

N-CSR 1 dncsr.htm CERTIFIED SHAREHOLDER REPORT

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As filed with the Securities and Exchange Commission on June 6, 2007

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

**FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act File Number: 811-21631

RMK Advantage Income Fund, Inc.

(Exact name of Registrant as specified in charter)

Morgan Keegan Tower**Fifty North Front Street****Memphis, Tennessee 38103**

(Address of principal executive offices) (Zip code)

Allen B. Morgan, Jr.**Morgan Keegan Tower****Fifty North Front Street****Memphis, Tennessee 38103**

(Name and address of agent for service)

Registrant's telephone number, including area code: (901) 524-4100

with copies to:

Arthur J. Brown, Esq.**Kirkpatrick & Lockhart Preston Gates Ellis LLP****1601 K Street, N.W.****Washington, D.C. 20006****Date of fiscal year end: March 31, 2007****Date of reporting period: March 31, 2007**

[Table of Contents](#)**Item 1. Reports to Stockholders.**

The following is a copy of the report transmitted to stockholders of RMK Advantage Income Fund, Inc. (the "Fund") pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30e-1):

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There is no assurance that the Funds will achieve their investment objectives. The Funds are subject to market risk, which include the possibilities that the market values of the securities owned by the Funds will decline or that the shares of the Funds will trade at lower prices in the market. Accordingly, you can lose money investing in the Funds.

NOT FDIC INSURED

MAY LOSE VALUE

NO BANK GUARANTEE

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LETTER TO STOCKHOLDERS

Dear Fellow Stockholders,

We are pleased to present the enclosed combined annual report for RMK Advantage Income Fund, Inc., RMK High Income Fund, Inc., RMK Multi-Sector High Income Fund, Inc. and RMK Strategic Income Fund, Inc. (each a "Fund" and, collectively, the "Funds"). In this report, you will find information on each Fund's investment objective and strategy and learn how your investment performed during the fiscal year ended March 31, 2007. The portfolio manager will also provide an overview of the market conditions and discuss some of the factors that affected investment performance during the reporting period. In addition, this report includes each Fund's audited financial statements and portfolio of investments as of March 31, 2007.

As always, we appreciate your continued support of the Regions Morgan Keegan closed-end funds. We remain committed to helping you pursue your financial goals through investments in our fund family. You have our commitment to bring you the highest level of disciplined decision making and personal service to meet your financial needs. If you have any questions about the Funds, please call us toll-free at 800-564-2188.

Sincerely,



Brian B. Sullivan, CFA
President

May 21, 2007

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RMK ADVANTAGE INCOME FUND, INC.

OBJECTIVE & STRATEGY

RMK Advantage Income Fund, Inc. seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests a majority of its total assets in below investment grade debt securities (commonly referred to as “junk bonds”) that offer attractive yield and capital appreciation potential. The Fund may also invest in investment grade debt securities, up to 15% of its total assets in foreign debt and foreign equity securities and up to 25% of its total assets in domestic equity securities, including common and preferred stocks. The Fund invests in a wide range of below investment grade debt securities, including corporate bonds, mortgage-backed and asset-backed securities and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. (Below investment grade debt securities are rated Ba1 or lower by Moody’s Investors Service, Inc., BB+ or lower by Standard & Poor’s Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund’s investment adviser to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred stock. The Fund may leverage up to 33 1/3% of its total assets (in each case including the amount borrowed). The Fund may vary its use of leverage in response to changing market conditions.

INVESTMENT RISKS: Bond funds tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company’s financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage exceeds the costs of the leverage, the use of leverage will diminish the investment performance of the Fund’s shares. Use of leverage may also increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

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RMK ADVANTAGE INCOME FUND, INC.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of (8.52)% and 1.53%, respectively, based on market price and reinvested dividends and other distributions. For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of 3.24% and 6.21%, respectively, based on net asset value and reinvested dividends and other distributions. For the six months and the twelve months ended March 31, 2007, the Lehman Brothers Ba U.S. High Yield Index⁽¹⁾ had a total return of 5.37% and 9.71%, respectively.

Since our last report, the Fund's market price share performance has been negatively impacted by the reduction of the monthly distribution rate from \$0.15 per share to \$0.14 per share. The Fund's performance has also been negatively impacted by the recent turmoil in the mortgage market. During the months leading up to the reduction of the Fund's distribution rate, portfolio earnings were increasingly under pressure due to consistently rising costs associated with the leverage (borrowed money) employed by the Fund and by a prolonged period of contracting credit spreads. The combination of these two market forces resulted in lower net earnings to the Fund and required a reduction in the distribution rate beginning in December 2006.

Since December, the U.S. mortgage-backed securities market has undergone serious turmoil, most notably in the sub-prime home equity arena. While this downward volatility in the mortgage-backed arena has had a negative impact on the net asset value of the Fund, it has also provided an opportunity to buy assets at considerably higher yields than have been available for more than two years. Strategically redeploying assets during this market upheaval may be difficult from a net asset value perspective for a period of time, but this is also the best opportunity we have seen in years to secure better portfolio earnings for quarters to come.

Although we made material shifts out of consumer oriented debt (home equity, credit cards), we still have a meaningful weighting. Corporate debt continues to outperform most other categories—in fact, the lower the credit rating, the more favorably it is viewed by the market. Some profit taking in this sector is probably warranted at this point in the economic cycle. It is our expectation that 2007 will prove to be a period of slower economic growth and a transition year for the Federal Reserve Board. That is, we expect the Federal Reserve Board to leave rates unchanged, perhaps through the summer; however, during the second half of this year, we expect the Federal Reserve Board to begin lowering interest rates as the

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RMK ADVANTAGE INCOME FUND, INC.

U.S. economy experiences very sluggish growth quarters. Fixed rate securities will be a focus as will badly oversold consumer credit items.



James C. Kelsoe, Jr., CFA
Senior Portfolio Manager
Morgan Asset Management, Inc.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Fund will achieve its investment objectives. These views are subject to change at any time based upon market or other conditions, and Morgan Asset Management, Inc. disclaims any responsibility to update such views. The Fund is subject to market risk, which include the possibilities that the market values of the securities owned by the Fund will decline or that shares of the Fund will trade at lower prices in the market. Accordingly, you can lose money investing in the Fund.

INDEX DESCRIPTION

⁽¹⁾ *The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.*

[Table of Contents](#)**RMK ADVANTAGE INCOME FUND, INC.****PORTFOLIO STATISTICS†**

AS OF MARCH 31, 2007

Average Credit Quality	BB
Current Yield	10.98%
Yield to Maturity	12.13%
Duration	4.29 Years
Average Effective Maturity	5.71 Years
Percentage of Leveraged Assets	26%
Total Number of Holdings	307

† The Fund's composition is subject to change.

CREDIT QUALITY†

AS OF MARCH 31, 2007

	% OF DEBT SECURITIES		% OF DEBT SECURITIES
AAA	3.8%	CCC	14.2%
BBB	21.0%	CC	2.4%
BB	21.4%	D	0.4%
B	13.8%	Not Rated	23.0%
		Total	100.0%

† The Fund's composition is subject to change.

ASSET ALLOCATION†

AS OF MARCH 31, 2007

	% OF TOTAL INVESTMENTS
Corporate Bonds	29.5%
Collateralized Debt Obligations	24.8%
Collateralized Mortgage Obligations	14.7%
Common Stocks	9.1%
Home Equity Loans	7.9%
Equipment Leases	5.0%
Preferred Stocks	3.8%
Collateralized Loan Obligations	1.9%
Certificate-Backed Obligations	1.0%
Other	0.3%
Short-Term Investments	2.0%
Total	100.0%

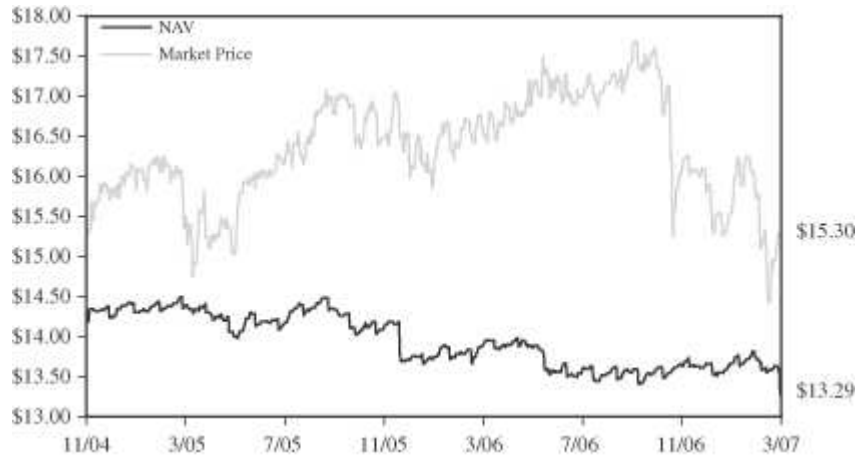
† The Fund's composition is subject to change.

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RMK ADVANTAGE INCOME FUND, INC.

NAV & MARKET PRICE HISTORY*

The graph below illustrates the net asset value and market price history of RMK Advantage Income Fund, Inc. (NYSE: RMA) from the commencement of investment operations on November 8, 2004 to March 31, 2007.



* Net asset value is calculated every day that the New York Stock Exchange is open as of the close of trading (normally 4:00 p.m. Eastern Time) by taking the closing market value of all portfolio securities, cash and other assets owned, subtracting all liabilities, then dividing the result (total net assets) by the total number of shares outstanding. The market price is the last reported price at which a share of the Fund was sold on the New York Stock Exchange.

[Table of Contents](#)**RMK ADVANTAGE INCOME FUND, INC.****PERFORMANCE INFORMATION**

AS OF MARCH 31, 2007	AVERAGE ANNUAL TOTAL RETURNS		
	SIX MONTHS*	1 YEAR	COMMENCEMENT OF INVESTMENT OPERATIONS⁽¹⁾
MARKET VALUE	(8.52)%	1.53%	13.10%
NET ASSET VALUE	3.24%	6.21%	8.70%
LEHMAN BROTHERS BA HIGH YIELD INDEX ⁽²⁾	5.37%	9.71%	N/A

* Not annualized for periods less than one year.

⁽¹⁾ The Fund commenced investment operations on November 8, 2004.

⁽²⁾ The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance changes over time and current performance may be lower or higher than what is stated. For the most recent performance, call toll-free 800-564-2188. Total returns assume an investment at the common share market price or net asset value at the beginning of the period, reinvestment of all dividends and other distributions for the period in accordance with the Fund's dividend reinvestment plan, and sale of all shares at the closing market price (excluding any commissions) or net asset value at the end of the period. Returns shown in the table do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or on the sale of Fund shares. Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including possible loss of principal.

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Investment Grade—19.6% of Net Assets		
Certificate-Backed Obligations (“CBO”)—0.5%		
3,000,000	Diversified Asset Securitization Holdings III 1A A3L, 6.150% 7/5/36 (a)	\$ 2,310,000
Collateralized Debt Obligations (“CDO”)—14.2%		
3,000,000	Broderick CDO Ltd. 2007-3A D, 9.163% 12/6/50 (a)	2,940,000
3,000,000	CDO Repack SPC Ltd. 2006-BRGA, Zero Coupon Bond 12/5/51	2,820,000
1,904,039	E-Trade CDO I 2004-1A, 2.000% 1/10/40	1,690,254
2,000,000	Highland Park CDO Ltd. 2006-1A E, 7.670% 11/25/51 (a)	1,870,000
3,000,000	Kodiak CDO 2006-1A G, 8.860% 8/7/37 (a)	2,910,000
3,000,000	Lexington Capital Funding Ltd. 2007-3A F, 8.860% 4/10/47 (a)	2,910,000
1,985,322	Millstone III-A CDO Ltd., 4.300% 7/5/46	1,905,909
3,863,717	MKP CBO I Ltd. 4A CS, 2.000% 7/12/40 (a)	3,631,894
3,000,000	Newbury Street CDO Ltd. 2007-1A D, 9.100% 3/4/53 (a)	2,955,000
2,000,000	Norma CDO Ltd. 2007-1A E, 9.765% 3/11/49 (a)	1,800,000
6,000,000	Palmer Square 2A CN, 6.952% 11/2/45 (a)	5,940,000
2,000,000	Pasa Funding Ltd. 2007-1A D, 9.324% 4/7/52	1,820,000
1,976,164	Sharps CDO 2006-1A D, 7.500% 5/8/46 (a)	1,894,727
6,000,000	Taberna Preferred Funding Ltd. 2006-6A, 6.100% 12/5/36 (a)	5,966,400
3,922,479	Taberna Preferred Funding Ltd. 2006-7A C1, 10.000% 2/5/37 (a)	3,859,719
3,000,000	Tahoma CDO Ltd. 2006-1A D, 9.006% 6/18/47 (a)	3,000,000
1,000,000	Tahoma CDO Ltd. 2007-2A D, 9.830% 9/16/47 (a)	930,000
2,000,000	Trapeza CDO I LLC 2006-10A, 6.700% 6/6/41	1,840,000
1,000,000	Trapeza CDO I LLC 2006-10A D2, 8.700% 6/6/41 (a)	1,022,500
3,000,000	Linker Finance PLC 16A E, 8.820% 5/19/45 (a)	2,902,500
4,528,703	Witherspoon CDO Funding Ltd. 2004-1A, 7.500% 9/15/39	4,415,485
		<u>59,024,388</u>
Equipment Leases—0.9%		
3,793,301	Aviation Capital Group Trust 2005-3A C1, 8.570% 12/25/35 (a)	3,869,167
Home Equity Loans (Non-High Loan-To-Value)—4.0%		
1,000,000	ACE Securities Corp. 2004-HE1 M5, 7.270% 3/25/34	870,000
7,613,000	ACE Securities Corp. 2004-HE3 M11, 8.820% 11/25/34	6,471,050
2,119,000	Asset-Backed Securities Corp. Home Equity 2005-HE1 M10, 7.967% 3/25/35	1,864,720
2,681,000	Bear Stearns Asset-Backed Securities, Inc. 2004-HE9 M7B, 9.320% 11/25/34	2,386,090
1,000,000	Fremont Home Loan Trust 2004-4 M7, 7.040% 3/25/35	930,070
612,056	Home Equity Asset Trust 2003-4 B1, 9.320% 10/25/33	597,204
2,000,000	Soundview Home Equity Loan Trust 2005-A B1, 8.320% 4/25/35 (a)	1,540,000
2,000,000	Terwin Mortgage Trust 2007-3SL B3, 6.000% 5/25/38 (a)	1,852,400
		<u>16,511,534</u>
	Total Asset-Backed Securities—Investment Grade	
	(cost \$82,773,533)	<u>81,715,089</u>

