%

200,000

C&S Group Enterprises LLC, 5.375%, 7/15/22 (144A)
\$198,250

169,849(h)

Tonon Luxembourg SA, 10.5%, 5/14/24 (144A)
5,945

Total Food & Staples Retailing
\$204,195

FOOD, BEVERAGE & TOBACCO - 5.1%

Agricultural Products - 0.3%

444,769

Pinnacle Operating Corp., 9.0%, 5/15/23 (144A)
\$411,411

Packaged Foods & Meats - 4.2%

655,000

JBS Investments GmbH, 7.25%, 4/3/24 (144A)
\$656,638

1,317,000

MARB BondCo Plc, 6.875%, 1/19/25 (144A)
1,270,918

975,000

Marfrig Holdings Europe BV, 8.0%, 6/8/23 (144A)
996,938

Product Advantages

700,000

Marfrig Holdings Europe BV, 11.25%, 9/20/21 (144A)

719,250

580,000

Minerva Luxembourg SA, 6.5%, 9/20/26 (144A)

540,125

600,000

Pesquera Exalmar SAA, 7.375%, 1/31/20 (144A)

595,500

EUR

411,000

Picard Bonco SA, 5.5%, 11/30/24 (144A)

462,266

652,000

Pilgrim's Pride Corp., 5.875%, 9/30/27 (144A)

607,990

\$5,849,625

Tobacco - 0.6%

160,000

Alliance One International, Inc., 8.5%, 4/15/21 (144A)

\$165,200

800,000

Alliance One International, Inc., 9.875%, 7/15/21

731,000

\$896,200

Total Food, Beverage & Tobacco

\$7,157,236

HEALTH CARE EQUIPMENT & SERVICES - 1.3%

Health Care Facilities - 1.0%

810,000

RegionalCare Hospital Partners Holdings, Inc., 8.25%, 5/1/23 (144A)

\$858,600

455,000

Team Health Holdings, Inc., 6.375%, 2/1/25 (144A)

396,988

167,000

Universal Hospital Services, Inc., 7.625%, 8/15/20

Product Advantages

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167,235

\$1,422,823

Health Care Services - 0.3%

425,000

BioScrip, Inc., 8.875%, 2/15/21

\$407,469

Total Health Care Equipment & Services

\$1,830,292

INSURANCE - 25.9%

Property & Casualty Insurance - 0.4%

499,000

Wand Merger Corp., 8.125%, 7/15/23 (144A)

\$519,010

Reinsurance - 25.5%

500,000(e)

Alamo Re, 6.868% (3 Month U.S. Treasury Bill + 485 bps), 6/8/20 (144A) (Cat Bond)

\$505,000

500,000(e)

Aozora Re, 4.581% (6 Month USD LIBOR + 224 bps), 4/7/20 (144A) (Cat Bond)

504,250

1,460,307+(i)(j)

Berwick Re 2018, Variable Rate Notes, 12/31/21

1,507,183

400,000+(i)(j)

Blue Lotus Re 2018, Variable Rate Notes, 12/31/21

426,520

750,000(e)

Bosphorus Re, 5.53% (6 Month USD LIBOR + 325 bps), 8/17/18 (144A) (Cat Bond)

751,875

375,000(e)

Caelus Re V, 2.518% (3 Month U.S. Treasury Bill + 50 bps), 6/5/20 (144A) (Cat Bond)

5,437

400,000(e)

Caelus Re V, 2.518% (3 Month U.S. Treasury Bill + 50 bps), 6/5/20 (144A) (Cat Bond)

6,160

250,000(e)

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Caelus Re V, 9.518% (3 Month U.S. Treasury Bill + 750 bps), 6/7/21 (144A) (Cat Bond)

251,125

250,000(e)

Cal Phoenix Re, 9.648%, 8/13/21 (3 Month USD LIBOR + 750 bps), 8/13/21 (Cat Bond)

250,000

800,000+(i)(j)

Carnoustie Re 2015, Variable Rate Notes, 7/1/19

2,560

1,000,000+(i)(j)

Carnoustie Re 2016, Variable Rate Notes, 11/30/20

27,000

1,000,000+(i)(j)

Carnoustie Re 2017, Variable Rate Notes, 11/30/21

254,200

250,000+(i)(j)

Carnoustie Re 2018, Variable Rate Notes, 12/31/21

262,600

400,000+(i)(j)

Castle Stuart Re 2018, Variable Rate Notes, 12/1/21

409,040

750,000(e)

Citrus Re, 9.868% (3 Month U.S. Treasury Bill + 785 bps), 2/25/19 (144A) (Cat Bond)

706,125

Principal

Amount

USD (\$)

Value

Reinsurance - (continued)

500,000+(i)(j)

Clarendon Re 2018, Variable Rate Notes, 1/15/19

\$456,400

750,000(e)

Cranberry Re, 4.112% (6 Month USD LIBOR + 200 bps), 7/13/20 (144A) (Cat Bond)

755,850

650,000+(i)(j)

Cyprus Re 2017, Variable Rate Notes, 1/10/19

297,440

Product Advantages

500,000+(i)(j)

Cyprus Re 2018, Variable Rate Notes, 1/15/19
478,950

250,000+(i)(j)

Darmouth Re 2018, Variable Rate Notes, 1/15/19
215,450

400,000+(i)(j)

Denning Re 2017, Variable Rate Notes, 7/13/18
401,000

416,087+(i)(j)

Denning Re 2018, Variable Rate Notes, 7/15/19
408,681

250,000+(i)(j)

EC0009, Variable Rate Notes, 12/31/20
238,000

250,000+(i)(j)

EC0012 Re, Variable Rate Notes, 6/15/19
243,650

250,000+(i)(j)

Eden Re II, Variable Rate Notes, 3/22/21 (144A)
146,375

250,000+(i)(j)

Eden Re II, Variable Rate Notes, 3/22/22 (144A)
264,850

750,000+(i)(j)

Eden Re II, Variable Rate Notes, 3/22/22 (144A)
794,100

250,000(e)

FloodSmart Re, 13.268% (3 Month U.S. Treasury Bill + 1,125 bps), 8/6/21 (144A) (Cat Bond)
250,000

250,000(e)

Galilei Re, 10.61% (6 Month USD LIBOR + 841 bps), 1/8/21 (144A) (Cat Bond)
253,475

250,000(e)

Galilei Re, 16.06% (6 Month USD LIBOR + 1,388 bps), 1/8/20 (144A) (Cat Bond)
251,175

250,000(e)

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Galilei Re, 16.08% (6 Month USD LIBOR + 1,388 bps), 1/8/21 (144A) (Cat Bond)
254,125

500,000(e)

Galileo Re, 9.683% (3 Month USD LIBOR + 750 bps), 11/6/20 (144A) (Cat Bond)
500,550

250,000(e)

Galileo Re, 10.958% (3 Month U.S. Treasury Bill + 894 bps), 1/8/19 (144A) (Cat Bond)
246,025

250,000(e)

Galileo Re, 15.528% (3 Month U.S. Treasury Bill + 1,351 bps), 1/8/19 (144A) (Cat Bond)
246,300

2,400,000+(i)(j)

Gleneagles Re 2016, Variable Rate Notes, 11/30/20
222,888

1,500,000+(i)(j)

Gleneagles Re 2017, Variable Rate Notes, 11/30/21
847,839

250,000+(i)(j)

Gleneagles Re 2018, Variable Rate Notes, 12/31/21
262,425

300,000+(i)(j)

Gloucester Re 2018, Variable Rate Notes, 1/15/19
238,530

1,000,000+(i)(j)

Gullane Re 2018, Variable Rate Notes, 12/31/21
1,005,800

1,000,000+(i)(j)

Harambee Re 2018, Variable Rate Notes, 12/31/21
1,030,000

750,000(e)

Integrity Re, 5.348% (6 Month USD LIBOR + 324 bps), 6/10/20 (144A) (Cat Bond)
747,300

500,000(e)

Integrity Re, 6.228% (6 Month USD LIBOR + 412 bps), 6/10/20 (144A) (Cat Bond)
498,650

250,000(e)

International Bank for Reconstruction & Development, 7.626% (6 Month USD LIBOR + 590 bps), 12/20/19 (144A) (Cat Bond)

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249,250

300,000(e)

International Bank for Reconstruction & Development, 9.008% (6 Month USD LIBOR + 690 bps), 7/15/20 (144A) (Cat Bond)
302,070

250,000(e)

International Bank for Reconstruction & Development, 11.026% (6 Month USD LIBOR + 930 bps), 12/20/19 (144A) (Cat Bond)
249,913

300,000(e)