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated—34.4% of Net Assets		
Certificate-Backed Obligations (“CBO”)—0.7%		
2,000,000	Goldman Sachs Asset Management CBO II 2A D1, 11.620% 11/5/12 (a)	\$ 2,015,620
2,451,074	Helios Series I Multi-Asset CBO, Ltd. IA C, 8.109% 12/13/36 (a)	931,408
		<u>2,947,028</u>
Collateralized Debt Obligations (“CDO”)—18.7%		
2,000,000	Aardvark Asset-Backed Securities CDO 2007-1A, 10.000% 7/6/47	1,820,000
4,000,000	Acacia CDO, Ltd. 10A, 3.700% 9/7/46 (a)	1,600,000
5,000,000	Aladdin CDO I Ltd. 2006-3A, 10.350% 10/31/13 (a)	2,412,500
2,000,000	Alesco Preferred Funding Ltd. 13A I, 10.000% 9/23/37	1,928,900
4,000,000	Attentus CDO Ltd. 2006-2A, 10.000% 10/9/41	3,940,000
2,000,000	Attentus CDO Ltd. 2006-2A F1, 10.360% 10/9/41 (a)	1,950,000
3,000,000	Attentus CDO Ltd. 2007-3A, 10.000% 10/11/42	2,760,000
3,000,000	Attentus CDO Ltd. 2007-3A F2, 9.532% 10/11/42 (a)	2,947,500
1,000,000	Cairn Mezzanine Asset-Backed CDO PLC 2007-3A, 10.000% 8/13/47	670,000
1,000,000	Copper River CLO Ltd. 2006-1A E, 9.124% 1/20/21 (a)	993,120
5,000,000	Dillon Read CDO Ltd. 2006-1A, 10.000% 12/5/46 (a)	4,437,500
3,000,000	Diversified Asset Securitization Holdings II 1A B1, 9.712% 9/15/35 (a)	1,620,000
3,000,000	Dryden Leveraged Loan CDO 2005-9A, 10.000% 9/20/19	2,490,000
3,000,000	Equinox Funding 1A D, 12.277% 11/15/12 (a)	1,680,000
4,000,000	Global Leveraged Capital Credit Opportunity Fund 2006-1A, 10.000% 12/20/18 (a)	3,996,800
2,000,000	Gulf Stream Atlantic CDO Ltd. 2007-1A, 10.000% 7/13/47 (a)	1,680,000
3,825,186	Hewett’s Island CDO Ltd. 2004-1A, 12.390% 12/15/16	3,691,305
2,000,000	IXIS ABS I Ltd., 10.000% 12/12/46	1,560,000
2,000,000	Jazz CDO BV III-A EB, 10.571% 9/26/14 (a)	2,000,000
13,000,000	Kenmore Street Synthetic CDO 2006-1A, 10.350% 4/30/14 (a)	6,240,000
999,741	Knollwood CDO Ltd. 2006-2A E, 11.360% 7/13/46 (a)	868,285
2,000,000	Knollwood CDO Ltd. 2006-2A SN, 15.000% 7/13/46	1,840,000
4,000,000	Kodiak CDO 2006-1A, 3.712% 8/7/37 (a)	3,660,000
3,000,000	Navigare Funding CLO Ltd. 2007-2A SN, 5.360% 4/17/21 (a)	2,700,000
5,000,000	OFSI Fund Ltd. 2006-1A, 2.000% 9/20/19 (a)	5,053,000
2,846,176	Peritus I CDO Ltd. 2005-1A C, 9.000% 5/24/15 (a)	2,800,467
2,000,000	Trapeza CDO I LLC 2006-11A, 10.000% 10/10/41	1,920,000
2,000,000	Trapeza CDO I LLC 2006-11A F, 10.361% 10/10/41	2,000,000
2,000,000	Trapeza CDO I LLC 2007-12A F, 9.852% 4/6/42 (a)	1,968,000
2,500,000	Tricadia CDO Ltd. 2006-5A, Zero Coupon Bond 6/19/46 (a)	1,912,500
3,000,000	Tropic CDO I Corp. 2006-5A C1, 10.000% 7/15/36	2,841,000
		<u>77,980,877</u>

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
Collateralized Loan Obligations (“CLO”)—2.5%		
1,000,000	Flagship CLO 2005-4I, Zero Coupon Bond 6/1/17	\$ 903,050
2,000,000	Ocean Trails CLO 2006-1A, 10.000% 10/12/20	1,930,000
3,000,000	Rosedale CLO Ltd. I-A II, 5.146% 7/24/21	2,910,000
3,000,000	Telos CLO Ltd. 2006-1A, 10.000% 10/11/21 (a)	2,955,000
2,000,000	Veritas CLO Ltd. 2006-2A, 15.000% 7/11/21 (a)	1,880,000
		<u>10,578,050</u>
Equipment Leases—5.7%		
7,594,200	Aerco Limited 1X C1, 6.670% 7/15/23	1,822,607
7,123,631	Aerco Limited 2A B2, 6.370% 7/15/25 (a)	2,635,744
7,247,186	Aerco Limited 2A C2, 7.370% 7/15/25 (a)	2,101,684
8,250,000	Aircraft Finance Trust 1999-1A A1, 5.800% 5/15/24 (a)	6,125,625
5,000,000	Airplanes Pass Through Trust 2001-1A A9, 5.870% 3/15/19	3,459,375
819,944	DVI Receivables Corp. 2001-2 A3, 3.519% 11/8/31	590,360
1,743,446	DVI Receivables Corp. 2001-2 A4, 4.613% 11/11/09	1,272,716
5,826,792	DVI Receivables Corp. 2002-1 A3A, 5.670% 6/11/10	3,029,932
3,160,472	Lease Investment Flight Trust 1 B2, 7.124% 7/15/31	916,537
4,000,000	Piper Jaffray Equipment Trust Securities 2007-1A, 6.300% 3/26/29 (a)	1,780,000
		<u>23,734,580</u>
Franchise Loans—0.2%		
1,617,000	Falcon Franchise Loan LLC 2001-1 F, 6.500% 1/5/23	791,117
Home Equity Loans (Non-High Loan-To-Value)—6.5%		
2,000,000	ACE Securities Corp. 2005-HE2 B1, 8.570% 4/25/35 (a)	1,420,000
3,000,000	ACE Securities Corp. 2005-HE6 B1, 8.320% 10/25/35 (a)	1,980,000
2,000,000	Asset-Backed Securities Corp. Home Equity 2006-HE4 M9, 7.820% 5/25/36 (a)	1,280,000
7,038,000	Equifirst Mortgage Loan Trust 2004-3 B2, 8.720% 12/25/34 (a)	5,560,020
1,000,000	Equifirst Mortgage Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	800,000
2,000,000	Master Asset-Backed Securities Trust 2005-FRE1 M10, 7.820% 10/25/35 (a)	1,620,000
4,000,000	Meritage Asset Holdings 2005-2 N4, 7.500% 11/25/35 (a)	2,200,000
2,000,000	Merrill Lynch Mortgage Investors Inc. 2005-SL1 B5, 8.820% 6/25/35 (a)	1,360,000
3,000,000	Structured Asset Securities Corp. 2005-S6 B3, 7.820% 11/25/35 (a)	2,486,250
4,000,000	Terwin Mortgage Trust 2005-R1, 5.000% 12/28/36 (a)	720,000
	Terwin Mortgage Trust 2005-3SL B6, 11.500% 3/25/35 interest-only strips	554,695
2,032,657	Terwin Mortgage Trust 2005-7SL, 4.265% 7/25/35 (a)	304,899
4,408,953	Terwin Mortgage Trust 2005-11SL B7, 5.000% 11/25/36 (a)	1,454,954
6,000,000	Terwin Mortgage Trust 2006-R3, 6.290% 6/26/37 (a)	2,640,000
4,092,073	Terwin Mortgage Trust 2006-1 2B5, 5.000% 1/25/37 (a)	2,864,451
		<u>27,245,269</u>

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
	Manufactured Housing Loans—0.1%	
409,376	Bombardier Capital Mortgage Securitization Corp. 2001-A M2, 8.265% 12/15/30	\$ 42,985
	Total Asset-Backed Securities—Below Investment Grade or Unrated	
	(cost \$166,094,793)	143,319,906
Corporate Bonds—Investment Grade—3.3% of Net Assets		
	Finance—0.2%	
1,000,000	ABN Amro Bank NV/London, 9.860% 11/17/09 (a)	990,000
	Special Purpose Entities—3.1%	
2,000,000	Canal Pointe II LLC., 5.340% 6/25/14 (a)	2,000,000
3,000,000	Lincoln Park Referenced Link Notes 2001-1, 8.780% 7/30/31 (a)	2,730,000
3,000,000	Pyxis Master Trust 2006-7, 10.320% 10/1/37 (a)	3,000,000
5,000,000	Steers Delaware Business Trust 2007-A, 7.599% 6/20/18 (a)	5,000,000
		<u>12,730,000</u>
	Total Corporate Bonds—Investment Grade	
	(cost \$13,668,531)	13,720,000
Corporate Bonds—Below Investment Grade or Unrated—35.8% of Net Assets		
	Agriculture—0.5%	
1,950,000	Eurofresh Inc., 11.500% 1/15/13 (a)	1,911,000
	Apparel—1.0%	
4,216,000	Rafaella Apparel Group Inc., 11.250% 6/15/11	4,300,320
	Automotives—3.0%	
3,075,000	Cooper Standard Automotive, Inc., 8.375% 12/15/14	2,575,312
2,225,000	Dana Corp., 1/15/15 in default (c)	1,657,625
1,388,000	Dana Corp., 3/15/10 in default (c)	1,068,760
2,600,000	Dura Operating Corp., 4/15/12 in default (c)	676,000
2,550,000	Ford Motor Company, 7.450% 7/16/31	1,973,063
250,000	Ford Motor Company, 9.980% 2/15/47	228,125
4,350,000	Metaldyne Corp., 11.000% 6/15/12	4,121,408
		<u>12,300,293</u>
	Basic Materials—4.0%	
4,150,000	AmeriCast Technologies Inc., 11.000% 12/1/14 (a)	4,233,000
1,662	Corp Durango SA de CV, 9.500% 12/31/12	1,695
4,410,000	Edgen Acquisition Corp., 9.875% 2/1/11	4,509,225
2,300,000	Key Plastics LLC, 11.750% 3/15/13 (a)	2,343,125
1,158,000	Millar Western Forest Products Ltd., 7.750% 11/15/13	1,053,780
3,525,000	Momentive Performance Materials Inc., 11.500% 12/1/16 (a)	3,613,125
1,025,000	Sterling Chemicals Inc., 10.250% 4/1/15 (a)	1,025,000
		<u>16,778,950</u>

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Building & Construction—0.7%		
1,025,000	Masonite Corp., 11.000% 4/6/15 (a)	\$ 953,250
1,375,000	Ply Gem Industries Inc., 9.000% 2/15/12	1,192,813
1,250,000	Technical Olympic USA, Inc., 10.375% 7/1/12	943,750
		<u>3,089,813</u>
Communications—1.3%		
967,000	CCH I Holdings LLC, 11.000% 10/1/15	1,003,263
4,350,000	CCH I Holdings LLC, 11.750% 5/15/14	4,165,125
		<u>5,168,388</u>
Consulting Services—2.0%		
2,175,000	MSX International Inc., 11.000% 10/15/07	2,088,000
2,650,000	MSX International Inc., 11.375% 1/15/08	2,235,540
3,925,000	MSX International Inc., 12.500% 4/1/12 (a)	3,949,531
		<u>8,273,071</u>
Energy—0.9%		
3,850,000	Paramount Resources Ltd., 8.500% 1/31/13*	3,840,375
Entertainment—0.8%		
2,100,000	French Lick Resorts & Casino LLC, 10.750% 4/15/14 (a)	1,764,000
1,800,000	Six Flags Inc., 9.625% 6/1/14	1,692,000
		<u>3,456,000</u>
Finance—1.2%		
1,000,000	ABN Amro Bank NV/London, 19.210% 11/17/09 (a)	990,000
2,925,000	Advanta Capital Trust I, 8.990% 12/17/26	2,928,656
1,000,000	Asure Float, 11.110% 12/31/35	978,750
		<u>4,897,406</u>
Food—0.5%		
2,600,000	Merisant Co., 9.500% 7/15/13	2,106,000
Garden Products—0.3%		
1,285,000	Ames True Temper, 10.000% 7/15/12	1,246,450
Health Care—0.4%		
5,055,000	Insight Health Services Corp., 9.875% 11/1/11	1,516,500
Human Resources—0.4%		
1,700,000	Comforce Operating Inc., 12.000% 12/1/10	1,746,750
Industrials—3.3%		
3,235,000	Advanced Lighting Technologies, 11.000% 3/31/09	3,218,825
2,075,000	Coleman Cable Inc., 9.875% 10/1/12	2,147,625
3,728,000	Continental Global Group Inc., 9.000% 10/1/08	3,739,594

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Industrials (continued)		
1,825,000	Home Products International Inc., 5/15/08 in default (c)	\$ 547,500
1,325,000	Spectrum Brands Inc., 8.500% 10/1/13	1,258,750
1,700,000	Terphane Holding Corp., 12.500% 6/15/09 (a)	1,700,000
1,270,000	Trimas Corp., 9.875% 6/15/12	1,268,413
		<u>13,880,707</u>
Investment Companies—0.3%		
1,250,000	Regional Diversified Funding, 10.000% 1/25/36 (a)	<u>1,253,125</u>
Manufacturing—3.4%		
4,500,000	BGF Industries Inc., 10.250% 1/15/09	4,539,780
3,300,000	Elgin National Industries, 11.000% 11/1/07	3,276,207
3,545,000	JB Poindexter & Co. Inc., 8.750% 3/15/14	3,305,713
4,650,000	MAAX Corp., 9.750% 6/15/12	3,185,250
		<u>14,306,950</u>
Retail—1.7%		
1,413,000	Lazydays RV Center Inc., 11.750% 5/15/12	1,448,325
4,000,000	Uno Restaurant Corp., 10.000% 2/15/11 (a)	3,440,000
2,550,000	VICORP Restaurants, Inc., 10.500% 4/15/11	2,314,125
		<u>7,202,450</u>
Special Purpose Entities—7.3%		
1,875,444	Antares Fund LP, 13.413% 12/14/11 (a)	2,006,725
2,500,000	Eirles Two Ltd. 262, 10.860% 8/3/21	2,500,000
3,500,000	Eirles Two Ltd. 263, 13.360% 8/3/21 (a)	3,500,000
5,000,000	InCaps Funding II Ltd., Zero Coupon Bond 1/15/34 (a)	2,575,000
1,545,000	Interactive Health LLC, 7.250% 4/1/11 (a)	1,085,363
1,750,000	Milacron Escrow Corp., 11.500% 5/15/11	1,697,500
850,000	PCA Finance Corp., 14.000% 6/1/09 (a)	858,500
2,000,000	Preferred Term Securities II, Ltd., 10.000% 5/22/33 (a)	1,111,520
2,000,000	Preferred Term Securities XXI, Ltd., 10.000% 3/22/38 (a)	1,941,500
4,000,000	Preferred Term Securities XXII, Ltd., 15.000% 9/22/36 (a)	3,855,160
1,000,000	Preferred Term Securities XXV, Ltd., 10.000% 6/22/37 (a)	990,000
2,000,000	Preferred Term Securities XVIII, Ltd., 10.000% 9/23/35 (a)	1,710,000
3,800,000	Preferred Term Securities XXIII, Ltd., 15.000% 12/22/36 (a)	3,610,000
2,000,000	Preferred Term Securities XXIV, Ltd., 10.000% 3/22/37 (a)	1,960,000
1,000,000	Pyxis Master Trust, 10.320% 10/1/37 (a)	1,000,000
		<u>30,401,268</u>
Telecommunications—1.5%		
850,000	Clearwire Corp., 11.000% 8/15/10 (a)	878,688
800,000	Iridium Satellite LLC, 7/15/05 in default (c)	184,000

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Telecommunications (continued)		
4,175,000	Primus Telecommunications GP, 8.000% 1/15/14	\$ 2,708,531
2,400,000	Securus Technologies Inc., 11.000% 9/1/11	2,364,000
		<u>6,135,219</u>
Tobacco—0.6%		
2,915,000	North Atlantic Trading Co., 9.250% 3/1/12	<u>2,463,175</u>
Transportation—0.7%		
3,875,000	Sea Containers Ltd., 10/15/06 in default (c)*	<u>3,216,248</u>
	Total Corporate Bonds—Below Investment Grade or Unrated	
	(\$157,286,052)	<u>149,490,458</u>
Mortgage-Backed Securities—Investment Grade—6.6% of Net Assets		
Collateralized Mortgage Obligations—6.6%		
5,000,000	Deutsche Mortgage Securities, Inc. 2006-RS1 N2, 8.570% 9/27/35 (a)	5,025,000
	Harborview Mortgage Loan Trust 2004-8 X, 1.881% 11/19/34 interest-only strips	1,805,882
1,000,000	Indymac Index Corp. 2006-AR6 N2, 8.833% 6/25/46 (a)	1,000,000
	Indymac Index Mortgage Loan Trust 2005-AR10 AX, 2.218% 6/25/35 interest-only strips	3,931,226
	Master Adjustable Rate Mortgages Trust 2006-OA2 XW, 1.164% 12/25/46 interest-only strips	4,626,658
3,000,000	Park Place Securities Inc. 2005-WCW2 M10, 7.820% 7/25/35	2,619,000
2,000,000	Park Place Securities Inc. 2005-WHQ3 M11, 7.820% 6/25/35	1,735,000
	Residential Accredit Loans Inc. 2005-QQ4 XIO, 2.107% 12/25/45 interest-only strips	2,029,521
2,394,173	Structured Asset Investment Loan Trust 2004-7A B, 6.750% 8/27/34 (a)	2,357,111
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 CX3, 1.000% 10/25/46 interest-only strips	813,132
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X1, 1.400% 10/25/46 interest-only strips	1,168,580
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X2, 0.500% 10/25/46 interest-only strips	<u>394,979</u>
	Total Mortgage-Backed Securities—Investment Grade	
	(\$31,429,526)	<u>27,506,089</u>
Mortgage-Backed Securities—Below Investment Grade or Unrated—12.9% of Net Assets		
Collateralized Mortgage Obligations—12.9%		
1,842,000	Countrywide Alternative Loan Trust 2006-OA11 N3, 12.500% 9/25/46 (a)	1,896,303
998,328	Countrywide Alternative Loan Trust 2006-OA21 B1, 7.070% 3/20/47	728,270

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Mortgage-Backed Securities—Below Investment Grade or Unrated		
<i>(continued)</i>		
Collateralized Mortgage Obligations (continued)		
998,328	Countrywide Alternative Loan Trust 2006-OA21 B2, 7.070% 3/20/47	\$ 579,998
1,835,825	Countrywide Alternative Loan Trust 2006-OA21 B3, 7.070% 3/20/47 (a)	453,742
3,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2005-FFH3 B4, 7.320% 9/25/35 (a)	1,920,000
3,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-3A N2, 2.000% 6/27/35 (a)	1,935,000
8,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-4A N-2, Zero Coupon Bond 7/27/45 (a)	4,600,000
3,949,937	Harborview Mortgage Loan Trust 2006-4 B11, 7.070% 5/19/47 (a)	2,429,211
2,000,000	Harborview Corp. 2006-8A N5, Zero Coupon Bond 7/21/36 (a)	827,500
2,000,000	Harborview Corp. 2006-14 N3, 8.350% 3/19/38 (a)	1,845,320
1,000,000	Harborview Corp. 2006-14 N4, 8.350% 3/19/38 (a)	841,880
6,000,000	Harborview Corp. 2006-14 PS, Zero Coupon Bond 12/19/36	1,116,600
1,000,000	Indymac Index Corp. 2006-AR6 N3, 8.833% 6/25/46 (a)	943,500
5,000,000	Long Beach Asset Holdings Corp. 2005-WL1 N4, 7.500% 6/25/45 (a)	4,050,000
1,297,929	Long Beach Mortgage Loan Trust 2001-3 M3, 8.133% 9/25/31	311,503
4,000,000	Long Beach Mortgage Loan Trust 2005-WL2 B3, 7.820% 8/25/35 (a)	2,651,920
2,000,000	Long Beach Mortgage Loan Trust 2005-2 B2, 8.070% 4/25/35 (a)	1,500,000
2,043,150	Park Place Securities Inc. 2005-WCW1 B, 5.000% 9/25/35 (a)	1,884,806
3,000,000	Park Place Securities Inc. 2005-WCW3, 7.820% 8/25/35 (a)	2,220,000
3,000,000	Park Place Securities Inc. 2005-WHQ1 M10, 7.820% 3/25/35 (a)	2,497,500
1,000,000	Park Place Securities Inc. 2005-WHQ4, 7.820% 9/25/35 (a)	700,000
5,250,000	Residential Asset Mortgage Products Inc. 2005-RS4 B2, 8.320% 4/25/35 (a)	4,305,000
3,938,000	Residential Asset Mortgage Products Inc. 2005-RS4 B3, 8.320% 4/25/35 (a)	3,032,260
1,128,127	Sasco Trust 2004-6XS B, 5.000% 3/28/34 (a)	1,054,799
1,000,000	Sharp SP I LLC Trust 2006-A HM3 N3, 12.500% 10/25/46 (a)	1,000,000
2,000,000	Soundview Home Equity Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	1,560,000
2,591,000	Soundview Home Equity Loan Trust 2005-2 B3, 8.320% 7/25/35 (a)	2,072,800
1,306,593	Soundview Home Equity Loan Trust 2005-B M14, 7.650% 5/25/35 (a)	128,660
2,569,722	Structured Asset Securities Corp. 2004-S2 B, 6.000% 6/25/34 (a)	2,470,300
1,634,605	Structured Asset Securities Corp. 2004-S4 B3, 5.000% 12/25/34 (a)	524,774
2,000,000	Structured Asset Securities Corp. 2005-AR1 B2, 7.320% 9/25/35 (a)	1,510,000
	Total Mortgage-Backed Securities—Below Investment Grade or Unrated	
	(cost \$57,388,982)	53,591,646

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount/ Shares	Description	Value (b)
Municipal Securities—0.2% of Net Assets		
1,250,000	Pima County Arizona Industrial Development Authority Health Care, 11/15/32 in default (c)	\$ 787,500
Total Municipal Securities (cost \$784,521)		787,500
Common Stocks—12.0% of Net Assets		
42,200	Alpha Natural Resources, Inc. (c)	659,586
20,500	American Capital Strategies, Ltd.	908,355
12,100	Anadarko Petroleum Corporation	520,058
16,300	Aqua America, Inc.	365,935
69,600	Aries Maritime Transport Limited	571,416
24,200	AVX Corporation	367,840
9,600	BJ Services Company	267,840
20,100	Brookdale Senior Living, Inc.	897,666
32,600	BRT Realty Trust	984,194
42,300	Cascade Microtech, Inc. (c)	602,775
63,400	CastlePoint Holdings, Ltd.	1,036,590
6,300	Cemex, S.A. de C.V.	206,325
121,000	Cirrus Logic, Inc. (c)	926,860
41,200	Citizens Communications Company	615,940
20,200	Companhia de Saneamento Basico do Estado de São Paulo	682,558
102,900	Compass Diversified Trust	1,725,633
13,000	Consolidated Communications Holdings, Inc.	258,570
39,200	Cypress Sharpridge (a)	401,800
9,600	Cytec Industries Inc.	539,904
60,800	Eddie Bauer Holdings, Inc. (c)	691,296
1,300	Edison International	63,869
11,900	Enterprise Products Partners L.P.	378,420
154,600	Evergreen Energy Inc. (c)	1,015,722
8,400	FairPoint Communications, Inc.	161,364
26,300	Famous Dave's of America, Inc. (c)	475,767
57,300	Fording Canadian Coal Trust	1,266,330
123,100	Hawaiian Holdings, Inc. (c)	387,765
14,400	Helix Energy Solutions Group, Inc. (c)	536,976
8,600	Horizon Offshore, Inc. (c)	124,356
87,200	Infocrossing, Inc. (c)	1,296,664
74,400	InPhonic, Inc. (c)	810,960
111,695	Intermet Corporation (c)	893,560
6,400	Iowa Telecommunications Services, Inc.	128,000
9,900	Kinder Morgan Energy Partners, L.P.	521,532
30,200	KKR Financial Corp.	828,386
3,900	L-3 Communications Holdings, Inc.	341,133
33,600	LJ International Inc. (c)	341,376

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks (continued)		
135,300	Luminent Mortgage Capital, Inc.	\$ 1,209,582
32,100	Macquarie Infrastructure Company Trust	1,261,530
4,600	Magellan Midstream Partners, L.P.	215,280
15,000	McDermott International, Inc. (c)	734,700
21,000	MCG Capital Corporation	393,960
240,500	Meruelo Maddux Properties, Inc. (c)	2,104,375
13,000	Mittal Steel Company N.V.	687,570
27,700	Motorola, Inc.	489,459
39,600	Nam Tai Electronics, Inc.	512,820
134,000	Ness Technologies, Inc. (c)	1,712,520
36,800	New York Community Bancorp, Inc.	647,312
60,600	NNN Realty Advisors (a)	612,060
6,400	Oceaneering International, Inc. (c)	269,568
51,000	Optimal Group Inc. (c)	427,890
33,527	Owens Corning (c)	1,068,170
34,300	Parametric Technology Corporation (c)	651,700
3,600	Peabody Energy Corporation	144,864
19,600	PeopleSupport, Inc. (c)	224,420
59,700	PetroQuest Energy, Inc. (c)	697,893
667	Providence Washington Insurance Companies (c)	67
47,800	Quintana Maritime Limited	658,206
21,500	Regal Entertainment Group	427,205
58,400	Resource Capital Corp.	942,576
5,700	RTI International Metals, Inc. (c)(d)	518,757
18,000	Sanderson Farms, Inc.	667,080
23,100	Sasol Limited	763,455
14,990	Ship Finance International Limited	411,175
44,700	Spansion Inc. (c)	544,893
85,300	Star Asia Fin Ltd.	853,000
63,777	Star Gas Partners, L.P. (c)	249,368
4,300	Superior Energy Services, Inc. (c)	148,221
38,367	Taiwan Semiconductor Manufacturing Company Ltd.	412,445
82,170	Technology Investment Capital Corp.	1,389,495
18,300	Tenaris S.A.	839,970
8,700	The Home Depot, Inc.	319,638
60,700	The Wet Seal, Inc. (c)	397,585
7,100	Valero Energy Corporation	457,879
5,500	Valero L.P.	366,300
13,500	Williams Partners L.P.	644,355
87,300	Windstream Corporation	1,282,437
25,600	Zoltek Companies, Inc. (c)(d)	894,208
	Total Common Stocks	50,057,309
	(cost \$48,549,373)	

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RMK ADVANTAGE INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Preferred Stocks—5.0% of Net Assets		
4,000	Baker Street Funding (a)	\$ 3,880,000
1,000	Baker Street Funding 2006-1 (a)	940,000
3,000	Credit Genesis CLO 2005 (a)	2,970,000
2,000	Centurion VII	1,515,000
9	Harborview 2006-8 (c)	1
2,000	Hewett's Island II (a)	1,980,000
67,000	Indymac Indx CI-1 Corp. (a)	1,820,858
2,000	Marquette Park CLO Ltd. (a)	1,920,000
2,975	Motient Corporation	2,380,000
20,000	Mountain View Funding (a)	1,760,000
2,000	WEBS CDO 2006-1 PS	1,800,000
	Total Preferred Stocks	20,965,859
	(cost \$21,107,484)	
Eurodollar Time Deposits—2.6% of Net Assets		
	State Street Bank & Trust Company Eurodollar time deposits dated March 30, 2007 4.050% maturing at \$10,898,361 on April 2, 2007.	10,895,909
	Total Investments—132.4% of Net Assets	552,049,765
	(cost \$589,978,706)	(135,051,124)
	Other Assets and Liabilities, net—(32.4%) of Net Assets	\$ 416,998,641
	Net Assets	\$ 416,998,641
Call Options Written		
3/31/2007		
Number of Contracts	Common Stocks/Expiration Date/Exercise Price	Value (b)
30	RTI International Metals, Inc./April 2007/95	6,150
34	Zoltek Companies, Inc./April 2007/35	5,100
	Total Call Options Written	\$ 11,250
	(Premiums Received \$13,753)	

(a) Securities sold within the terms of a private placement memorandum, exempt from registration under Rule 144A under the Securities Act of 1933, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to valuation policies and procedures adopted by the Board of Directors, these issues have been determined to be liquid by Morgan Asset Management, Inc., the Fund's investment adviser.

(b) See Note 2 of accompanying Notes to Financial Statements regarding investment valuations.

(c) Non-income producing securities.

(d) A portion or all of the security is pledged as collateral for call options written.

* These securities are classified as Yankee Bonds, which are U.S. dollar denominated bonds issued in the United States by a foreign entity.

All of the Fund's investment securities, other than equity securities, are pledged as collateral under the line of credit.

The Notes to the Financial Statements are an integral part of, and should be read in conjunction with, the Financial Statements.

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RMK HIGH INCOME FUND, INC.

OBJECTIVE & STRATEGY

RMK High Income Fund, Inc. seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests a majority of its total assets in below investment grade debt securities (commonly referred to as “junk bonds”) that offer attractive yield and capital appreciation potential. The Fund may also invest in investment grade debt securities, up to 15% of its total assets in foreign debt and foreign equity securities and up to 25% of its total assets in domestic equity securities, including common and preferred stocks. The Fund invests in a wide range of below investment grade debt securities, including corporate bonds, mortgage-backed and asset-backed securities and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. (Below investment grade debt securities are rated Ba1 or lower by Moody’s Investors Service, Inc., BB+ or lower by Standard & Poor’s Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund’s investment adviser to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred shares. The Fund may leverage up to 33 1/3% of its total assets (in each case including the amount borrowed). The Fund may vary its use of leverage in response to changing market conditions.