International Bank for Reconstruction & Development, 14.031% (6 Month USD LIBOR + 1,150 bps), 7/15/20 (144A) (Cat Bond)
291,480

326,836+(i)(j)

Kilarney Re 2018, Variable Rate Notes, 4/15/19
342,034

500,000(e)

Kilimanjaro II Re, 9.341% (6 Month USD LIBOR + 714 bps), 4/20/21 (144A) (Cat Bond)
500,100

500,000(e)

Kilimanjaro II Re, 11.691% (6 Month USD LIBOR + 949 bps), 4/20/21 (144A) (Cat Bond)
499,000

500,000(e)

Kizuna Re II, 4.518% (3 Month U.S. Treasury Bill + 250 bps), 4/11/23 (144A) (Cat Bond)
506,800

250,000+(i)(j)

Limestone Re, Variable Rate Notes, 3/1/22
250,700
EUR
500,000(e)

Lion II Re, 3.17% (3 Month EURIBOR + 317 bps), 7/15/21 (144A) (Cat Bond)
584,650

1,000,000+(i)(j)

Lorenz Re 2017, Variable Rate Notes, 3/31/20
931,400

29,356+(i)(j)

Lorenz Re 2018, Variable Rate Notes, 7/1/21
29,796

500,000+(i)(j)

Madison Re 2018, Variable Rate Notes, 12/31/21
530,950

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350,000+(i)(j)

Merion Re 2018-1, Variable Rate Notes, 12/31/21
318,080

500,000+(i)(j)

Merion Re 2018-2, Variable Rate Notes, 12/31/21
539,400

500,000(e)

Merna Re, 4.018% (3 Month U.S. Treasury Bill + 200 bps), 4/8/20 (144A) (Cat Bond)
500,150

500,000(e)

Nakama Re, 4.28% (6 Month USD LIBOR + 220 bps), 10/13/21 (144A) (Cat Bond)
506,900

250,000+(i)(j)

NCM Re 2018, Variable Rate Notes, 12/31/21
271,275

750,000(e)

Northshore Re II, 9.228% (3 Month U.S. Treasury Bill + 721 bps), 7/6/20 (144A) (Cat Bond)
760,725

400,000+(i)(j)

Old Head Re 2018, Variable Rate Notes, 12/31/21
358,800

300,000+(i)(j)

Oyster Bay Re 2018, Variable Rate Notes, 1/15/19
281,400

3,000,000+(i)(j)

Pangaea Re 2015-1, Variable Rate Notes, 2/1/19
5,400

2,000,000+(i)(j)

Pangaea Re 2016-1, Variable Rate Notes, 11/30/20
14,260

2,000,000+(i)(j)

Pangaea Re 2017-1, Variable Rate Notes, 11/30/21
10,920

1,000,000+(i)(j)

Pangaea Re 2018-1, Variable Rate Notes, 12/31/21
1,056,000

1,000,000+(i)(j)

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Pangaea Re 2018-3, Variable Rate Notes, 7/1/22

1,009,900

750,000+(i)(j)

Portrush Re 2017, Variable Rate Notes, 6/15/18

712,125

250,000+(i)(j)

Promissum Re 2018, Variable Rate Notes, 6/15/19

236,700

750,000+(i)(j)

Resilience Re, Variable Rate Notes, 6/4/19

963

250,000+(i)(j)

Resilience Re, Variable Rate Notes, 6/7/19

245,875

700,000+(i)(j)

Resilience Re, Variable Rate Notes, 12/31/19

374,500

500,000(e)

Sanders Re, 5.324% (6 Month USD LIBOR + 311 bps), 6/5/20 (144A) (Cat Bond)

502,450

500,000+(i)(j)

Seminole Re 2018, Variable Rate Notes, 1/15/19

465,000

1,000,000+(i)(j)

Silverton Re 2016, Variable Rate Notes, 9/17/18 (144A)

5,200

1,000,000+(i)(j)

Silverton Re 2017, Variable Rate Notes, 9/16/19 (144A)

209,000

500,000(e)

Spectrum Capital Re, 7.917% (6 Month USD LIBOR + 575 bps), 6/8/21 (144A) (Cat Bond)

502,600

1,000,000+(i)(j)

St. Andrews Re 2017-1, Variable Rate Notes, 2/1/19

67,800

500,000+(i)(j)

Thopas Re 2018, Variable Rates Notes, 12/31/21

530,350

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400,000(e)

Ursa Re, 5.25% (3 Month U.S. Treasury Bill + 525 bps), 12/10/20 (144A) (Cat Bond)
403,480

500,000+(i)(j)

Versutus Re 2018, Variable Rate Notes, 12/31/21
522,850

500,000+(i)(j)

Viribus Re 2018, Variable Rate Notes, 12/31/21
526,150

1,000,000(e)

Vitality Re VII, 4.668% (3 Month U.S. Treasury Bill + 265 bps), 1/7/20 (144A) (Cat Bond)
1,010,100

500,000+(i)(j)

Wentworth Re 2017, Variable Rate Notes, 7/13/18
500,000

250,000+(i)(j)

Wentworth Re 2018, Variable Rate Notes, 12/31/21
232,400

Principal

Amount

USD (\$)

Value

Reinsurance - (continued)

500,000+(i)(j)

Woburn Re 2018, Variable Rate Notes, 12/31/21
\$519,550

\$35,893,349

Total Insurance

\$36,412,359

MATERIALS - 7.5%

Aluminum - 0.4%

615,000

Novelis Corp., 5.875%, 9/30/26 (144A)
\$589,631

Commodity Chemicals - 0.6%

Product Advantages

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300,000

Basell Finance Co. BV, 8.1%, 3/15/27 (144A)

\$370,015

175,000

Hexion US Finance Corp., 6.625%, 4/15/20

164,938

336,000

Rain CII Carbon LLC / CII Carbon Corp., 7.25%, 4/1/25 (144A)

344,400

\$879,353

Construction Materials - 0.2%

215,000

Cemex SAB de CV, 7.75%, 4/16/26 (144A)

\$236,663

Copper - 1.0%

500,000

First Quantum Minerals, Ltd., 6.875%, 3/1/26 (144A)

\$486,875

425,000

First Quantum Minerals, Ltd., 7.25%, 4/1/23 (144A)

426,594

465,000

Freeport-McMoRan, Inc., 3.55%, 3/1/22

450,469

\$1,363,938

Diversified Chemicals - 0.8%

55,000

Blue Cube Spinco, Inc., 9.75%, 10/15/23

\$62,288

55,000

Blue Cube Spinco, Inc., 10.0%, 10/15/25

63,731

1,025,000

Koks OAO Via Koks Finance, DAC, 7.5%, 5/4/22 (144A)

1,021,359

\$1,147,378

Product Advantages

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Diversified Metals & Mining - 1.0%

210,000

Alcoa Nederland Holding BV, 6.125%, 5/15/28 (144A)

\$216,300

330,000

Aleris International, Inc., 10.75%, 7/15/23 (144A)

350,625

200,000

Hudbay Minerals, Inc., 7.25%, 1/15/23 (144A)

205,750

IDR

812,959,000^

PT Bakrie & Brothers Tbk, 0.0%, 12/22/22

8,795

70,000

Teck Resources, Ltd., 8.5%, 6/1/24 (144A)

77,087

160,000

Vale Overseas, Ltd., 6.25%, 8/10/26

176,000

375,000

Vedanta Resources Plc, 6.375%, 7/30/22 (144A)

368,438

\$1,402,995

Fertilizers & Agricultural Chemicals - 0.2%

200,000

CVR Partners LP / CVR Nitrogen Finance Corp., 9.25%, 6/15/23 (144A)

\$212,750

Metal & Glass Containers - 1.6%

100,000(g)

ARD Finance SA, 7.125% (7.875% PIK 0.0% cash), 9/15/23

\$101,000

320,000

Ardagh Packaging Finance Plc / Ardagh Holdings USA, Inc., 7.25%, 5/15/24 (144A)

333,600

EUR

150,000

Horizon Holdings I SAS, 7.25%, 8/1/23 (144A)

Product Advantages

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181,807
EUR
1,365,000

SIG Combibloc Holdings SCA, 7.75%, 2/15/23 (144A)
1,660,563

\$2,276,970

Paper Packaging - 0.3%

390,000

Eldorado International Finance GmbH, 8.625%, 6/16/21 (144A)
\$403,650

Specialty Chemicals - 0.4%

410,000

A Schulman, Inc., 6.875%, 6/1/23
\$428,963

150,000

Koppers, Inc., 6.0%, 2/15/25 (144A)
150,300

\$579,263

Steel - 1.0%

1,093,000

Metinvest BV, 7.75%, 4/23/23 (144A)
\$1,057,401

215,000

SunCoke Energy Partners LP / SunCoke Energy Partners Finance Corp., 7.5%, 6/15/25 (144A)
221,987