INVESTMENT RISKS: Bond funds tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company’s financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage exceeds the costs of the leverage, the use of leverage will diminish the investment performance of the Fund’s shares. Use of leverage may also increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and credit worthiness.

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RMK HIGH INCOME FUND, INC.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of (12.71)% and (3.26)%, respectively, based on market price and reinvested dividends and other distributions. For the six months and the twelve months ended March 31, 2007, the Fund had a total return of 2.56% and 6.05%, respectively, based on net asset value and reinvested dividends and other distributions. For the six months and the twelve months ended March 31, 2007, the Lehman Brothers Ba U.S. High Yield Index⁽¹⁾ had a total return of 5.37% and 9.71%, respectively.

Since our last report, the Fund's market price share performance has been negatively impacted by the reduction of the monthly distribution rate from \$0.15 per share to \$0.14 per share. The Fund's performance has also been negatively impacted by the recent turmoil in the mortgage market. During the months leading up to the reduction of the Fund's distribution rate, portfolio earnings were increasingly under pressure due to consistently rising costs associated with the leverage (borrowed money) employed by the Fund and by a prolonged period of contracting credit spreads. The combination of these two market forces resulted in lower net earnings to the Fund and required a reduction in the distribution rate beginning in December 2006.

Since December, the U.S. mortgage-backed securities market has undergone serious turmoil, most notably in the sub-prime home equity arena. While this downward volatility in the mortgage-backed arena has had a negative impact on the net asset value of the Fund, it has also provided an opportunity to buy assets at considerably higher yields than have been available for more than two years. Strategically redeploying assets during this market upheaval may be difficult from a net asset value perspective for a period of time, but this is also the best opportunity we have seen in years to secure better portfolio earnings for quarters to come.

Although we made material shifts out of consumer oriented debt (home equity, credit cards), we still have a meaningful weighting. Corporate debt continues to outperform most other categories—in fact, the lower the credit rating, the more favorably it is viewed by the market. Some profit taking in this sector is probably warranted at this point in the economic cycle. It is our expectation that 2007 will prove to be a period of slower economic growth and a transition year for the Federal Reserve Board. That is, we expect the Federal Reserve Board to leave rates unchanged, perhaps through the summer; however, during the second half of this year, we expect the Federal Reserve Board to begin lowering interest rates as the

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RMK HIGH INCOME FUND, INC.

U.S. economy experiences very sluggish growth quarters. Fixed rate securities will be a focus as will badly oversold consumer credit items.



James C. Kelsoe, Jr., CFA
Senior Portfolio Manager
Morgan Asset Management, Inc.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Fund will achieve its investment objectives. These views are subject to change at any time based upon market or other conditions, and Morgan Asset Management, Inc. disclaims any responsibility to update such views. The Fund is subject to market risk, which include the possibilities that the market values of the securities owned by the Fund will decline or that shares of the Fund will trade at lower prices in the market. Accordingly, you can lose money investing in the Fund.

INDEX DESCRIPTION

⁽¹⁾ *The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.*

[Table of Contents](#)**RMK HIGH INCOME FUND, INC.****PORTFOLIO STATISTICS†**

AS OF MARCH 31, 2007

Average Credit Quality	BB
Current Yield	11.05%
Yield to Maturity	12.05%
Duration	4.26 Years
Average Effective Maturity	5.68 Years
Percentage of Leveraged Assets	27%
Total Number of Holdings	310

† The Fund's composition is subject to change.

CREDIT QUALITY†

AS OF MARCH 31, 2007

	% OF DEBT SECURITIES		% OF DEBT SECURITIES
AAA	4.5%	CCC	14.8%
BBB	20.5%	CC	2.7%
BB	20.4%	D	0.4%
B	13.9%	Not Rated	22.8%
		Total	100.0%

† The Fund's composition is subject to change.

ASSET ALLOCATION†

AS OF MARCH 31, 2007

	% OF TOTAL INVESTMENTS
Corporate Bonds	31.1%
Collateralized Debt Obligations	25.8%
Collateralized Mortgage Obligations	15.3%
Common Stocks	9.2%
Equipment Leases	5.2%
Home Equity Loans	4.4%
Preferred Stocks	3.8%
Collateralized Loan Obligations	1.9%
Certificate-Backed Obligations	0.8%
Other	0.6%
Short-Term Investments	1.9%
Total	100.0%

† The Fund's composition is subject to change.

[Table of Contents](#)**RMK HIGH INCOME FUND, INC.****NAV & MARKET PRICE HISTORY***

The graph below illustrates the net asset value and market price history of RMK High Income Fund, Inc. (NYSE: RMH) from the commencement of investment operations on June 24, 2003 to March 31, 2007.



* *Net asset value is calculated every day that the New York Stock Exchange is open as of the close of trading (normally 4:00 p.m. Eastern Time) by taking the closing market value of all portfolio securities, cash and other assets owned, subtracting all liabilities, then dividing the result (total net assets) by the total number of shares outstanding. The market price is the last reported price at which a share of the Fund was sold on the New York Stock Exchange.*

[Table of Contents](#)**RMK HIGH INCOME FUND, INC.****PERFORMANCE INFORMATION**

AS OF MARCH 31, 2007	AVERAGE ANNUAL TOTAL RETURNS		
	SIX MONTHS*	1 YEAR	COMMENCEMENT OF INVESTMENT OPERATIONS⁽¹⁾
MARKET VALUE	(12.71)%	(3.26)%	14.74%
NET ASSET VALUE	2.56%	6.05%	11.83%
LEHMAN BROTHERS BA HIGH YIELD INDEX ⁽²⁾	5.37%	9.71%	N/A

* Not annualized for periods less than one year.

⁽¹⁾ The Fund commenced investment operations on June 24, 2003.

⁽²⁾ The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance changes over time and current performance may be lower or higher than what is stated. For the most recent performance, call toll-free 800-564-2188. Total returns assume an investment at the common share market price or net asset value at the beginning of the period, reinvestment of all dividends and other distributions for the period in accordance with the Fund's dividend reinvestment plan, and sale of all shares at the closing market price (excluding any commissions) or net asset value at the end of the period. Returns shown in the table do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or on the sale of Fund shares. Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including possible loss of principal.

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Investment Grade—16.2% of Net Assets		
Certificate-Backed Obligations (“CBO”)—0.5%		
2,000,000	Diversified Asset Securitization Holdings III 1A A3L, 6.150% 7/5/36 (a)	\$ 1,540,000
Collateralized Debt Obligations (“CDO”)—13.1%		
2,000,000	Broderick CDO Ltd. 2007-3A D, 9.163% 12/6/50 (a)	1,960,000
2,000,000	CDO Repack SPC Ltd. 2006-BRGA, Zero Coupon Bond 12/5/51	1,880,000
1,904,039	E-Trade CDO I 2004-1A, 2.000% 1/10/40	1,690,254
1,000,000	Highland Park CDO Ltd. 2006-1A E, 7.670% 11/25/51 (a)	935,000
3,000,000	Kodiak CDO 2006-1A G, 8.860% 8/7/37 (a)	2,910,000
3,000,000	Lexington Capital Funding Ltd. 2007-3A F, 8.860% 4/10/47 (a)	2,910,000
2,000,000	Linker Finance PLC 16A E, 8.820% 5/19/45 (a)	1,935,000
1,985,322	Millstone III-A CDO Ltd., 4.300% 7/5/46	1,905,909
1,931,858	MKP CBO I Ltd. 4A CS, 2.000% 7/12/40 (a)	1,815,946
1,000,000	Newbury Street CDO Ltd. 2007-1A D, 9.100% 3/4/53 (a)	985,000
2,000,000	Norma CDO Ltd. 2007-1A E, 9.765% 3/11/49 (a)	1,800,000
3,000,000	Palmer Square 2A CN, 6.952% 11/2/45 (a)	2,970,000
1,000,000	Pasa Funding Ltd. 2007-1A D, 9.324% 4/7/52	910,000
1,976,164	Sharps CDO 2006-1A D, 7.500% 5/8/46 (a)	1,894,726
4,000,000	Taberna Preferred Funding Ltd. 2006-6A, 6.100% 12/5/36 (a)	3,977,600
2,941,859	Taberna Preferred Funding Ltd. 2006-7A C1, 10.000% 2/5/37 (a)	2,894,789
2,000,000	Tahoma CDO Ltd. 2006-1A D, 9.006% 6/18/47 (a)	2,000,000
1,000,000	Tahoma CDO Ltd. 2007-2A D, 9.830% 9/16/47 (a)	930,000
2,000,000	Trapeza CDO I LLC 2006-10A D2, 8.700% 6/6/41 (a)	2,045,000
1,500,000	Trapeza CDO I LLC 2006-10A, 6.700% 6/6/41	1,380,000
		<u>39,729,224</u>
Equipment Leases—0.9%		
2,844,976	Aviation Capital Group Trust 2005-3A C1, 8.570% 12/25/35 (a)	2,901,875
Home Equity Loans (Non-High Loan-To-Value)—1.7%		
1,000,000	Asset-Backed Securities Corp. Home Equity 2005-HE1 M10, 7.967% 3/25/35	880,000
1,000,000	Fremont Home Loan Trust 2004-4 M7, 7.040% 3/25/35	930,070
306,028	Home Equity Asset Trust 2003-4 B1, 9.320% 10/25/33	298,602
2,000,000	Soundview Home Equity Loan Trust 2005-A B1, 8.320% 4/25/35 (a)	1,540,000
1,500,000	Terwin Mortgage Trust 2007-3SL B3, 6.000% 5/25/38 (a)	1,389,300
		<u>5,037,972</u>
	Total Asset-Backed Securities—Investment Grade (cost \$51,258,130)	<u>49,209,071</u>

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated—35.1% of Net Assets		
Certificate-Backed Obligations (“CBO”)—0.5%		
1,000,000	Goldman Sachs Asset Management CBO II 2A D1, 11.620% 11/5/12 (a)	\$ 1,007,810
1,634,050	Helios Series I Multi-Asset CBO, Ltd. IA C, 8.109% 12/13/36 (a)	620,939
		<u>1,628,749</u>
Collateralized Debt Obligations (“CDO”)—21.3%		
1,000,000	Aardvark Asset-Backed Securities CDO 2007-1A, 10.000% 7/6/47	910,000
2,000,000	Acacia CDO, Ltd. 10A, 3.700% 9/7/46 (a)	800,000
3,000,000	Aladdin CDO I Ltd. 2006-3A, 10.350% 10/31/13 (a)	1,447,500
1,000,000	Alesco Preferred Funding Ltd.13A I, 10.000% 9/23/37	964,450
2,000,000	Attentus CDO Ltd. 2006-2A F1, 10.360% 10/9/41 (a)	1,950,000
3,000,000	Attentus CDO Ltd. 2006-2A, 10.000% 10/9/41	2,955,000
3,000,000	Attentus CDO Ltd. 2007-3A F2, 9.532% 10/11/42 (a)	2,947,500
3,000,000	Attentus CDO Ltd. 2007-3A, 10.000% 10/11/42	2,760,000
1,000,000	Cairn Mezzanine Asset-Backed CDO PLC 2007-3A, 10.000% 8/13/47	670,000
5,000,000	Commodore CDO I Ltd. 1A C, 8.110% 2/28/37 (a)	1,950,000
1,000,000	Copper River CLO Ltd. 2006-1A E, 9.124% 1/20/21 (a)	993,120
4,000,000	Dillon Read CDO Ltd. 2006-1A, 10.000% 12/5/46 (a)	3,550,000
3,000,000	Diversified Asset Securitization Holdings II 1A B1, 9.712% 9/15/35 (a)	1,620,000
3,000,000	Dryden Leveraged Loan CDO 2005-9A, 10.000% 9/20/19	2,490,000
3,000,000	Equinox Funding 1A D, 12.277% 11/15/12 (a)	1,680,000
3,000,000	Global Leveraged Capital Credit Opportunity Fund 2006-1A, 10.000% 12/20/18 (a)	2,997,600
1,000,000	Gulf Stream Atlantic CDO Ltd. 2007-1A, 10.000% 7/13/47 (a)	840,000
1,000,000	801 Grand CDO 2006-1 LLC, 11.350% 9/20/16 (a)	1,005,000
2,868,890	Hewett’s Island CDO Ltd. 2004-1A, 12.390% 12/15/16	2,768,479
1,000,000	IXIS ABS 1 Ltd., 10.000% 12/12/46	780,000
2,000,000	Jazz CDO BV III-A EB, 10.571% 9/26/14 (a)	2,000,000
12,000,000	Kenmore Street Synthetic CDO 2006-1A, 10.350% 4/30/14 (a)	5,760,000
999,741	Knollwood CDO Ltd. 2006-2A E, 11.360% 7/13/46 (a)	868,285
2,000,000	Knollwood CDO Ltd. 2006-2A SN, 15.000% 7/13/46	1,840,000
4,000,000	Kodiak CDO 2006-1A, 3.712% 8/7/37 (a)	3,660,000
2,000,000	Navigare Funding CLO Ltd. 2007-2A SN, 5.360% 4/17/21 (a)	1,800,000
3,000,000	OFSI Fund Ltd. 2006-1A, 2.000% 9/20/19 (a)	3,031,800
1,897,451	Peritus I CDO Ltd. 2005-1A C, 9.000% 5/24/2015 (a)	1,866,978
2,000,000	Trapeza CDO I LLC 2006-11A F, 10.361% 10/10/41	2,000,000
2,000,000	Trapeza CDO I LLC 2006-11A, 10.000% 10/10/41	1,920,000
2,000,000	Trapeza CDO I LLC 2007-12A F, 9.852% 4/6/42 (a)	1,968,000
2,000,000	Tropic CDO I Corp. 2006-5A C1, 10.000% 7/15/36	1,894,000
		<u>64,687,712</u>

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
Collateralized Loan Obligations (“CLO”)—2.5%		
1,000,000	Flagship CLO 2005-4I, Zero Coupon Bond 6/1/17	\$ 903,050
1,000,000	Ocean Trails CLO 2006-1A, 10.000% 10/12/20	965,000
2,000,000	Rosedale CLO Ltd. I-A II, 5.146% 7/24/21	1,940,000
2,000,000	Telos CLO Ltd. 2006-1A, 10.000% 10/11/21 (a)	1,970,000
2,000,000	Veritas CLO Ltd. 2006-2A, 15.000% 7/11/21 (a)	1,880,000
		<u>7,658,050</u>
Commercial Loans—0.4%		
1,967,335	Lehman Brothers-UBS Commercial Mortgage Trust 2001-C7 S, 5.868% 11/15/33	1,144,300
Equipment Leases—6.0%		
6,750,400	Aerco Limited 1X C1, 6.670% 7/15/23	1,620,096
7,123,631	Aerco Limited 2A B2, 6.370% 7/15/25 (a)	2,635,744
6,930,122	Aerco Limited 2A C2, 7.370% 7/15/25 (a)	2,009,735
6,000,000	Aircraft Finance Trust 1999-1A A1, 5.800% 5/15/24 (a)	4,455,000
3,000,000	Airplanes Pass Through Trust 2001-1A A9, 5.870% 3/15/19	2,075,625
728,839	DVI Receivables Corp. 2001-2 A3, 3.519% 11/8/31	524,764
1,022,822	DVI Receivables Corp. 2001-2 A4, 4.613% 11/11/09	746,660
3,809,825	DVI Receivables Corp. 2002-1 A3A, 5.670% 6/11/10	1,981,109
2,370,355	Lease Investment Flight Trust 1 B2, 7.124% 7/15/31	687,403
3,517,584	Pegasus Aviation Lease Securitization 2001-1A B1, Zero Coupon Bond 5/10/31 (a)	17,588
1,758,792	Pegasus Aviation Lease Securitization 2001-1A B2, Zero Coupon Bond 5/10/31 (a)	8,794
3,000,000	Piper Jaffray Equipment Trust Securities 2007-1A, 6.300% 3/26/29 (a)	1,335,000
		<u>18,097,518</u>
Franchise Loans—0.2%		
1,000,000	Falcon Franchise Loan LLC 2001-1 F, 6.500% 1/5/23	489,250
Home Equity Loans (Non-High Loan-To-Value)—4.2%		
1,500,000	ACE Securities Corp. 2005-HE2 B1, 8.570% 4/25/35 (a)	1,065,000
2,000,000	ACE Securities Corp. 2005-HE6 B1, 8.320% 10/25/35 (a)	1,320,000
2,000,000	ACE Securities Corp. 2005-SL1 B1, 6.000% 6/25/35 (a)	940,000
540,704	Ameriquest Mortgage Securities Inc. 2003-8 MV6, 8.797% 10/25/33	253,822
544,329	Amresco Residential Securities Mortgage Loan Trust 1999-1 B, 9.320% 11/25/29	524,833
2,000,000	Asset-Backed Securities Corp. Home Equity 2006-HE4 M9, 7.820% 5/25/36 (a)	1,280,000
1,000,000	Equifirst Mortgage Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	800,000
3,000,000	Meritage Asset Holdings 2005-2 N4, 7.500% 11/25/35 (a)	1,650,000
2,000,000	Merrill Lynch Mortgage Investors Inc. 2005-SL1 B5, 8.820% 6/25/35 (a)	1,360,000

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
Home Equity Loans (Non-High Loan-To-Value) (continued)		
3,000,000	Terwin Mortgage Trust 2005-R1, 5.000% 12/28/36 (a)	\$ 540,000
	Terwin Mortgage Trust 2005-3SL B6, 11.500% 3/25/35 interest-only strips	221,878
1,767,528	Terwin Mortgage Trust 2005-7SL, 4.265% 7/25/35 (a)	265,129
2,645,372	Terwin Mortgage Trust 2005-11SL B7, 5.000% 11/25/36 (a)	872,973
4,000,000	Terwin Mortgage Trust 2006-R3, 6.290% 6/26/37 (a)	1,760,000
		<u>12,853,635</u>
	Total Asset-Backed Securities—Below Investment Grade or Unrated (cost \$125,405,748)	<u>106,559,214</u>
Corporate Bonds—Investment Grade—3.9% of Net Assets		
Finance—0.3%		
1,000,000	ABN Amro Bank NV/London, 9.860% 11/17/09 (a)	990,000
Special Purpose Entities—3.6%		
2,000,000	Canal Pointe II LLC., 5.340% 6/25/14 (a)	2,000,000
2,000,000	Lincoln Park Referenced Link Notes 2001-1, 8.780% 7/30/31 (a)	1,820,000
3,000,000	Pyxis Master Trust 2006-7, 10.320% 10/1/37 (a)	3,000,000
4,000,000	Steers Delaware Business Trust 2007-A, 7.599% 6/20/18 (a)	4,000,000
		<u>10,820,000</u>
	Total Corporate Bonds—Investment Grade (cost \$11,776,097)	<u>11,810,000</u>
Corporate Bonds—Below Investment Grade or Unrated—37.7% of Net Assets		
Agriculture—0.5%		
1,525,000	Eurofresh Inc., 11.500% 1/15/13 (a)	1,494,500
Apparel—1.1%		
3,258,000	Rafaella Apparel Group Inc., 11.250% 6/15/11	3,323,160
Automotive—3.2%		
2,375,000	Cooper Standard Automotive, Inc., 8.375% 12/15/14	1,989,063
1,750,000	Dana Corp., 1/15/15 in default (c)	1,303,750
1,125,000	Dana Corp., 3/15/10 in default (c)	866,250
1,975,000	Dura Operating Corp., 4/15/12 in default (c)	513,500
1,950,000	Ford Motor Company, 7.450% 7/16/31	1,508,813
175,000	Ford Motor Company, 9.980% 2/15/47	159,688
3,475,000	Metaldyne Corp., 11.000% 6/15/12	3,292,389
		<u>9,633,453</u>
Basic Materials—4.4%		
3,225,000	AmeriCast Technologies Inc., 11.000% 12/1/14 (a)	3,289,500
1,715	Corp Durango SA de CV, 9.500% 12/31/12	1,749

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Basic Materials (continued)		
3,625,000	Edgen Acquisition Corp., 9.875% 2/1/11	\$ 3,706,563
1,700,000	Key Plastics LLC, 11.750% 3/15/13 (a)	1,731,875
1,075,000	Millar Western Forest Products Ltd., 7.750% 11/15/13	978,250
2,700,000	Momentive Performance Materials Inc., 11.500% 12/1/16 (a)	2,767,500
750,000	Sterling Chemicals Inc., 10.250% 4/1/15 (a)	750,000
		<u>13,225,437</u>
Building & Construction—0.8%		
750,000	Masonite Corp., 11.000% 4/6/15 (a)	697,500
1,050,000	Ply Gem Industries Inc., 9.000% 2/15/12	910,875
925,000	Technical Olympic USA, Inc., 10.375% 7/1/12	698,375
		<u>2,306,750</u>
Communications—1.5%		
771,000	CCH I Holdings LLC, 11.000% 10/1/15	799,913
3,850,000	CCH I Holdings LLC, 11.750% 5/15/14	3,686,375
		<u>4,486,288</u>
Consulting Services—2.0%		
2,125,000	MSX International Inc., 11.000% 10/15/07	2,040,000
1,275,000	MSX International Inc., 11.375% 1/15/08	1,075,590
2,875,000	MSX International Inc., 12.500% 4/1/12 (a)	2,892,969
		<u>6,008,559</u>
Energy—1.0%		
3,000,000	Paramount Resources Ltd., 8.500% 1/31/13*	2,992,500
Entertainment—0.8%		
1,525,000	French Lick Resorts & Casino LLC, 10.750% 4/15/14 (a)	1,281,000
1,375,000	Six Flags Inc., 9.625% 6/1/14	1,292,500
		<u>2,573,500</u>
Finance—1.4%		
1,000,000	ABN Amro Bank NV/London, 19.210% 11/17/09 (a)	990,000
2,250,000	Advanta Capital Trust I, 8.990% 12/17/26	2,252,812
1,000,000	Asure Float, 11.110% 12/31/35	978,750
		<u>4,221,562</u>
Food—0.5%		
1,850,000	Merisant Co., 9.500% 7/15/13	1,498,500
Garden Products—0.3%		
915,000	Ames True Temper, 10.000% 7/15/12	887,550
Health Care—0.4%		
4,000,000	Insight Health Services Corp., 9.875% 11/1/11	1,200,000

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
	Human Resources—0.4%	
1,350,000	Comforce Operating Inc., 12.000% 12/1/10	\$ 1,387,125
	Industrials—3.6%	
2,550,000	Advanced Lighting Technologies, 11.000% 3/31/09	2,537,250
1,725,000	Coleman Cable Inc., 9.875% 10/1/12	1,785,375
2,875,000	Continental Global Group Inc., 9.000% 10/1/08	2,883,940
1,415,000	Home Products International Inc., 5/15/08 in default (c)	424,500
1,075,000	Spectrum Brands Inc., 8.500% 10/1/13	1,021,250
1,350,000	Terphane Holding Corp., 12.500% 6/15/09 (a)	1,350,000
1,050,000	Trimas Corp., 9.875% 6/15/12	1,048,688
		<u>11,051,003</u>
	Manufacturing—3.7%	
3,520,000	BGF Industries Inc., 10.250% 1/15/09	3,551,116
2,575,000	Elgin National Industries, 11.000% 11/1/07	2,556,434
2,725,000	JB Poindexter & Co. Inc., 8.750% 3/15/14	2,541,063
3,575,000	MAAX Corp., 9.750% 6/15/12	2,448,875
		<u>11,097,488</u>
	Retail—1.8%	
1,066,000	Lazydays RV Center Inc., 11.750% 5/15/12	1,092,650
3,175,000	Uno Restaurant Corp., 10.000% 2/15/11 (a)	2,730,500
1,925,000	VICORP Restaurants, Inc., 10.500% 4/15/11	1,746,938
		<u>5,570,088</u>
	Special Purpose Entities—7.4%	
1,875,444	Antares Fund LP, 13.413% 12/14/11 (a)	2,006,725
1,500,000	Eirles Two Ltd. 262, 10.860% 8/3/21	1,500,000
2,300,000	Eirles Two Ltd. 263, 13.360% 8/3/21 (a)	2,300,000
2,500,000	InCaps Funding II Ltd., Zero Coupon Bond 1/15/34 (a)	1,287,500
1,152,000	Interactive Health LLC, 7.250% 4/1/11 (a)	809,280
1,350,000	Milacron Escrow Corp., 11.500% 5/15/11	1,309,500
675,000	PCA Finance Corp., 14.000% 6/1/09 (a)	681,750
1,000,000	Preferred Term Securities II, Ltd., 10.000% 5/22/33 (a)	555,760
1,000,000	Preferred Term Securities XXI, Ltd., 10.000% 3/22/38 (a)	970,750
2,400,000	Preferred Term Securities XXII, Ltd., 15.000% 9/22/36 (a)	2,313,097
1,000,000	Preferred Term Securities XXV, Ltd., 10.000% 6/22/37 (a)	990,000
2,000,000	Preferred Term Securities XVIII, Ltd., 10.000% 9/23/35 (a)	1,710,000
3,200,000	Preferred Term Securities XXIII, Ltd., 15.000% 12/22/36 (a)	3,040,000
1,000,000	Preferred Term Securities XXIV, Ltd., 10.000% 3/22/37 (a)	980,000
1,000,000	Pyxis Master Trust, 10.320% 10/1/2037 (a)	1,000,000
1,316,750	TPref Funding III Ltd., 11.000% 1/15/33 (a)	934,893
		<u>22,389,255</u>

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Telecommunications—1.5%		
625,000	Clearwire Corp., 11.000% 8/15/10 (a)	\$ 646,094
650,000	Iridium Satellite LLC, 7/15/05 in default (c)	149,500
2,925,000	Primus Telecommunications GP, 8.000% 1/15/14	1,897,594
1,900,000	Securus Technologies Inc., 11.000% 9/1/11	1,871,500
		<u>4,564,688</u>
Tobacco—0.6%		
2,250,000	North Atlantic Trading Co., 9.250% 3/1/12	1,901,250
Transportation—0.8%		
3,005,000	Sea Containers Ltd., 10/15/06 in default (c)*	2,494,150
	Total Corporate Bonds—Below Investment Grade or Unrated	
	(cost \$119,509,183)	<u>114,306,806</u>
Mortgage-Backed Securities—Investment Grade—8.0% of Net Assets		
Collateralized Mortgage Obligations—8.0%		
3,000,000	Deutsche Mortgage Securities, Inc. 2006-RS1 N2, 8.570% 9/27/35 (a)	3,015,000
	Harborview Mortgage Loan Trust 2003-2 1X, 1.348% 10/19/33 interest-only strips	212,928
	Harborview Mortgage Loan Trust 2004-8 X, 1.881% 11/19/34 interest-only strips	902,940
1,000,000	Indymac Index Corp. 2006-AR6 N2, 8.833% 6/25/46 (a)	1,000,000
	Indymac Index Mortgage Loan Trust 2005-AR10 AX, 2.218% 6/25/35 interest-only strips	3,369,622
	Master Adjustable Rate Mortgages Trust 2006-OA2 XW, 1.164% 12/25/46 interest-only strips	3,390,693
	Mellon Residential Funding Corp. 2002-TBC2 X, 0.807% 8/15/32 interest-only strips	354,609
2,000,000	Park Place Securities Inc. 2005-WHQ3 M11, 7.820% 6/25/35	1,735,000
2,000,000	Park Place Securities Inc. 2005-WCW2 M10, 7.820% 7/25/35	1,746,000
	Residential Accredited Loans Inc. 2005-QQ4 XIO, 2.107% 12/25/45 interest-only strips	1,594,624
116,580	Structured Asset Investment Loan Trust 2004-5A B, 6.750% 6/27/34 (a)	116,870
1,795,630	Structured Asset Investment Loan Trust 2004-7A B, 6.750% 8/27/34 (a)	1,767,834
2,167,000	Structured Asset Investment Loan Trust 2003-BC1 B2, 9.000% 5/25/32	391,300
1,720,000	Structured Asset Investment Loan Trust 2004-8 B2, 5.000% 9/25/34	1,583,623

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Mortgage-Backed Securities—Investment Grade (continued)		
Collateralized Mortgage Obligations (continued)		
1,305,646	Structured Asset Trust 2003-S A, 7.500% 12/28/33 (a)	\$ 913,952
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 CX3, 1.000% 10/25/46 interest-only strips	813,132
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X1, 1.400% 10/25/46 interest-only strips	1,022,508
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X2, 0.500% 10/25/46 interest-only strips	338,553
	Total Mortgage-Backed Securities—Investment Grade (cost \$29,407,629)	24,269,188
Mortgage-Backed Securities—Below Investment Grade or Unrated—12.4% of Net Assets		
Collateralized Mortgage Obligations—12.4%		
5,417,206	Countrywide Alternative Loan Trust 2006-6CB B5, 5.575% 5/25/36	993,624
1,000,000	Countrywide Alternative Loan Trust 2006-0A11 N3, 12.500% 9/25/46 (a)	1,029,480
998,328	Countrywide Alternative Loan Trust 2006-0A21 B1, 7.070% 3/20/47	728,270
998,328	Countrywide Alternative Loan Trust 2006-0A21 B2, 7.070% 3/20/47	579,998
998,328	Countrywide Alternative Loan Trust 2006-0A21 B3, 7.070% 3/20/47 (a)	246,747
2,500,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH3 B1, 8.820% 10/25/34 (a)	1,900,000
1,367,018	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH2 B2, 8.820% 6/25/34 (a)	751,860
2,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH4 B1, 8.570% 1/25/35 (a)	1,608,360
2,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2005-FFH3 B4, 7.320% 9/25/35 (a)	1,280,000
3,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-3A N2, 2.000% 6/27/35 (a)	1,935,000
6,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-4A N-2, Zero Coupon Bond 7/27/45 (a)	3,450,000
2,962,453	Harborview Mortgage Loan Trust 2006-4 B11, 7.070% 5/19/47 (a)	1,821,909
2,000,000	Harborview Corp. 2006-8A N5, Zero Coupon Bond 7/21/36 (a)	827,500
1,000,000	Harborview Corp. 2006-14 N4, 8.350% 3/19/38 (a)	841,880
5,000,000	Harborview Corp. 2006-14 PS, Zero Coupon Bond 12/19/36	930,500
1,000,000	Indymac Index Corp. 2006-AR6 N3, 8.833% 6/25/46 (a)	943,500
5,000,000	Long Beach Asset Holdings Corp. 2005-WL1 N4, 7.500% 6/25/45 (a)	4,050,000