200,000

United States Steel Corp., 6.25%, 3/15/26
200,000

\$1,479,388

Total Materials

\$10,571,979

MEDIA - 2.3%

Advertising - 0.9%

1,448,000

MDC Partners, Inc., 6.5%, 5/1/24 (144A)
\$1,277,860

Product Advantages

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Broadcasting - 0.2%

315,000

CSC Holdings LLC, 5.5%, 4/15/27 (144A)

\$303,187

Cable & Satellite - 0.6%

250,000

Altice Finco SA, 8.125%, 1/15/24 (144A)

\$254,375

300,000

Altice SA, 7.75%, 5/15/22 (144A)

298,500

220,000

DISH DBS Corp., 7.75%, 7/1/26

192,225

\$745,100

Publishing - 0.6%

855,000

Gannett Co., Inc., 6.375%, 10/15/23

\$882,788

Total Media

\$3,208,935

PHARMACEUTICALS, BIOTECHNOLOGY & LIFE SCIENCES - 2.0%

Pharmaceuticals - 2.0%

650,000

Endo Finance LLC / Endo, Ltd. / Endo Finco, Inc., 6.0%, 7/15/23 (144A)

\$552,500

240,000

Endo Finance LLC / Endo, Ltd. / Endo Finco, Inc., 6.0%, 2/1/25 (144A)

192,600

225,000

Horizon Pharma, Inc., 6.625%, 5/1/23

226,688

70,000

Horizon Pharma, Inc. / Horizon Pharma USA, Inc., 8.75%, 11/1/24 (144A)

74,375

EUR

450,000

Product Advantages

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VRX Escrow Corp., 4.5%, 5/15/23

508,436

EUR

345,000

VRX Escrow Corp., 4.5%, 5/15/23 (144A)

389,801

494,000

VRX Escrow Corp., 5.875%, 5/15/23 (144A)

474,487

Principal

Amount

USD (\$)

Value

Pharmaceuticals - (continued)

430,000

VRX Escrow Corp., 7.0%, 3/15/24 (144A)

\$455,908

Total Pharmaceuticals, Biotechnology & Life Sciences

\$2,874,795

REAL ESTATE - 1.0%

Specialized REIT - 1.0%

1,520,000

Uniti Group, Inc. / CSL Capital LLC, 8.25%, 10/15/23

\$1,421,200

Total Real Estate

\$1,421,200

RETAILING - 0.9%

Department Stores - 0.5%

500,000

JC Penney Corp., Inc., 8.625%, 3/15/25 (144A)

\$421,250

350,000

Neiman Marcus Group, Ltd., LLC, 8.0%, 10/15/21 (144A)

220,500

\$641,750

Speciality Stores - 0.4%

Product Advantages

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677,000

PetSmart, Inc., 5.875%, 6/1/25 (144A)

\$531,445

Total Retailing

\$1,173,195

SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 0.1%

Semiconductors - 0.1%

200,000

Micron Technology, Inc., 5.5%, 2/1/25

\$206,750

Total Semiconductors & Semiconductor Equipment

\$206,750

SOFTWARE & SERVICES - 0.5%

IT Consulting & Other Services - 0.5%

130,000

Dell International LLC / EMC Corp., 7.125%, 6/15/24 (144A)

\$139,750

635,000

Rackspace Hosting, Inc., 8.625%, 11/15/24 (144A)

641,350

Total Software & Services

\$781,100

TECHNOLOGY HARDWARE & EQUIPMENT - 1.1%

Communications Equipment - 0.6%

300,000

Cincinnati Bell, Inc., 7.0%, 7/15/24 (144A)

\$267,000

325,000

Cincinnati Bell, Inc., 8.0%, 10/15/25 (144A)

296,562

280,000

CommScope Technologies LLC, 6.0%, 6/15/25 (144A)

288,400

\$851,962

Technology Hardware, Storage & Peripherals - 0.5%

710,000

Product Advantages

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Diebold Nixdorf, Inc., 8.5%, 4/15/24
\$653,200

Total Technology Hardware & Equipment
\$1,505,162

TELECOMMUNICATION SERVICES - 4.9%

Integrated Telecommunication Services - 0.4%

425,000

Altice France SA, 6.25%, 5/15/24 (144A)
\$422,344

200,000

Altice France SA, 8.125%, 2/1/27 (144A)
204,270

\$626,614

Wireless Telecommunication Services - 2.1%

225,000

Digicel Group, Ltd., 8.25%, 9/30/20 (144A)
\$163,687

750,000

Digicel, Ltd., 6.75%, 3/1/23
646,875

200,000

Mobile Telesystems OJSC via MTS International Funding, Ltd., 5.0%, 5/30/23 (144A)
198,840

340,000

Sprint Corp., 7.125%, 6/15/24
349,138

485,000

Sprint Corp., 7.25%, 9/15/21
509,856

850,000

Sprint Corp., 7.625%, 3/1/26
881,875

250,000

Unison Ground Lease Funding LLC, 5.78%, 3/15/20 (144A)
248,057

\$2,998,328

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Wireline - 2.4%

500,000

Frontier Communications Corp., 8.5%, 4/1/26 (144A)

480,000

1,165,000

Frontier Communications Corp., 8.75%, 4/15/22

985,881

290,000

Frontier Communications Corp., 11.0%, 9/15/25

235,173

1,300,000

Windstream Services LLC / Windstream Finance Corp., 8.625%, 10/31/25 (144A)

1,215,500

529,000

Windstream Services LLC / Windstream Finance Corp., 8.75%, 12/15/24 (144A)

341,205

\$3,257,759

Total Telecommunication Services

\$6,882,701

TRANSPORTATION - 1.1%

Airlines - 0.3%

155,000

Intrepid Aviation Group Holdings LLC / Intrepid Finance Co., 6.875%, 2/15/19 (144A)

\$155,077

300,000

Latam Finance, Ltd., 6.875%, 4/11/24 (144A)

297,750

\$452,827

Highways & Railtracks - 0.4%

MXN

4,500,000

Red de Carreteras de Occidente SAPIB de CV, 9.0%, 6/10/28 (144A)

\$230,166

260,000

Rumo Luxembourg S.a.r.l., 7.375%, 2/9/24 (144A)

269,620

\$499,786

Product Advantages

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Logistics - 0.1%

200,000

Aeropuertos Dominicanos Siglo XXI SA, 6.75%, 3/30/29 (144A)
\$209,000

Marine - 0.3%

375,000

Navios South American Logistics, Inc. / Navios Logistics Finance US, Inc., 7.25%, 5/1/22 (144A)
\$360,000

Total Transportation
\$1,521,613

UTILITIES - 5.4%

Electric Utilities - 2.2%

400,000

Cemig Geracao e Transmissao SA, 9.25%, 12/5/24 (144A)
\$416,960

575,000

Centrais Eletricas Brasileiras SA, 5.75%, 10/27/21
578,795

460,000(c)

Enel S.p.A., 8.75% (5 Year USD Swap Rate + 588 bps), 9/24/73 (144A)
508,300

1,275,000

Light Servicos de Eletricidade SA / Light Energia SA, 7.25%, 5/3/23 (144A)
1,262,250

Principal

Amount

USD (\$)

Value

Electric Utilities - (continued)

375,000

Stoneway Capital Corp., 10.0%, 3/1/27 (144A)
\$365,955

\$3,132,260

Gas Utilities - 0.7%

425,000

Product Advantages

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Ferrellgas LP / Ferrellgas Finance Corp., 6.5%, 5/1/21
\$387,812

665,000

Ferrellgas LP / Ferrellgas Finance Corp., 6.75%, 6/15/23
575,225

\$963,037

Independent Power Producers & Energy Traders - 2.5%

224,000

Calpine Corp., 5.75%, 1/15/25
\$206,080

570,000

NRG Energy, Inc., 6.625%, 1/15/27
\$587,100

320,000

NRG Energy, Inc., 7.25%, 5/15/26
340,800

218,625

NSG Holdings LLC / NSG Holdings, Inc., 7.75%, 12/15/25 (144A)
240,215

900,000

Talen Energy Supply LLC, 4.6%, 12/15/21
769,500

585,000(d)