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount/ Shares	Description	Value (b)
<i>Mortgage-Backed Securities—Below Investment Grade or Unrated (continued)</i>		
<i>Collateralized Mortgage Obligations (continued)</i>		
3,000,000	Long Beach Mortgage Loan Trust 2005-WL2 B3, 7.820% 8/25/35 (a)	\$ 1,988,940
1,125,496	Meritage Mortgage Loan Trust 2004-2 B1, 8.570% 1/25/35 (a)	959,486
1,021,575	Park Place Securities Inc. 2005-WCW1 B, 5.000% 9/25/35 (a)	942,403
2,000,000	Park Place Securities Inc. 2005-WCW3, 7.820% 8/25/35 (a)	1,480,000
2,000,000	Park Place Securities Inc. 2005-WHQ1 M10, 7.820% 3/25/35 (a)	1,665,000
1,000,000	Park Place Securities Inc. 2005-WHQ4, 7.820% 9/25/35 (a)	700,000
1,000,000	Sharp SP I LLC Trust 2006-A HM3 N3, 12.500% 10/25/46 (a)	1,000,000
1,325,145	Soundview Home Equity Loan Trust 2005-B M14, 7.650% 5/25/35 (a)	130,487
1,000,000	Soundview Home Equity Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	780,000
1,997,452	Structured Asset Securities Corp. 2004-S2 B, 6.000% 6/25/34 (a)	1,920,170
1,528,382	Structured Asset Securities Corp. 2004-S4 B3, 5.000% 12/25/34 (a)	490,672
2,000,000	Structured Asset Securities Corp. 2005-AR1 B2, 7.320% 9/25/35 (a)	<u>1,510,000</u>
<i>Total Mortgage-Backed Securities—Below Investment Grade or Unrated (cost \$40,938,803)</i>		<u>37,485,786</u>
<i>Municipal Securities—0.2% of Net Assets</i>		
1,000,000	Pima County Arizona Industrial Development Authority Health Care, 11/15/32 in default (c)	<u>630,000</u>
<i>Total Municipal Securities (cost \$627,616)</i>		<u>630,000</u>
<i>Common Stocks—12.4% of Net Assets</i>		
31,300	Alpha Natural Resources, Inc. (c)	489,219
15,300	American Capital Strategies, Ltd.	677,943
9,000	Anadarko Petroleum Corporation	386,820
12,100	Aqua America, Inc.	271,645
51,700	Aries Maritime Transport Limited	424,457
17,900	AVX Corporation	272,080
7,100	BJ Services Company	198,090
14,900	Brookdale Senior Living, Inc.	665,434
24,200	BRT Realty Trust	730,598
31,500	Cascade Microtech, Inc. (c)	448,875
47,100	CastlePoint Holdings, Ltd.	770,085
4,700	Cemex, S.A. de C.V.	153,925
89,400	Cirrus Logic, Inc. (c)	684,804
30,800	Citizens Communications Company	460,460
15,000	Companhia de Saneamento Basico do Estado de São Paulo	506,850

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks (continued)		
73,100	Compass Diversified Trust	\$ 1,225,887
9,600	Consolidated Communications Holdings, Inc.	190,944
29,200	Cypress Sharpridge (a)	299,300
7,200	Cytec Industries Inc.	404,928
45,100	Eddie Bauer Holdings, Inc. (c)	512,787
1,000	Edison International	49,130
8,900	Enterprise Products Partners L.P.	283,020
114,900	Evergreen Energy Inc. (c)	754,893
6,200	FairPoint Communications, Inc.	119,102
19,500	Famous Dave's of America, Inc. (c)	352,755
42,600	Fording Canadian Coal Trust	941,460
91,500	Hawaiian Holdings, Inc. (c)	288,225
10,700	Helix Energy Solutions Group, Inc. (c)	399,003
10,700	Horizon Offshore, Inc. (c)	154,722
64,800	Infocrossing, Inc. (c)	963,576
55,300	InPhonic, Inc. (c)	602,770
91,386	Intermet Corporation (c)	731,088
4,700	Iowa Telecommunications Services, Inc.	94,000
7,350	Kinder Morgan Energy Partners, L.P.	387,198
22,400	KKR Financial Corp.	614,432
25,000	LJ International Inc. (c)	254,000
100,600	Luminent Mortgage Capital, Inc.	899,364
2,800	L-3 Communications Holdings, Inc.	244,916
23,900	Macquarie Infrastructure Company Trust	939,270
3,400	Magellan Midstream Partners, L.P.	159,120
11,100	McDermott International, Inc. (c)	543,678
15,550	MCG Capital Corporation	291,718
178,800	Meruelo Maddux Properties, Inc. (c)	1,564,500
9,700	Mittal Steel Company N.V.	513,033
20,600	Motorola, Inc.	364,002
29,400	Nam Tai Electronics, Inc.	380,730
99,600	Ness Technologies, Inc. (c)	1,272,888
27,400	New York Community Bancorp, Inc.	481,966
45,000	NNN Realty Advisors (a)	454,500
4,800	Oceaneering International, Inc. (c)	202,176
37,900	Optimal Group Inc. (c)	317,981
26,625	Owens Corning (c)	848,273
25,500	Parametric Technology Corporation (c)	484,500
2,700	Peabody Energy Corporation	108,648
14,600	PeopleSupport, Inc. (c)	167,170
44,400	PetroQuest Energy, Inc. (c)	519,036
333	Providence Washington Insurance Companies (c)	33
35,500	Quintana Maritime Limited	488,835

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks (continued)		
16,000	Regal Entertainment Group	\$ 317,920
43,400	Resource Capital Corp.	700,476
4,200	RTI International Metals, Inc. (c)(d)	382,242
13,400	Sanderson Farms, Inc.	496,604
17,200	Sasol Limited	568,460
11,090	Ship Finance International Limited	304,199
33,200	Spansion Inc. (c)	404,708
63,400	Star Asia Fin Ltd.	634,000
58,754	Star Gas Partners, L.P. (c)	229,728
3,200	Superior Energy Services, Inc. (c)	110,304
28,566	Taiwan Semiconductor Manufacturing Company Ltd.	307,084
61,033	Technology Investment Capital Corp.	1,032,068
13,600	Tenaris S.A.	624,240
6,500	The Home Depot, Inc.	238,810
45,100	The Wet Seal, Inc. (c)	295,405
6,800	Valero Energy Corporation (d)	438,532
4,100	Valero L.P.	273,060
10,000	Williams Partners L.P.	477,300
64,900	Windstream Corporation	953,380
19,000	Zoltek Companies, Inc. (c)(d)	663,670
	Total Common Stocks	
	(cost \$36,362,935)	<u>37,463,032</u>
Preferred Stocks—5.1% of Net Assets		
30,000	Baker Street Funding (a)	2,910,000
10,000	Baker Street Funding 2006-1 (a)	940,000
2,000	Centurion VII	1,515,000
1,000	Credit Genesis CLO 2005 (a)	990,000
7	Harborview 2006-8 (c)	1
1,000	Hewett's Island II (a)	990,000
67,000	Indymac Indx CI-1 Corp. (a)	1,820,859
1,000	Marquette Park CLO Ltd. (a)	960,000
2,325	Motient Corporation	1,860,000
20,000	Mountain View Funding (a)	1,760,000
2,000	WEBS CDO 2006-1 PS	1,800,000
	Total Preferred Stocks	
	(cost \$15,633,859)	<u>15,545,860</u>

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RMK HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

	Description	Value (b)
	<i>Eurodollar Time Deposits—2.5% of Net Assets</i>	
	State Street Bank & Trust Company Eurodollar time deposits dated March 30, 2007, 4.050% maturing at \$7,666,949 on April 2, 2007.	\$ 7,665,224
	<i>Total Investments—133.5% of Net Assets</i>	
	<i>(cost \$438,585,224)</i>	<u>404,944,181</u>
	<i>Other Assets and Liabilities, net—(33.5%) of Net Assets</i>	<u>(101,685,277)</u>
	<i>Net Assets</i>	<u>\$ 303,258,904</u>
	<i>Call Options Written</i>	
	<i>3/31/2007</i>	
Number of Contracts	Common Stocks/Expiration Date/Exercise Price	Value (b)
22	RTI International Metals, Inc./April 2007/95	4,510
5	Valero Energy Corporation/April 2007/65	900
25	Zoltek Companies, Inc./April 2007/35	<u>3,750</u>
	<i>Total Call Options Written</i>	
	<i>(Premiums Received \$11,165)</i>	<u>\$ 9,160</u>

- (a) Securities sold within the terms of a private placement memorandum, exempt from registration under Rule 144A under the Securities Act of 1933, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to valuation policies and procedures adopted by the Board of Directors, these issues have been determined to be liquid by Morgan Asset Management, Inc., the Fund's investment adviser.
 - (b) See Note 2 of accompanying Notes to the Financial Statements regarding investment valuations.
 - (c) Non-income producing securities.
 - (d) A portion or all of the security is pledged as collateral for call options written.
- * These securities are classified as Yankee Bonds, which are U.S. dollar denominated bonds issued in the United States by a foreign entity.
- All of the Fund's investment securities, other than equity securities, are pledged as collateral under the line of credit.
- The Notes to the Financial Statements are an integral part of, and should be read in conjunction with, the Financial Statements.

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

OBJECTIVE & STRATEGY

RMK Multi-Sector High Income Fund, Inc. seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests in a diversified portfolio consisting primarily of debt securities that offer attractive yield and capital appreciation potential. Under normal market conditions, the Fund invests a majority of its total assets in below investment grade debt securities (commonly referred to as “junk bonds”), including up to 20% of the Fund’s total assets in distressed securities. The Fund maintains the flexibility to invest up to 50% of its total assets in investment grade debt securities. The Fund invests up to 30% of its total assets in equity securities of both domestic and foreign issuers and up to 15% of its total assets in a combination of foreign debt and foreign equity securities. The Fund invests in a wide range of debt securities including, corporate bonds, mortgage-backed and asset-backed securities, convertible debt securities, distressed securities, including securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring, U.S. government and municipal obligations and foreign government obligations. (Below investment grade debt securities are rated Ba1 or lower by Moody’s Investors Service, Inc., BB+ or lower by Standard & Poor’s Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund’s investment adviser to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred stock. The Fund may leverage up to 33 1/3% of its total assets (in each case including the amounts obtained through leverage). The Fund may vary its use of leverage in response to changing market conditions.

INVESTMENT RISKS: Bond funds tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company’s financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage exceeds the costs of the leverage, the use of leverage will diminish the investment performance of the Fund’s shares. Use of leverage may also increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of (3.84)% and 10.96%, respectively, based on market price and reinvested dividends and other distributions. For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of 3.09% and 9.45%, respectively, based on net asset value and reinvested dividends and other distributions. For the six months and the twelve months ended March 31, 2007, the Lehman Brothers Ba U.S. High Yield Index⁽¹⁾ had a total return of 5.37% and 9.71%, respectively.

Since December, the U.S. mortgage-backed securities market has undergone serious turmoil, most notably in the sub-prime home equity arena. While this downward volatility in the mortgage-backed arena has had a negative impact on the net asset value of the Fund, it has also provided an opportunity to buy assets at considerably higher yields than have been available for more than two years. Strategically redeploying assets during this market upheaval may be difficult from a net asset value perspective for a period of time, but this is also the best opportunity we have seen in years to secure better portfolio earnings for quarters to come.

Although we made material shifts out of consumer oriented debt (home equity, credit cards), we still have a meaningful weighting. Corporate debt continues to outperform most other categories—in fact, the lower the credit rating, the more favorably it is viewed by the market. Some profit taking in this sector is probably warranted at this point in the economic cycle. It is our expectation that 2007 will prove to be a period of slower economic growth and a transition year for the Federal Reserve Board. That is, we expect the Federal Reserve Board to leave rates unchanged, perhaps through the summer; however, during the second half of this year, we expect the Federal Reserve Board to begin lowering interest rates as the U.S. economy experiences very sluggish growth quarters. Fixed rate securities will be a focus as will badly oversold consumer credit items.



James C. Kelsoe, Jr., CFA
Senior Portfolio Manager
Morgan Asset Management, Inc.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Fund will achieve its investment objectives. These views are subject to

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

change at any time based upon market or other conditions, and Morgan Asset Management, Inc. disclaims any responsibility to update such views. The Fund is subject to market risk, which include the possibilities that the market values of the securities owned by the Fund will decline or that shares of the Fund will trade at lower prices in the market. Accordingly, you can lose money investing in the Fund.

INDEX DESCRIPTION

⁽¹⁾ *The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.*

[Table of Contents](#)**RMK MULTI-SECTOR HIGH INCOME FUND, INC.****PORTFOLIO STATISTICS[†]**

AS OF MARCH 31, 2007

Average Credit Quality	BB
Current Yield	10.69%
Yield to Maturity	12.40%
Duration	4.49 Years
Average Effective Maturity	5.99 Years
Percentage of Leveraged Assets	27%
Total Number of Holdings	302

[†] The Fund's composition is subject to change.**CREDIT QUALITY[†]**

AS OF MARCH 31, 2007

	% OF DEBT SECURITIES		% OF DEBT SECURITIES
AAA	2.4%	CCC	11.6%
BBB	21.4%	CC	2.1%
BB	24.8%	D	0.6%
B	12.6%	Not Rated	24.5%
		Total	100.0%

[†] The Fund's composition is subject to change.**ASSET ALLOCATION[†]**

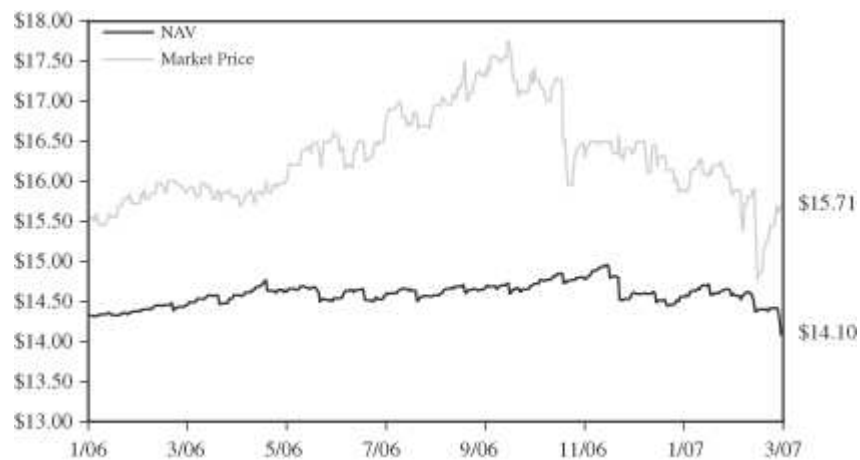
AS OF MARCH 31, 2007

	% OF TOTAL INVESTMENTS
Corporate Bonds	28.0%
Collateralized Debt Obligations	24.5%
Collateralized Mortgage Obligations	17.5%
Home Equity Loans	10.6%
Common Stocks	8.8%
Equipment Leases	5.4%
Preferred Stocks	4.1%
Other	0.7%
Short-Term Investments	0.4%
Total	100.0%

[†] The Fund's composition is subject to change.

[Table of Contents](#)**RMK MULTI-SECTOR HIGH INCOME FUND, INC.****NAV & MARKET PRICE HISTORY***

The graph below illustrates the net asset value and market price history of RMK Multi-Sector High Income Fund, Inc. (NYSE: RHY) from the commencement of investment operations on January 19, 2006 to March 31, 2007.



* Net asset value is calculated every day that the New York Stock Exchange is open as of the close of trading (normally 4:00 p.m. Eastern Time) by taking the closing market value of all portfolio securities, cash and other assets owned, subtracting all liabilities, then dividing the result (total net assets) by the total number of shares outstanding. The market price is the last reported price at which a share of the Fund was sold on the New York Stock Exchange.

[Table of Contents](#)**RMK MULTI-SECTOR HIGH INCOME FUND, INC.****PERFORMANCE INFORMATION**

AS OF MARCH 31, 2007	AVERAGE ANNUAL TOTAL RETURNS		
	SIX MONTHS*	1 YEAR	COMMENCEMENT OF INVESTMENT OPERATIONS ⁽¹⁾
MARKET VALUE	(3.84)%	10.96%	15.76%
NET ASSET VALUE	3.09%	9.45%	9.87%
LEHMAN BROTHERS BA HIGH YIELD INDEX ⁽²⁾	5.37%	9.71%	N/A

* Not annualized for periods less than one year.

⁽¹⁾ The Fund commenced investment operations on January 19, 2006.

⁽²⁾ The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance changes over time and current performance may be lower or higher than what is stated. For the most recent performance, call toll-free 800-564-2188. Total returns assume an investment at the common share market price or net asset value at the beginning of the period, reinvestment of all dividends and other distributions for the period in accordance with the Fund's dividend reinvestment plan, and sale of all shares at the closing market price (excluding any commissions) or net asset value at the end of the period. Returns shown in the table do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or on the sale of Fund shares. Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including possible loss of principal.

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Investment Grade—16.6% of Net Assets		
	Certificate-Backed Obligations (“CBO”)—0.5%	
3,000,000	Diversified Asset Securitization Holdings III 1A A3L, 6.150% 7/5/36 (a)	\$ 2,310,000
	Collateralized Debt Obligations (“CDO”)—10.9%	
3,000,000	Broderick CDO Ltd. 2007-3A D, 9.163% 12/6/50 (a)	2,940,000
3,000,000	CDO Repack SPC Ltd. 2006-BRGA, Zero Coupon Bond 12/5/51	2,820,000
2,000,000	Highland Park CDO Ltd. 2006-1A E, 7.670% 11/25/51 (a)	1,870,000
3,000,000	Kodiak CDO 2006-1A G, 8.860% 8/7/37 (a)	2,910,000
4,850,000	Lexington Capital Funding Ltd. 2007-3A F, 8.860% 4/10/47 (a)	4,704,500
5,000,000	Linker Finance PLC 16A E, 8.820% 5/19/45 (a)	4,837,500
4,069,911	Millstone III-A CDO Ltd., 4.300% 7/5/46	3,907,114
3,000,000	Newbury Street CDO Ltd. 2007-1A D, 9.100% 3/4/53 (a)	2,955,000
2,000,000	Norma CDO Ltd. 2007-1A E, 9.765% 3/11/49 (a)	1,800,000
2,000,000	Pasa Funding Ltd. 2007-1A D, 9.324% 4/7/52	1,820,000
1,976,164	Sharps CDO 2006-1A D, 7.500% 5/8/46 (a)	1,894,727
6,000,000	Taberna Preferred Funding Ltd. 2006-6A, 6.100% 12/5/36 (a)	5,966,400
4,903,099	Taberna Preferred Funding Ltd. 2006-7A C1, 10.000% 2/5/37 (a)	4,824,649
3,000,000	Tahoma CDO Ltd. 2006-1A D, 9.006% 6/18/47 (a)	3,000,000
1,000,000	Tahoma CDO Ltd. 2007-2A D, 9.830% 9/16/47 (a)	930,000
2,000,000	Trapeza CDO I LLC 2006-10A D2, 8.700% 6/6/41 (a)	2,045,000
2,000,000	Trapeza CDO I LLC 2006-10A, 6.700% 6/6/41	1,840,000
		<u>51,064,890</u>
	Equipment Leases—1.0%	
4,741,626	Aviation Capital Group Trust 2005-3A C1, 8.570% 12/25/35 (a)	4,836,459
	Home Equity Loans (Non-High Loan-To-Value)—4.2%	
1,667,000	ACE Securities Corp. 2004-HE1 M5, 7.270% 3/25/34	1,450,290
2,000,000	Aegis Asset-Backed Securities Trust 2004-2 B3, 9.070% 6/25/34	1,700,000
2,000,000	Fremont Home Loan Trust 2004-4 M7, 7.040% 3/25/35	1,860,140
306,028	Home Equity Asset Trust 2003-4 B1, 9.320% 10/25/33	298,602
7,000,000	Indymac Residential Asset-Backed Trust 2005-C M11, 7.820% 10/25/35	5,320,000
414,746	Meritage Asset Holdings 2004-2 N6, 9.000% 1/25/35 (a)	306,912
6,102,000	New Century Home Equity Loan Trust 2006-2 M10, 7.320% 8/25/36	5,186,700
1,630,563	Soundview Trust 2005-1N N2, 6.413% 4/25/35 (a)	1,304,451
2,200,000	Terwin Mortgage Trust 2007-3SL B3, 6.000% 5/25/38 (a)	2,037,640
		<u>19,464,735</u>
	Total Asset-Backed Securities—Investment Grade (cost \$79,238,575)	<u>77,676,084</u>

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities Below Investment Grade or Unrated—38.0% of Net Assets		
Collateralized Debt Obligations (“CDO”)—21.5%		
2,000,000	801 Grand CDO 2006-1 LLC, 11.350% 9/20/16 (a)	\$ 2,010,000
3,000,000	Aardvark Asset-Backed Securities CDO 2007-1A, 10.000% 7/6/47	2,730,000
4,000,000	Acacia CDO, Ltd. 10A, 3.700% 9/7/46 (a)	1,600,000
7,000,000	Aladdin CDO I Ltd. 2006-3A, 10.350% 10/31/13 (a)	3,377,500
2,000,000	Alesco Preferred Funding Ltd. 13A I, 10.000% 9/23/37	1,928,900
2,000,000	Attentus CDO Ltd. 2006-2A F1, 10.360% 10/9/41 (a)	1,950,000
4,000,000	Attentus CDO Ltd. 2006-2A, 10.000% 10/9/41	3,940,000
4,000,000	Attentus CDO Ltd. 2007-3A F2, 9.532% 10/11/42 (a)	3,930,000
4,000,000	Attentus CDO Ltd. 2007-3A, 10.000% 10/11/42	3,680,000
3,250,000	Babson CLO Ltd. 2005-2A, 10.000% 7/20/19	3,065,173
1,000,000	Cairn Mezzanine Asset-Backed CDO PLC 2007-3A, 10.000% 8/13/47	670,000
1,000,000	Copper River CLO Ltd. 2006-1A E, 9.124% 1/20/21 (a)	993,120
5,000,000	Dillon Read CDO Ltd. 2006-1A, 10.000% 12/5/46 (a)	4,437,500
4,000,000	Dryden Leveraged Loan CDO 2005-9A, 10.000% 9/20/19	3,320,000
3,000,000	Equinox Funding 1A D, 12.277% 11/15/12 (a)	1,680,000
1,850,000	Flagship CLO 2005-4I, Zero Coupon Bond 6/1/17	1,670,642
5,000,000	Global Leveraged Capital Credit Opportunity Fund 2006-1A, 10.000% 12/20/18 (a)	4,996,000
2,000,000	Gulf Stream Atlantic CDO Ltd. 2007-1A, 10.000% 7/13/47 (a)	1,680,000
2,000,000	IXIS ABS 1 Ltd., 10.000% 12/12/46	1,560,000
4,000,000	Jazz CDO BV III-A EB, 10.571% 9/26/14 (a)	4,000,000
15,000,000	Kenmore Street Synthetic CDO 2006-1A, 10.350% 4/30/14 (a)	7,200,000
1,999,483	Knollwood CDO Ltd. 2006-2A E, 11.360% 7/13/46 (a)	1,736,571
3,000,000	Knollwood CDO Ltd. 2006-2A SN, 15.000% 7/13/46	2,760,000
6,000,000	Kodiak CDO 2006-1A, 3.712% 8/7/37 (a)	5,490,000
3,000,000	Navigare Funding CLO Ltd. 2007-2A SN, 5.360% 4/17/21 (a)	2,700,000
2,000,000	Ocean Trails CLO 2006-1A, 10.000% 10/12/20	1,930,000
5,000,000	OFSI Fund Ltd. 2006-1A, 2.000% 9/20/19 (a)	5,053,000
2,846,176	Peritus I CDO Ltd. 2005-1A C, 9.000% 5/24/15 (a)	2,800,467
3,000,000	Rosedale CLO Ltd. I-A II, 5.146% 7/24/21	2,910,000
3,000,000	Telos CLO Ltd. 2006-1A, 10.000% 10/11/21 (a)	2,955,000
2,000,000	Trapeza CDO I LLC 2006-11A F, 10.361% 10/10/41	2,000,000
2,000,000	Trapeza CDO I LLC 2006-11A, 10.000% 10/10/41	1,920,000
2,000,000	Trapeza CDO I LLC 2007-12A F, 9.852% 4/6/42 (a)	1,968,000
2,000,000	Tricadia CDO Ltd. 2006-5A, Zero Coupon Bond 6/19/46 (a)	1,530,000
5,000,000	Tropic CDO I Corp. 2006-5A C1, 10.000% 7/15/36	4,735,000
		<u>100,906,873</u>
Commercial Loans—0.4%		
2,951,002	Lehman Brothers-UBS Commercial Mortgage Trust 2001-C7 S, 5.868% 11/15/33	1,716,450

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities Below Investment Grade or Unrated (continued)		
Equipment Leases—6.2%		
8,480,190	Aerco Limited 1X C1, 6.670% 7/15/23	\$ 2,035,246
7,498,559	Aerco Limited 2A B2, 6.370% 7/15/25 (a)	2,774,467
6,341,288	Aerco Limited 2A C2, 7.370% 7/15/25 (a)	1,838,973
9,000,000	Aircraft Finance Trust 1999-1A A1, 5.800% 5/15/24 (a)	6,682,500
6,000,000	Airplanes Pass Through Trust 2001-1A A9, 5.870% 3/15/19	4,151,250
3,585,626	Aviation Capital Group Trust 2000-1A C1, 7.270% 11/15/25 (a)	1,254,969
2,179,092	Aviation Capital Group Trust 2000-1I D1, 8.500% 11/15/25 (a)	1,111,337
1,881,847	DVI Receivables Corp. 1999-2 A4, 7.220% 11/13/07	771,557
2,229,565	DVI Receivables Corp. 2001-2 A4, 4.613% 11/11/09	1,627,583
3,160,473	Lease Investment Flight Trust 1 B2, 7.124% 7/15/31	916,537
5,000,000	Piper Jaffray Equipment Trust Securities 2007-1A, 6.300% 3/26/29 (a)	2,225,000
63,000,000	United Capital Aviation Trust 2005-1 B2, Zero Coupon Bond 7/15/31 (a)	3,626,280
		<u>29,015,699</u>
Home Equity Loans (Non-High Loan-To-Value)—9.9%		
2,000,000	ACE Securities Corp. 2005-HE2 B1, 8.570% 4/25/35 (a)	1,420,000
3,000,000	ACE Securities Corp. 2005-HE6 B1, 8.320% 10/25/35 (a)	1,980,000
2,649,000	ACE Securities Corp. 2005-SL1 B1, 6.000% 6/25/35 (a)	1,245,030
5,851,000	Asset-Backed Securities Corp. Home Equity 2005-HE5 M12, 8.320% 6/25/35 (a)	4,607,663
2,000,000	Asset-Backed Securities Corp. Home Equity 2006-HE4 M9, 7.820% 5/25/36 (a)	1,280,000
2,600,000	Equifirst Mortgage Loan Trust 2004-3 N3, 7.869% 12/25/34 (a)	1,852,500
1,569,444	Finance America Trust 2004-3 N3, 8.000% 11/25/34 (a)	1,538,541
700,000	Fremont Home Loan Trust 2004-4 N4, 8.000% 3/25/35 (a)	684,467
3,000,000	Fremont Home Loan Trust 2005-2 B3, 8.070% 6/25/35 (a)	2,340,000
8,500,000	Indymac Residential Asset-Backed Trust 2005-B M11, 8.820% 8/25/35 (a)	6,651,250
2,000,000	Master Asset-Backed Securities Trust 2005-FRE1 M10, 7.820% 10/25/35 (a)	1,620,000
4,000,000	Merrill Lynch Mortgage Investors Inc. 2005-SL1 B5, 8.820% 6/25/35 (a)	2,720,000
5,375,000	Soundview Home Equity Loan Trust 2005-A B2, 8.320% 4/25/35 (a)	3,440,000
202,163	Soundview Trust 2004-WMC1 N3, 9.000% 1/25/35 (a)	200,046
850,000	Soundview Trust 2004-WMC1 N4, 9.000% 1/25/35 (a)	841,101
1,500,000	Soundview Trust 2005-1N N3, 8.500% 4/25/35 (a)	600,000
4,000,000	Structured Asset Securities Corp. 2005-S6 B3, 7.820% 11/25/35 (a)	3,315,000
12,798,000	Terwin Mortgage Trust 2006-R2 A, 2.351% 12/25/36 (a)	7,166,880
7,000,000	Terwin Mortgage Trust 2006-R3, 6.290% 6/26/37 (a)	3,080,000
		<u>46,582,478</u>
	Total Asset-Backed Securities—Below Investment Grade or Unrated (cost \$197,094,613)	<u>178,221,500</u>