TerraForm Power Operating LLC, 6.625%, 6/15/25 (144A)
623,025

633,000

Vistra Energy Corp., 8.0%, 1/15/25 (144A)
687,596

\$3,454,316

Total Utilities

\$7,549,613

TOTAL CORPORATE BONDS

(Cost \$134,996,663)
\$137,775,080

FOREIGN GOVERNMENT BONDS - 2.5% of Net Assets

Angola - 0.3%

Product Advantages

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448,000

Angolan Government International Bond, 8.25%, 5/9/28 (144A)

\$464,217

Argentina - 1.6%

176,560

Province of Salta Argentina, 9.5%, 3/16/22 (144A)

\$172,588

360,000

Provincia de Buenos Aires, 9.125%, 3/16/24 (144A)

351,004

230,000

Provincia de Buenos Aires, 9.95%, 6/9/21 (144A)

234,602

670,000

Provincia de Entre Rios Argentina, 8.75%, 2/8/25 (144A)

573,694

1,135,000

Provincia del Chubut Argentina, 7.75%, 7/26/26 (144A)

892,405

\$2,224,293

Bahrain - 0.2%

300,000

Bahrain Government International Bond, 7.0%, 10/12/28 (144A)

\$279,750

Kenya - 0.4%

500,000

Kenya Government International Bond, 6.875%, 6/24/24 (144A)

\$509,407

Mexico - 0.0%†

MXN

970,000

Mexican Bonos, 7.75%, 11/13/42

\$51,301

TOTAL FOREIGN GOVERNMENT BONDS

(Cost \$3,766,870)

\$3,528,968

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SENIOR SECURED FLOATING RATE LOAN INTERESTS - 34.7% of Net Assets*(e)

AUTOMOBILES & COMPONENTS - 1.1%

Auto Parts & Equipment - 1.0%

231,475

American Axle & Manufacturing, Inc., Tranche B Term Loan, 4.32% (LIBOR + 225 bps), 4/6/24
\$231,089

199,473

BBB Industries US Holdings, Inc., First Lien Term B Loan, 8.5% (PRIME + 350 bps), 11/3/21
199,972

180,060

Energy Acquisition LP, Initial Term Loan, 6.589% (LIBOR + 425 bps), 6/26/25
179,385

143,248

TI Group Automotive Systems LLC, Initial US Term Loan, 4.577% (LIBOR + 250 bps), 6/30/22
143,547

661,578

Tower Automotive Holdings USA LLC, Initial Term Loan, 4.875% (LIBOR + 275 bps), 3/7/24
664,472

\$1,418,465

Automobile Manufacturers - 0.1%

106,796

Federal-Mogul Corp., Tranche C Term Loan, 5.822% (LIBOR + 375 bps), 4/15/21
\$107,252

Total Automobiles & Components
\$1,525,717

CAPITAL GOODS - 4.0%

Aerospace & Defense - 0.4%

293,955

DAE Aviation Holdings, Inc., Initial Term Loan, 5.83% (LIBOR + 375 bps), 7/7/22
\$293,561

322,348

DynCorp International, Inc., Term Loan B2, 8.086% (LIBOR + 600 bps), 7/7/20
323,691

\$617,252

Building Products - 0.8%

865,785

Product Advantages

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Builders FirstSource, Inc., Refinancing Term Loan, 5.334% (LIBOR + 300 bps), 2/29/24
\$866,790

296,981

Summit Materials LLC, New Term Loan, 4.077% (LIBOR + 200 bps), 11/21/24
297,055

\$1,163,845

Construction Machinery & Heavy Trucks - 0.8%

290,911

Clark Equipment Co. (aka Doosan Bobcat, Inc.), Repriced Term Loan, 4.334% (LIBOR + 200 bps), 5/18/24
\$291,184

487,500

Commercial Vehicle Group, Inc., Initial Term Loan, 8.077% (LIBOR + 600 bps), 4/12/23
491,156

381,259

Navistar, Inc., Tranche B Term Loan, 5.6% (LIBOR + 350 bps), 11/6/24
383,761

\$1,166,101

Electrical Components & Equipment - 0.4%

100,000

Pelican Products, Inc., First Lien Term Loan, 5.592% (LIBOR + 350 bps), 5/1/25
\$100,390

411,259

WireCo WorldGroup, Inc., First Lien Initial Term Loan, 7.077% (LIBOR + 500 bps), 9/29/23
416,272

\$516,662

Industrial Conglomerates - 0.9%

569,722

DTI Holdco, Inc., Replacement B-1 Term Loan, 6.827% (LIBOR + 475 bps), 9/29/23
\$568,536

168,475

Filtration Group Corp., Initial Dollar Term Loan, 5.077% (LIBOR + 300 bps), 3/29/25
169,332

497,690

Shape Technologies Group, Inc., Initial Term Loan, 5.148% (LIBOR + 300 bps), 4/20/25
496,446

\$1,234,314

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Industrial Machinery - 0.3%

186,687

Blount International, Inc., Refinancing Term Loan, 6.342% (LIBOR + 425 bps), 4/12/23
\$188,787

Principal

Amount

USD (\$)

Value

Industrial Machinery - (continued)

167,014

NN, Inc., Tranche B Term Loan, 5.827% (LIBOR + 375 bps), 10/19/22
\$167,119

\$355,906

Trading Companies & Distributors - 0.4%

498,750

Beacon Roofing Supply, Inc., Initial Term Loan, 4.347% (LIBOR + 225 bps), 1/2/25
\$499,240

40,307

WESCO Distribution, Inc., Tranche B-1 Term Loan, 5.077% (LIBOR + 300 bps), 12/12/19
40,357

\$539,597

Total Capital Goods

\$5,593,677

COMMERCIAL & PROFESSIONAL SERVICES - 1.1%

Diversified Support Services - 0.3%

102,580

Asurion LLC (fka Asurion Corp.), New Term Loan B7, 5.077% (LIBOR + 300 bps), 11/3/24
\$102,562

325,000

Asurion LLC (fka Asurion Corp.), Second Lien Replacement B-2 Term Loan, 8.577% (LIBOR + 650 bps), 8/4/25
329,875

\$432,437

Environmental & Facilities Services - 0.2%

241,999

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Infiltrator Water Technologies LLC, First Lien Term B-2 Loan, 5.334% (LIBOR + 300 bps), 5/27/22

\$243,511

Security & Alarm Services - 0.6%

742,500

Constellis Holdings LLC, First Lien Term B Loan, 7.334% (LIBOR + 500 bps), 4/21/24

\$747,450

125,034

Prime Security Services Borrower LLC, First Lien 2016-2 Refinancing Term B-1 Loan, 4.827% (LIBOR + 275 bps), 5/2/22

125,373

\$872,823

Total Commercial & Professional Services

\$1,548,771

CONSUMER DURABLES & APPAREL - 0.9%

Home Furnishings - 0.2%

522,133

Serta Simmons Bedding LLC, Second Lien Initial Term Loan, 10.097% (LIBOR + 800 bps), 11/8/24

\$362,230

Homebuilding - 0.2%

250,000

Interior Logic Group Holdings IV LLC, Initial Term Loan, 6.342% (LIBOR + 400 bps), 5/30/25

\$250,625

Leisure Products - 0.5%

347,375

Bass Pro Group LLC, Initial Term Loan, 7.077% (LIBOR + 500 bps), 9/25/24

\$350,067

360,038

Bombardier Recreational Products, Inc., Term B Loan, 4.08% (LIBOR + 200 bps), 5/23/25

359,401

\$709,468

Total Consumer Durables & Apparel

\$1,322,323

CONSUMER SERVICES - 2.7%

Casinos & Gaming - 0.5%

164,957

Eldorado Resorts, Inc., Term Loan, 4.401% (LIBOR + 225 bps), 4/17/24

\$165,215

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555,007

Scientific Games International, Inc., Initial Term B-5 Loan, 4.903% (LIBOR + 275 bps), 8/14/24
556,047

\$721,262

Education Services - 0.8%

729,506

KUEHG Corp. (fka KC MergerSub, Inc.), Term B-2 Loan, 6.084% (LIBOR + 375 bps), 8/12/22
\$732,151

466,667

Laureate Education, Inc., Series 2024 Term Loan, 5.577% (LIBOR + 350 bps), 4/26/24
468,352

\$1,200,503

Leisure Facilities - 0.2%

252,150

Fitness International LLC, Term B Loan, 5.469% (LIBOR + 325 bps), 4/18/25
\$253,883

Restaurants - 0.8%

344,897

1011778 BC Unlimited Liability Co. (New Red Finance, Inc.) (aka Burger King/Tim Hortons), Term B-3 Loan, 4.327% (LIBOR + 225 bps),
2/16/24
\$345,148

500,000(k)

Dhanani Group, Inc., Term Loan B, 6/27/25
497,500

240,414

Golden Nugget, Inc. (aka Landry's, Inc.), Initial Term Loan B, 4.827% (LIBOR + 275 bps), 10/4/23
241,432

\$1,084,080

Specialized Consumer Services - 0.4%

527,212

Creative Artists Agency LLC, Refinancing Term Loan, 5.072% (LIBOR + 300 bps), 2/15/24
\$529,271

Total Consumer Services
\$3,788,999

DIVERSIFIED FINANCIALS - 1.2%

Diversified Capital Markets - 0.2%

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242,188

Freedom Mortgage Corp., Initial Term Loan, 6.817% (LIBOR + 475 bps), 2/23/22
\$244,004

Investment Banking & Brokerage - 0.2%

174,563

Duff & Phelps Investment Management Co., Initial Term Loan, 5.584% (LIBOR + 325 bps), 2/13/25
\$174,796

178,154

LPL Holdings, Inc., Tranche B Term Loan, 4.488% (LIBOR + 225 bps), 9/23/24
178,544

\$353,340

Specialized Finance - 0.8%

173,736

Avast Software BV, 2018 Refinancing Dollar Term Loan, 4.834% (LIBOR + 250 bps), 9/29/23
\$174,556

200,000

CTC AcquiCo GmbH, Facility B2, 5.568% (LIBOR + 325 bps), 3/7/25
198,282

241,875

DBRS, Ltd., Initial Term Loan, 7.557% (LIBOR + 525 bps), 3/4/22
242,782

495,000

Peraton Corp. (fka MHVC Acquisition Corp.), First Lien Initial Term Loan, 7.59% (LIBOR + 525 bps), 4/29/24
498,713

\$1,114,333

Total Diversified Financials
\$1,711,677

ENERGY - 1.9%

Oil & Gas Drilling - 0.4%

250,000

Gavilan Resources LLC, Second Lien Initial Term Loan, 8.079% (LIBOR + 600 bps), 3/1/24
\$247,656

Principal

Amount

USD (\$)

Value

Product Advantages

Oil & Gas Drilling - (continued)

250,000

Traverse Midstream Partners LLC, Advance Term Loan, 6.34% (LIBOR + 400 bps), 9/27/24
\$251,250

\$498,906

Oil & Gas Equipment & Services - 0.1%

200,000

Keane Group Holdings LLC, Initial Term Loan, 5.875% (LIBOR + 375 bps), 5/25/25
\$199,750

Oil & Gas Exploration & Production - 0.6%

250,000

California Resources Corp., Term Loan, 12.439% (LIBOR + 1,038 bps), 12/31/21
\$277,500

550,000

Chesapeake Energy Corp., Term Loan, Class A, 9.577% (LIBOR + 750 bps), 8/23/21
576,641

\$854,141

Oil & Gas Storage & Transportation - 0.4%

650,040

Gulf Finance LLC, Tranche B Term Loan, 7.59% (LIBOR + 525 bps), 8/25/23
\$568,650

Pipeline - 0.4%

531,813

Summit Midstream Partners Holdings LLC, Term Loan Credit Facility, 8.077% (LIBOR + 600 bps), 5/13/22
\$539,956

Total Energy

\$2,661,403

FOOD, BEVERAGE & TOBACCO - 0.6%

Agricultural Products - 0.1%

98,253

NVA Holdings, Inc., First Lien Term B3 Loan, 4.827% (LIBOR + 275 bps), 2/2/25
\$98,099

Packaged Foods & Meats - 0.5%

459,478

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Dole Food Co., Inc., Tranche B Term Loan, 4.837% (LIBOR + 275 bps/PRIME + 175 bps), 4/6/24

\$459,766

347,375

Give and Go Prepared Foods Corp. (fka GG Foods Acquisition Corp.), First Lien 2017 Term Loan, 6.584% (LIBOR + 425 bps), 7/29/23

323,059

\$782,825

Total Food, Beverage & Tobacco

\$880,924

HEALTH CARE EQUIPMENT & SERVICES - 3.2%

Health Care Facilities - 0.8%

430,952

CHS/Community Health Systems, Inc., Incremental 2021 Term H Loan, 5.557% (LIBOR + 325 bps), 1/27/21

\$424,526

142,217

Envision Healthcare Corp. (fka Emergency Medical Services Corp.), Initial Term Loan, 5.08% (LIBOR + 300 bps), 12/1/23

142,372

605,000(k)

Gentiva Health Services, Inc., Second Lien Initial Term Loan, 7/2/26

617,856

\$1,184,754

Health Care Services - 1.3%

246,875

ExamWorks Group, Inc. (fka Gold Merger Co., Inc.), Term B-1 Loan, 5.327% (LIBOR + 325 bps), 7/27/23

\$248,650

200,000

Genoa Healthcare Co., LLC, Second Lien Initial Term Loan, 10.077% (LIBOR + 800 bps), 10/28/24

203,000

145,835

Gentiva Health Services, Inc., First Lien Closing Date Initial Term Loan, 6.125% (LIBOR + 375 bps), 7/2/25

146,834

340,375

HC Group Holdings III, Inc., First Lien Refinancing Term Loan, 5.827% (LIBOR + 375 bps), 4/7/22

342,502

196,288

National Mentor Holdings, Inc., Tranche B Term Loan, 5.334% (LIBOR + 300 bps), 1/31/21

197,208

196,985

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nThrive, Inc. (fka Precyse Acquisition Corp.), Additional Term B-2 Loan, 6.577% (LIBOR + 450 bps), 10/20/22
197,395

491,269

Prospect Medical Holdings, Inc., Term B-1 Loan, 7.625% (LIBOR + 550 bps), 2/22/24
493,725

\$1,829,314

Health Care Supplies - 0.5%

183,150

Kinetic Concepts, Inc., Dollar Term Loan, 5.584% (LIBOR + 325 bps), 2/2/24
\$183,951

493,750

Sterigenics-Nordion Holdings LLC, Incremental Term Loan, 5.334% (LIBOR + 300 bps), 5/15/22
494,521

\$678,472

Health Care Technology - 0.6%

246,875

Change Healthcare Holdings, Inc. (fka Emdeon, Inc.), Closing Date Term Loan, 4.827% (LIBOR + 275 bps), 3/1/24
\$246,798

249,375

Chloe OX Parent LLC, Initial Term Loan, 6.834% (LIBOR + 450 bps), 12/23/24
250,154

355,258^

Medical Card System, Inc., Term Loan, 6.839% (LIBOR + 450 bps), 9/2/19
230,918

75,792

Quintiles IMS, Inc., Term B-1 Dollar Loan, 4.334% (LIBOR + 200 bps), 3/7/24
75,839

\$803,709

Total Health Care Equipment & Services
\$4,496,249

HOUSEHOLD & PERSONAL PRODUCTS - 1.0%

Cleaning Products - 0.1%

148,500

Parfums Holding Co., Inc., First Lien Initial Term Loan, 6.827% (LIBOR + 475 bps), 6/30/24
\$149,676

Household Products - 0.5%

Product Advantages

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347,375

Alphabet Holding Co., Inc. (aka Nature's Bounty), First Lien Initial Term Loan, 5.577% (LIBOR + 350 bps), 9/26/24
\$327,401

396,000

WKI Holding Co., Inc., Initial Term Loan, 6.358% (LIBOR + 400 bps), 5/1/24
389,070

\$716,471

Personal Products - 0.4%

764,278

Revlon Consumer Products Corp., Initial Term B Loan, 5.577% (LIBOR + 350 bps), 9/7/23
\$568,841

Total Household & Personal Products
\$1,434,988

INSURANCE - 1.8%

Life & Health Insurance - 0.3%

487,642

Integro, Inc., First Lien Initial Term Loan, 8.064% (LIBOR + 575 bps), 10/31/22
\$488,862

Property & Casualty Insurance - 1.5%

299,746

Acrisure LLC, 2017-2 First Lien Refinancing Term Loan, 6.592% (LIBOR + 425 bps), 11/22/23
\$300,777

163,549

Alliant Holdings Intermediate LLC, Initial Term Loan, 5.078% (LIBOR + 300 bps), 5/9/25
163,703

Principal

Amount

USD (\$)

Value

Property & Casualty Insurance - (continued)

593,765

Confie Seguros Holding II Co., Second Lien Term Loan, 11.807% (LIBOR + 950 bps), 5/8/19
\$585,848

504,489

Confie Seguros Holding II Co., Term B Loan, 7.557% (LIBOR + 525 bps), 4/19/22

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501,967

496,250

USI, Inc. (fka Compass Investors, Inc.), 2017 New Term Loan, 5.334% (LIBOR + 300 bps), 5/16/24
495,746

\$2,048,041

Total Insurance

\$2,536,903

MATERIALS - 5.5%

Construction Materials - 0.4%

114,000

84 Lumber Co., Term B-1 Loan, 7.314% (LIBOR + 525 bps), 10/25/23
\$115,330

492,500

American Bath Group LLC, First Lien Replacement Term Loan, 6.584% (LIBOR + 425 bps), 9/30/23
495,988

\$611,318

Diversified Chemicals - 1.3%

306,449

Allnex (Luxembourg) & Cy SCA (fka AI Chem & Cy SCA), Tranche B-2 Term Loan, 5.569% (LIBOR + 325 bps), 9/13/23
\$308,365

230,886

Allnex (Luxembourg) & Cy SCA (fka AI Chem & Cy SCA), Tranche B-3 Term Loan, 5.569% (LIBOR + 325 bps), 9/13/23
232,329

290,025

Chemours Co., Tranche B-2 US Dollar Term Loan, 3.83% (LIBOR + 175 bps), 4/3/25
289,299

366,686

Tata Chemicals North America, Term Loan, 5.125% (LIBOR + 275 bps), 8/7/20
367,832

127,846

Tronox, Ltd., First Lien Blocked Dollar Term Loan, 5.077% (LIBOR + 300 bps), 9/23/24
128,685

295,029

Tronox, Ltd., First Lien Initial Dollar Term Loan, 5.077% (LIBOR + 300 bps), 9/23/24
296,965

206,295

Product Advantages

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Univar USA, Inc., Term B-3 Loan, 4.577% (LIBOR + 250 bps), 7/1/24
207,155

\$1,830,630

Diversified Metals & Mining - 1.1%

765,000

Aleris International, Inc., Initial Term Loan, 6.827% (LIBOR + 475 bps), 2/27/23
\$774,562

491,250

Global Brass and Copper, Inc., Initial Term Loan, 4.625% (LIBOR + 250 bps), 5/29/25
490,022

299,250

US Silica Co., Term Loan, 6.125% (LIBOR + 400 bps), 5/1/25
299,749

\$1,564,333

Metal & Glass Containers - 0.8%

473,204

Tank Holding Corp. (Roto Acquisition Corp.), Replacement Term Loan, 5.659% (LIBOR + 350 bps), 3/16/22
\$475,373

595,508

Twist Beauty International Holdings SA, Facility B2, 5.445% (LIBOR + 300 bps), 4/22/24
594,763

\$1,070,136

Paper Packaging - 0.4%

512,022

Caraustar Industries, Inc., Refinancing Term Loan, 7.834% (LIBOR + 550 bps), 3/14/22
\$516,246

Paper Products - 0.4%

244,818

Expera Specialty Solutions LLC, Term Loan B, 6.203% (LIBOR + 425 bps), 11/3/23
\$245,736

161,060

Ranpak Corp., Second Lien Initial Term Loan, 9.329% (LIBOR + 725 bps), 10/3/22
162,268

196,947

Ranpak Corp., Tranche B-1 USD Term Loan, 5.327% (LIBOR + 325 bps), 10/1/21
197,439

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\$605,443

Specialty Chemicals - 0.8%

267,822

MacDermid, Inc. (Platform Specialty Products Corp.), Tranche B-7 Term Loan, 4.577% (LIBOR + 250 bps), 6/7/20
\$268,826

565,648

Omnova Solutions, Inc., Term B-2 Loan, 5.327% (LIBOR + 325 bps), 8/25/23
570,598

247,505

Unifrax I LLC, Initial Dollar Term Loan, 5.834% (LIBOR + 350 bps), 4/4/24
250,238

\$1,089,662

Steel - 0.3%

490,038

Zekelman Industries, Inc. (fka JMC Steel Group, Inc.), Term Loan, 4.582% (LIBOR + 225 bps), 6/14/21
\$490,728

Total Materials

\$7,778,496

MEDIA - 2.2%

Advertising - 0.5%

245,650

CB Poly Investments LLC, First Lien Closing Date Term Loan, 5.827% (LIBOR + 375 bps), 8/16/23
\$247,186

408,750

Red Ventures LLC (New Imagitas, Inc.), First Lien Term Loan, 6.077% (LIBOR + 400 bps), 11/8/24
413,195

\$660,381

Broadcasting - 0.9%

162,130

A-L Parent LLC (aka Learfield Communications), First Lien Initial Term Loan, 5.33% (LIBOR + 325 bps), 12/1/23
\$163,346

197,500

CSC Holdings LLC (fka CSC Holdings, Inc. (Cablevision)), March 2017 Refinancing Term Loan, 4.322% (LIBOR + 225 bps), 7/17/25
196,778

204,247

Product Advantages

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Hubbard Radio LLC, Term Loan, 5.08% (LIBOR + 300 bps), 3/28/25
204,843

215,504

MediArena Acquisition BV (fka AP NMT Acquisition BV), First Lien Dollar Term B Loan, 8.087% (LIBOR + 575 bps), 8/13/21
216,648

446,439

Univision Communications, Inc., First Lien 2017 Replacement Repriced Term Loan, 4.827% (LIBOR + 275 bps), 3/15/24
434,127

\$1,215,742

Publishing - 0.8%

460,905

DH Publishing LP, Term B-6 Loan, 4.329% (LIBOR + 225 bps), 8/20/23
\$461,654

5,864

Lee Enterprises, Inc., First Lien Term Loan, 8.327% (LIBOR + 625 bps), 3/31/19
5,872

751,360

McGraw-Hill Global Education Holdings LLC, First Lien Term B Loan, 6.077% (LIBOR + 400 bps), 5/4/22
741,404

\$1,208,930

Total Media

\$3,085,053

Principal

Amount

USD (\$)

Value

PHARMACEUTICALS, BIOTECHNOLOGY & LIFE SCIENCES - 0.7%

Life Sciences Tools & Services - 0.2%

230,327

Catalent Pharma Solutions, Inc. (fka Cardinal Health 409, Inc.), Dollar Term Loan, 4.327% (LIBOR + 225 bps), 5/20/24
\$230,957

Pharmaceuticals - 0.5%

246,722

Bausch Health Co., Inc. (fka Valeant Pharmaceuticals International, Inc.), Initial Term Loan, 5.092% (LIBOR + 300 bps), 6/2/25
\$247,293

Product Advantages

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481,192

Horizon Pharma, Inc., Third Amendment Refinanced Term Loan, 5.375% (LIBOR + 325 bps), 3/29/24

493,221

\$740,514

Total Pharmaceuticals, Biotechnology & Life Sciences

\$971,471

REAL ESTATE - 0.3%

Specialized REIT - 0.3%

487,566

Communications Sales & Leasing, Inc. (CSL Capital LLC), Shortfall Term Loan, 5.077% (LIBOR + 300 bps), 10/24/22

\$467,679

Total Real Estate

\$467,679

RETAILING - 0.9%

Automotive Retail - 0.5%

629,031

CWGS Group LLC, Term Loan, 4.847% (LIBOR + 275 bps), 11/8/23

\$628,087

Department Stores - 0.3%

496,104

Neiman Marcus Group, Ltd., LLC, Other Term Loan, 5.336% (LIBOR + 325 bps), 10/25/20

\$438,928

Specialty Stores - 0.1%

153,333

PetSmart, Inc., Tranche B-2 Term Loan, 5.1% (LIBOR + 300 bps), 3/11/22

\$127,810

Total Retailing

\$1,194,825

SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 0.5%

Semiconductors - 0.5%

491,212

MACOM Technology Solutions Holdings, Inc. (fka M/A-COM Technology Solutions Holdings, Inc.), Initial Term Loan, 4.327% (LIBOR + 225 bps), 5/17/24

\$487,630

246,851

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Micron Technology, Inc., Term Loan, 3.83% (LIBOR + 175 bps), 4/26/22

248,162

Total Semiconductors & Semiconductor Equipment

\$735,792

SOFTWARE & SERVICES - 1.3%

Application Software - 0.3%

500,000

STG-Fairway Acquisitions, Inc., First Lien Term Loan, 7.592% (LIBOR + 525 bps), 6/30/22

\$500,000

Data Processing & Outsourced Services - 0.2%

230,733

First Data Corp., 2024A New Dollar Term Loan, 4.069% (LIBOR + 200 bps), 4/26/24

\$230,982

IT Consulting & Other Services - 0.8%

346,124

Go Daddy Operating Co., LLC (GD Finance Co., Inc.), Tranche B-1 Term Loan, 4.327% (LIBOR + 225 bps), 2/15/24

\$347,206

246,881

Rackspace Hosting, Inc., First Lien Initial Term B Loan, 5.363% (LIBOR + 300 bps), 11/3/23

246,109

300,000

Rocket Software, Inc., Second Lien Term Loan, 11.834% (LIBOR + 950 bps), 10/14/24

303,000

247,500

Tempo Acquisition LLC, Initial Term Loan, 5.077% (LIBOR + 300 bps), 5/1/24

248,088

\$1,144,403

Total Software & Services

\$1,875,385

TECHNOLOGY HARDWARE & EQUIPMENT - 0.4%

Electronic Components - 0.4%

543,775

Mirion Technologies (Finance) LLC (Mirion Technologies, Inc.), First Lien Initial Term Loan, 6.976% (LIBOR + 475 bps), 3/31/22

\$543,095

Total Technology Hardware & Equipment

\$543,095

TELECOMMUNICATION SERVICES - 1.3%

Product Advantages

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Integrated Telecommunication Services - 0.9%

746,250

CenturyLink, Inc., Initial Term B Loan, 4.827% (LIBOR + 275 bps), 1/31/25

\$736,067

486,811

Level 3 Financing, Inc., Tranche B 2024 Term Loan, 4.331% (LIBOR + 225 bps), 2/22/24

488,231

\$1,224,298

Wireless Telecommunication Services - 0.4%

198,500

Digicel International Finance, Ltd., First Lien Initial Term B Loan, 5.33% (LIBOR + 325 bps), 5/27/24

\$191,156

345,625

Sprint Communications, Inc., Initial Term Loan, 4.625% (LIBOR + 250 bps), 2/2/24

346,100

\$537,256

Total Telecommunication Services

\$1,761,554

TRANSPORTATION - 1.2%

Marine - 0.7%

552,140

Commercial Barge Line Co., Initial Term Loan, 10.827% (LIBOR + 875 bps), 11/12/20

\$453,272

468,750

Navios Maritime Partners LP, Initial Term Loan, 7.33% (LIBOR + 500 bps), 9/14/20

470,313

\$923,585

Trucking - 0.5%

678,820

YRC Worldwide, Inc., Tranche B-1 Term Loan, 10.577% (LIBOR + 850 bps), 7/26/22

\$686,740

Total Transportation

\$1,610,325

UTILITIES - 0.9%

Electric Utilities - 0.6%

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488,704

APLP Holdings, Ltd., Partnership, Term Loan, 5.077% (LIBOR + 300 bps), 4/13/23

\$490,904

285,305

TPF II Power LLC (TPF II Convert Midco LLC), Term Loan, 5.827% (LIBOR + 375 bps), 10/2/23

287,155

\$778,059

Principal

Amount

USD (\$)

Value

Independent Power Producers & Energy Traders - 0.3%

495,193

TerraForm AP Acquisition Holdings LLC, Term Loan, 6.584% (LIBOR + 425 bps), 6/27/22

\$495,966

Total Utilities

\$1,274,025

TOTAL SENIOR SECURED FLOATING RATE LOAN INTERESTS

(Cost \$48,998,700)

\$48,799,331

U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 4.0% of Net Assets

520,000(1)

Federal Home Loan Bank Discount Notes, 8/13/18

\$519,668

1,500,000(1)

U.S. Treasury Bills, 8/2/18

1,499,925

2,555,000(1)

U.S. Treasury Bills, 8/9/18

2,553,944

1,020,000(1)

U.S. Treasury Bills, 8/16/18

1,019,208

TOTAL U.S. GOVERNMENT AND AGENCY OBLIGATIONS

(Cost \$5,592,804)

\$5,592,745

Product Advantages

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Shares

Value

RIGHTS/WARRANTS -0.0%† of Net Assets

CAPITAL GOODS - 0.0%†

Industrial Machinery - 0.0%†

49(a)(m)

LTR Intermediate Holdings, Inc.

\$ -

Total Capital Goods

\$ -

ENERGY - 0.0%†

Oil & Gas Exploration & Production - 0.0%†

1,981^(a)(n)

Midstates Petroleum Co., Inc.

\$ -

Total Energy

\$ -

TOTAL RIGHTS/WARRANTS

(Cost \$1)

\$ -

Number of Contracts	Description	Counterparty	Notional	Strike Price	Expiration Date	Value
	OVER THE COUNTER (OTC) CALL OPTIONS PURCHASED - 0.0%†					
18,332^(o)	Desarrolladora Homex SAB de CV	Bank of New York Mellon Corp.	MXN 18,332	USD-(q)	10/23/22	\$-
18,332^(p)	Desarrolladora Homex SAB de CV	Bank of New York Mellon Corp.	MXN 18,332	USD-(q)	10/23/22	-
						\$-
	TOTAL OVER THE COUNTER (OTC) CALL OPTIONS PURCHASED					
	(Premiums paid \$0)					
	\$-					
	CURRENCY PUT OPTION PURCHASED - 0.0%†					
3,522,000	Put EUR Call USD	Brown Brothers Harriman & Co.	EUR 50,168	EUR 1.15	5/27/19	\$46,967
	TOTAL CURRENCY PUT OPTION PURCHASED					
	(Premiums paid \$50,168)					
	\$46,967					
	TOTAL OPTIONS PURCHASED					
	(Premiums paid \$50,168)					
	\$46,967					
	TOTAL INVESTMENTS IN UNAFFILIATED ISSUERS - 144.2%					
	(Cost \$200,172,659)(r)					
	\$202,965,284					
	CURRENCY CALL OPTION WRITTEN - 0.0%†					
(3,522,000)	Put EUR Call USD	Brown Brothers Harriman & Co.	EUR (50,168)	EUR 1.27	5/27/19	\$(32,484)
	TOTAL CURRENCY CALL OPTION WRITTEN					
	(Premiums received \$(50,168))					
	\$(32,484)					
	OTHER ASSETS AND LIABILITIES - (44.2)%					
	\$(62,163,055)					
	NET ASSETS - 100.0%					
	\$140,769,745					

BPS Basis Point.

Product Advantages

CMT	Constant Maturity Treasury.
EURIBOR	Euro Interbank Offer Rate.
LIBOR	London Interbank Offered Rate.
PRIME	U.S. Federal Funds Rate.
REIT	Real Estate Investment Trust.
(144A)	Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold normally to qualified institutional buyers in a transaction exempt from registration. At July 31, 2018, the value of these securities amounted to \$89,607,071, or 63.7% of net assets.
(Cat Bond)	Catastrophe or event-linked bond. At July 31, 2018, the value of these securities amounted to \$14,353,090, or 10.2% of net assets.

- † Amount rounds to less than 0.1%.
- Senior secured floating rate loan interests in which the Trust invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are
- * generally (i) the lending rate offered by one or more major European banks, such as LIBOR, (ii) the prime rate offered by one or more major United States banks, (iii) the rate of a certificate of deposit or (iv) other base lending rates used by commercial lenders. The interest rate shown is the rate accruing at July 31, 2018
- + Securities that used significant unobservable inputs to determine their value.
- ^ Security is valued using fair value methods (other than supplied by independent pricing services).
- (a) Non-income producing security.
- (b) Security is perpetual in nature and has no stated maturity date.
- (c) The interest rate is subject to change periodically. The interest rate and/or reference index and spread shown at July 31, 2018.
- (d) Debt obligation initially issued at one coupon which converts to a higher coupon at a specific date. The rate shown is the rate at July 31, 2018.
- (e) Floating rate note. Coupon rate, reference index and spread shown at July 31, 2018.
- (f) Security is priced as a unit.
- (g) Payment in Kind (PIK) security which may pay interest in the form of additional principal amount.
- (h) Security is in default.
- (i) Structured reinsurance investment. At July 31, 2018, the value of these securities amounted to \$21,540,259, or 15.3% of net assets.
- (j) Rate to be determined.
- (k) This term loan will settle after July 31, 2018, at which time the interest rate will be determined.
- (l) Security issued with a zero coupon. Income is recognized through accretion of discount.
- (m) LTR Intermediate Holdings, Inc. is exercisable into 49 shares.
- (n) Midstates Petroleum Co., Inc. is exercisable into 1,981 shares.
- (o) Option does not become effective until underlying company's outstanding common shares reach a market capitalization of MXN 12.5 Billion.
- (p) Option does not become effective until underlying company's outstanding common shares reach a market capitalization of MXN 15.5 Billion.
- (q) Strike price is 1 Mexican Peso (MXN).
- (r) Distributions of investments by country of issue, as a percentage of total investments holdings based on country of domicile, is as follows:

United States	59.8%
Bermuda	16.3
Netherlands	3.2
Luxembourg	3.0
Argentina	2.1
Canada	2.0

Ireland	1.9
United Kingdom	1.9
Mexico	1.2
Brazil	1.2
France	1.1
Cayman Islands	1.0
Other (individually less than 1%)	5.3
	100.0%

FORWARD FOREIGN CURRENCY CONTRACTS

Currency	In Exchange	Currency	Deliver	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD	260,405	MXN	(5,212,200)	Goldman Sachs International	8/31/18	\$ (17,660)
USD	1,710,365	EUR	(1,461,123)	State Street Bank & Trust Co.	9/28/18	(6,003)
USD	259,324	IDR	(3,738,885,000)	State Street Bank & Trust Co.	9/28/18	1,827
TOTAL FORWARD FOREIGN CURRENCY CONTRACTS						\$ (21,836)

SWAP CONTRACTS

OVER THE COUNTER (OTC) CREDIT DEFAULT SWAP CONTRACTS - SELL PROTECTION

Notional Amount (\$) ⁽¹⁾	Counterparty	Obligation Reference/Index	Pay/Receive ⁽²⁾	Annual Fixed Rate	Expiration Date	Premiums Received	Unrealized Appreciation	Market Value
45,000	Goldman Sachs International	Chesapeake Energy Corp.	Receive	5.00%	6/20/22	\$(5,512)	\$7,795	\$2,283
75,000	Goldman Sachs International	Chesapeake Energy Corp.	Receive	5.00%	6/20/22	(9,188)	12,991	3,803
80,000	Goldman Sachs International	Chesapeake Energy Corp.	Receive	5.00%	6/20/22	(9,000)	13,057	4,057
TOTAL SWAP CONTRACTS						\$(23,700)	\$33,843	\$10,143

The notional amount is the maximum amount that a seller of credit protection would be obligated to pay upon occurrence of a credit event.

⁽²⁾Receives Quarterly.

Principal amounts are denominated in U.S. dollars ("USD") unless otherwise noted.

ARS - Argentine Peso
 EUR - Euro
 IDR - Indonesian Rupiah
 MXN - Mexican Peso
 USD - United States Dollar

Various inputs are used in determining the value of the Trust's investments. These inputs are summarized in the three broad levels below.

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Level 1 - quoted prices in active markets for identical securities.

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

Level 3 - significant unobservable inputs (including the Trust's own assumptions in determining fair value of investments).

The following is a summary of the inputs used as of July 31, 2018, in valuing the Trust's investments.

	Level 1	Level 2	Level 3	Total
Common Stocks				
Health Care Equipment & Services				
Health Care Technology	\$-	\$-	\$699	\$699
Retailing				
Computer & Electronics Retail	-	-	87,543	87,543
All Other Common Stocks	6,671	-	-	6,671
Convertible Preferred Stock	979,625	-	-	979,625
Preferred Stocks				
Diversified Financials				
Specialized Finance	-	537,500	-	537,500
Materials				
Diversified Chemicals	-	-	45,523	45,523
All Other Preferred Stocks	1,080,735	-	-	1,080,735
Asset Backed Security	-	870,537	-	870,537
Collateralized Mortgage Obligations	-	32,399	-	32,399
Commercial Mortgage-Backed Securities	-	1,666,711	-	1,666,711
Convertible Corporate Bond	-	1,914,250	-	1,914,250
Corporate Bonds				
Diversified Financials				
Other Diversified Financial Services	-	-	6,969,256	6,969,256
Insurance				
Reinsurance	-	14,353,090	21,540,259	35,893,349
All Other Corporate Bonds	-	94,912,475	-	94,912,475
Foreign Government Bonds	-	3,528,968	-	3,528,968
Senior Secured Floating Rate Loan Interests				
Health Care Equipment & Services				
Health Care Technology	-	572,791	230,918	803,709
All Other Senior Secured Floating Rate Loan Interests	-	47,995,622	-	47,995,622
U.S. Government and Agency Obligations	-	5,592,745	-	5,592,745
Rights/Warrants				
Capital Goods				
Industrial Machinery	-	-	* -	- *
Energy				
Oil & Gas Exploration & Production	-	-	* -	- *
Over The Counter (OTC) Call Options Purchased	-	-	* -	- *
Currency Put Option Purchased	-	46,967	-	46,967
Total Investments in Securities	\$2,067,031	\$172,024,055	\$28,874,198	\$202,965,284
Other Financial Instruments				
Currency Put Option Written	\$-	\$(32,484)	\$-	\$(32,484)
Net unrealized depreciation				
on forward foreign currency contracts	-	(21,836)	-	(21,836)
Swap contracts, at value	-	10,143	-	10,143
	\$-	\$(44,177)	\$-	\$(44,177)

Total Other
Financial Instruments
* Security valued at \$0.

The following is a reconciliation of assets valued using significant unobservable inputs (Level 3):

	Balance as of 4/30/18	Realized gain (loss)	Change in unrealized appreciation (depreciation)	Purchases	Sales	Accrued discounts/ premiums	Transfers In and out of Level 3 categories*	Balance as of 7/31/18
Common Stocks								
Capital Goods								
Industrial								
Machinery	\$ 103	\$(103)	\$--	\$--	\$--	\$--	\$--	\$--
Health Care								
Equipment & Services								
Health Care								
Technology	699	--	--	--	--	--	--	699
Retailing								
Computer & Electronics								
Retailing	82,913	--	4,630	--	--	--	--	87,543
Preferred Stocks								
Materials								
Diversified								
Chemicals	45,523	--	--	--	--	--	--	45,523
Corporate Bonds								
Diversified								
Financials								
Other								
Diversified								
Financial Services	6,816,404	--	146,680	--	--	6,172	--	6,969,256
Insurance								
Reinsurance	21,844,267	(11,198)	(431,700)	3,765,575	(3,607,908)	(18,777)	--	21,540,259
Senior Secured								
Floating								
Rate Loan Interests								
Capital Goods								
Aerospace & Defense	1,007,250	26,517	(27,035)	--	(1,007,200)	468	--	--
Health Care								
Equipment & Services								
Health Care								
Technology	243,918	715	2,686	--	(20,000)	3,599	--	230,918
Total	\$30,041,077	\$15,931	\$(304,739)	\$3,765,575	\$(4,635,108)	\$(8,538)	\$--	\$28,874,198

* Transfers are calculated on the beginning of period values. During the three months ended July 31, 2018, there were no transfers between Levels 1, 2 and 3.

Net change in unrealized appreciation (depreciation) of Level 3 investments still held and considered Level 3 at July 31, 2018: \$(147,050).

The following table presents additional information about valuation techniques and inputs used for investments categorized as Level 3 at July 31, 2018. These amounts exclude valuations provided by a broker.

Asset Type	Fair Value 7/31/18	Valuation Technique	Unobservable Input	Value/ Range
Common Stocks	\$ 88,242	Market Comparables	EBITDA Multiples ⁽¹⁾	4x-6x
Preferred Stocks	\$ 45,523	Market Comparables	EBITDA Multiples ⁽¹⁾	7x-8.5x
Corporate Bonds & Notes	\$ 6,969,256	Market Comparables	Yield Premiums ⁽²⁾	0.078%
Senior Secured Floating Rate Loan Interests	\$ 230,918	Market Comparables	Yield Comparables	6.54%-14.0%

⁽¹⁾ An increase in this unobservable input would result in a higher fair value measurement, while a decrease would result in a lower fair value measurement.

⁽²⁾ An increase in this unobservable input would result in a lower fair value measurement, while a decrease would result in a higher fair value measurement.

ITEM 2. CONTROLS AND PROCEDURES.

(a) Disclose the conclusions of the registrant's principal executive and principal financial officers, or persons performing similar functions, regarding the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Exchange Act (17 CFR 240.13a-15(b) or 240.15d-15(b)).

The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) Disclose any change in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) 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.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:

CERTIFICATIONS

I, [identify the certifying individual], certify that:

1. I have reviewed this report on Form N-Q of [identify registrant];
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: [Signature] [Title]

Filed herewith.

SIGNATURES

[See General Instruction F]

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.

(Registrant) Pioneer Diversified High Income Trust

By (Signature and Title)* /s/ Lisa M. Jones
Lisa M. Jones, President and Chief Executive Officer

Date September 28, 2018

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

By (Signature and Title)* /s/ Lisa M. Jones
Lisa M. Jones, President and Chief Executive Officer

Date September 28, 2018

By (Signature and Title)* /s/ Mark E. Bradley
Mark E. Bradley, Treasurer and Chief Accounting and Financial Officer

Date September 28, 2018

* Print the name and title of each signing officer under his or her signature.