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Investment Grade—3.4% of Net Assets		
Finance—0.4%		
2,000,000	ABN Amro Bank NV/London, 9.860% 11/17/09 (a)	\$ 1,980,000
Special Purpose Entities—3.0%		
2,000,000	Canal Pointe II LLC., 5.340% 6/25/14 (a)	2,000,000
3,000,000	Lincoln Park Referenced Link Notes 2001-1, 8.780% 7/30/31 (a)	2,730,000
3,000,000	Pyxis Master Trust 2006-7, 10.320% 10/1/37 (a)	3,000,000
6,000,000	Steers Delaware Business Trust 2007-A, 7.599% 6/20/18 (a)	6,000,000
		<u>13,730,000</u>
	Total Corporate Bonds—Investment Grade (\$15,659,764)	<u>15,710,000</u>
Corporate Bonds—Below Investment Grade or Unrated—33.8% of Net Assets		
Agriculture—0.4%		
2,075,000	Eurofresh Inc., 11.500% 1/15/13 (a)	2,033,500
Apparel—1.0%		
4,619,000	Rafaella Apparel Group Inc., 11.250% 6/15/11	4,711,380
Automotive—2.8%		
3,275,000	Cooper Standard Automotive, Inc., 8.375% 12/15/14	2,742,813
2,325,000	Dana Corp., 1/15/15 in default (c)	1,732,125
1,000,000	Dana Corp., 3/15/10 in default (c)	770,000
2,850,000	Dura Operating Corp., 4/15/12 in default (c)	741,000
2,775,000	Ford Motor Company, 7.450% 7/16/31	2,147,156
275,000	Ford Motor Company, 9.980% 2/15/47	250,937
4,822,000	Metaldyne Corp., 11.000% 6/15/12	4,568,604
		<u>12,952,635</u>
Basic Materials—3.9%		
4,500,000	AmeriCast Technologies Inc., 11.000% 12/1/14 (a)	4,590,000
2,592	Corp Durango SA de CV, 9.500% 12/31/12	2,644
5,000,000	Edgen Acquisition Corp., 9.875% 2/1/11	5,112,500
2,600,000	Key Plastics LLC, 11.750% 3/15/13 (a)	2,648,750
1,175,000	Millar Western Forest Products Ltd., 7.750% 11/15/13	1,069,250
3,775,000	Momentive Performance Materials Inc., 11.500% 12/1/16 (a)	3,869,375
1,125,000	Sterling Chemicals Inc., 10.250% 4/1/15 (a)	1,125,000
		<u>18,417,519</u>
Building & Construction—0.7%		
1,125,000	Masonite Corp., 11.000% 4/6/15 (a)	1,046,250
1,475,000	Ply Gem Industries Inc., 9.000% 2/15/12	1,279,563
1,300,000	Technical Olympic USA, Inc., 10.375% 7/1/12	981,500
		<u>3,307,313</u>
Communications—0.2%		
1,050,000	CCH I Holdings LLC, 11.000% 10/1/15	1,089,375

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Consulting Services—1.8%		
2,275,000	MSX International Inc., 11.000% 10/15/07	\$ 2,184,000
2,550,000	MSX International Inc., 11.375% 1/15/08	2,151,180
4,225,000	MSX International Inc., 12.500% 4/1/12 (a)	4,251,406
		<u>8,586,586</u>
Energy—0.9%		
4,200,000	Paramount Resources Ltd., 8.500% 1/31/13*	4,189,500
Entertainment—0.8%		
2,250,000	French Lick Resorts & Casino LLC, 10.750% 4/15/14 (a)	1,890,000
2,050,000	Six Flags Inc., 9.625% 6/1/14	1,927,000
		<u>3,817,000</u>
Finance—1.3%		
1,000,000	ABN Amro Bank NV/London, 19.210% 11/17/09 (a)	990,000
3,100,000	Advanta Capital Trust I, 8.990% 12/17/26	3,103,875
2,000,000	Asure Float, 11.110% 12/31/35	1,957,500
		<u>6,051,375</u>
Food—0.5%		
2,875,000	Merisant Co., 9.500% 7/15/13	2,328,750
Garden Products—0.3%		
1,425,000	Ames True Temper, 10.000% 7/15/12	1,382,250
Health Care—0.4%		
5,525,000	Insight Health Services Corp., 9.875% 11/1/11	1,657,500
Human Resources—0.5%		
2,000,000	Comforce Operating Inc., 12.000% 12/1/10	2,055,000
Industrials—3.6%		
3,425,000	Advanced Lighting Technologies, 11.000% 3/31/09	3,407,875
2,175,000	Coleman Cable Inc., 9.875% 10/1/12	2,251,125
525,958	Continental Global Group Inc., 9.000% 10/1/08	527,594
6,842,916	Continental Global Group Inc., 9.000% 10/1/08	6,825,809
1,925,000	Home Products International Inc., 5/15/08 in default (c)	577,500
1,425,000	Spectrum Brands Inc., 8.500% 10/1/13	1,353,750
1,800,000	Terphane Holding Corp., 12.500% 6/15/09 (a)	1,800,000
		<u>16,743,653</u>
Manufacturing—3.2%		
4,978,000	BGF Industries Inc., 10.250% 1/15/09	5,022,006
3,500,000	Elgin National Industries, 11.000% 11/1/07	3,474,765
3,650,000	JB Poindexter & Co. Inc., 8.750% 3/15/14	3,403,625
4,750,000	MAAX Corp., 9.750% 6/15/12	3,253,750
		<u>15,154,146</u>

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Investment Grade or Unrated (continued)		
Retail—1.6%		
1,486,000	Lazydays RV Center Inc., 11.750% 5/15/12	\$ 1,523,150
4,275,000	Uno Restaurant Corp., 10.000% 2/15/11 (a)	3,676,500
2,750,000	VICORP Restaurants, Inc., 10.500% 4/15/11	<u>2,495,625</u>
		<u>7,695,275</u>
Special Purpose Entities—7.4%		
1,875,444	Antares Fund LP, 13.413% 12/14/11 (a)	2,006,725
3,500,000	Eirles Two Ltd. 262, 10.860% 8/3/21	3,500,000
3,500,000	Eirles Two Ltd. 263, 13.360% 8/3/21 (a)	3,500,000
3,300,000	InCaps Funding II Ltd., Zero Coupon Bond 1/15/34 (a)	1,699,500
1,626,000	Interactive Health LLC, 7.250% 4/1/11 (a)	1,142,265
1,850,000	Milacron Escrow Corp., 11.500% 5/15/11	1,794,500
5,000,000	MM Community Funding II Ltd., Zero Coupon Bond 12/15/31 (a)	2,550,000
900,000	PCA Finance Corp., 14.000% 6/1/09 (a)	909,000
2,000,000	Preferred Term Securities XVIII, Ltd., 10.000% 9/23/35 (a)	1,710,000
2,000,000	Preferred Term Securities XXI, Ltd., 10.000% 3/22/38 (a)	1,941,500
4,600,000	Preferred Term Securities XXII, Ltd., 15.000% 9/22/36 (a)	4,433,434
4,800,000	Preferred Term Securities XXIII, Ltd., 15.000% 12/22/36 (a)	4,560,000
2,000,000	Preferred Term Securities XXIV, Ltd., 10.000% 3/22/37 (a)	1,960,000
1,000,000	Preferred Term Securities XXV, Ltd., 10.000% 6/22/37 (a)	990,000
2,000,000	Pyxis Master Trust, 10.320% 10/1/2037 (a)	<u>2,000,000</u>
		<u>34,696,924</u>
Telecommunications—1.2%		
875,000	Clearwire Corp., 11.000% 8/15/10 (a)	904,531
900,000	Iridium Satellite LLC, 7/15/05 in default (c)	207,000
3,000,000	Primus Telecommunications GP, 8.000% 1/15/14	1,946,250
2,575,000	Securus Technologies Inc., 11.000% 9/1/11	<u>2,536,375</u>
		<u>5,594,156</u>
Tobacco—0.6%		
3,070,000	North Atlantic Trading Co., 9.250% 3/1/12	<u>2,594,150</u>
Transportation—0.7%		
4,024,500	Sea Containers Ltd., 10/15/06 in default (c)*	<u>3,340,335</u>
		<u>3,340,335</u>
	Total Corporate Bonds—Below Investment Grade or Unrated	
	(\$160,265,189)	<u>158,398,322</u>

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
<i>Mortgage-Backed Securities—Investment Grade—7.5% of Net Assets</i>		
<i>Collateralized Mortgage Obligations—7.5%</i>		
7,000,000	Deutsche Mortgage Securities, Inc. 2006-RS1 N2, 8.570% 9/27/35 (a)	\$ 7,035,000
1,000,000	Indymac Index Corp. 2006-AR6 N2, 8.833% 6/25/46 (a)	1,000,000
	Indymac Index Mortgage Loan Trust 2005-AR10 AX, 2.218% 6/25/35 interest-only strips	4,492,829
	Master Adjustable Rate Mortgages Trust 2006-OA2 XW, 1.164% 12/25/46 interest-only strips	4,626,658
4,000,000	Park Place Securities Inc. 2005-WCW3 M10, 7.820% 8/25/35	3,460,000
3,000,000	Park Place Securities Inc. 2005-WHQ3 M11, 7.820% 6/25/35	2,602,500
	Residential Accredit Loans Inc. 2005-QO4 XIO, 2.107% 12/25/45 interest-only strips	2,029,521
4,788,347	Structured Asset Investment Loan Trust 2004-7A B, 6.750% 8/27/34 (a)	4,714,223
1,720,000	Structured Asset Investment Loan Trust 2004-8 B2, 5.000% 9/25/34	1,583,623
2,500,000	Structured Asset Investment Loan Trust 2005-HE1 B1, 7.825% 7/25/35	2,312,025
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X1, 1.400% 10/25/46 interest-only strips	<u>1,314,653</u>
	<i>Total Mortgage-Backed Securities—Investment Grade</i>	
	<i>(\$36,195,450)</i>	<u>35,171,032</u>
<i>Mortgage-Backed Securities—Below Investment Grade or Unrated—15.6% of Net Assets</i>		
<i>Collateralized Mortgage Obligations—15.6%</i>		
998,328	Countrywide Alternative Loan Trust 2006-OA21 B1, 7.070% 3/20/47	728,270
998,328	Countrywide Alternative Loan Trust 2006-OA21 B2, 7.070% 3/20/47	579,998
1,996,655	Countrywide Alternative Loan Trust 2006-OA21 B3, 7.070% 3/20/47 (a)	493,493
3,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH4 B1, 8.570% 1/25/35 (a)	2,412,540
3,317,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH4 B2, 8.570% 1/25/35 (a)	2,404,825
4,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2005-FFH3 B4, 7.320% 9/25/35 (a)	2,560,000
4,826,000	First Franklin Mortgage Loan Asset-Backed Certificates 2005-FFH4 B2, 7.320% 12/25/35 (a)	3,450,590
3,100,000	First Franklin Trust 2004-FFH4 N4, 8.000% 1/21/35 (a)	868,000
6,450,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-3A N2, 2.000% 6/27/35 (a)	4,160,250

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount/ Shares	Description	Value (b)
<i>Mortgage-Backed Securities—Below Investment Grade or Unrated (continued)</i>		
<i>Collateralized Mortgage Obligations (continued)</i>		
14,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-4A N-2, Zero Coupon Bond 7/27/45 (a)	\$ 8,050,000
2,000,000	Harborview Corp. 2006-14 N3, 8.350% 3/19/38 (a)	1,845,320
1,000,000	Harborview Corp. 2006-14 N4, 8.350% 3/19/38 (a)	841,880
6,000,000	Harborview Corp. 2006-14 PS, Zero Coupon Bond 12/19/36	1,116,600
5,000,000	Harborview Corp. 2006-8A N5, Zero Coupon Bond 7/21/36 (a)	2,068,750
3,949,937	Harborview Mortgage Loan Trust 2006-4 B11, 7.070% 5/19/47 (a)	2,429,211
4,172,466	Harborview Mortgage Loan Trust 2006-CB1 2B5, 7.070% 3/25/36	2,336,581
1,995,758	Harborview Mortgage Loan Trust 2006-CB1 2B6, 7.070% 3/25/36	344,268
1,000,000	Indymac Index Corp. 2006-AR6 N3, 8.833% 6/25/46 (a)	943,500
6,000,000	Long Beach Asset Holdings Corp. 2005-WL1 N4, 7.500% 6/25/45 (a)	4,860,000
2,000,000	Long Beach Mortgage Loan Trust 2005-2 B2, 8.070% 4/25/35 (a)	1,500,000
4,000,000	Long Beach Mortgage Loan Trust 2005-WL2 B3, 7.820% 8/25/35 (a)	2,651,920
5,000,000	Long Beach Mortgage Loan Trust 2006-2 B, 7.820% 3/25/36 (a)	3,400,000
7,022,000	Merrill Lynch Mortgage Investors Inc. 2006-SL1 B5, 7.500% 9/25/36 (a)	4,915,400
4,000,000	Park Place Securities Inc. 2005-WCW2 M11, 7.820% 7/25/35 (a)	3,000,000
2,000,000	Sharp SPI LLC Trust 2006-A HM3 N3, 12.500% 10/25/46 (a)	2,000,000
5,992,356	Structured Asset Securities Corp. 2004-S2 B, 6.000% 6/25/34 (a)	5,760,512
4,585,147	Structured Asset Securities Corp. 2004-S4 B3, 5.000% 12/25/34 (a)	1,472,016
2,000,000	Structured Asset Securities Corp. 2005-AR1 B2, 7.320% 9/25/35 (a)	1,510,000
5,000,000	Veritas CLO Ltd. 2006-2A, 15.000% 7/11/21 (a)	4,700,000
<i>Total Mortgage-Backed Securities—Below Investment Grade or Unrated</i>		<i>73,403,924</i>
<i>(cost \$80,346,758)</i>		
<i>Common Stocks—11.7% of Net Assets</i>		
47,600	Alpha Natural Resources, Inc. (c)	743,988
21,800	American Capital Strategies, Ltd.	965,958
13,700	Anadarko Petroleum Corporation	588,826
17,300	Aqua America, Inc.	388,385
78,500	Aries Maritime Transport Limited	644,485
29,100	AVX Corporation	442,320
10,800	BJ Services Company	301,320
22,700	Brookdale Senior Living, Inc.	1,013,782
39,300	BRT Realty Trust	1,186,467
47,700	Cascade Microtech, Inc. (c)	679,725
71,500	CastlePoint Holdings, Ltd.	1,169,025

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks (continued)		
7,600	Cemex, S.A. de C.V.	\$ 248,900
136,100	Cirrus Logic, Inc. (c)	1,042,526
45,400	Citizens Communications Company	678,730
22,700	Companhia de Saneamento Basico do Estado de São Paulo	767,033
122,100	Compass Diversified Trust	2,047,617
14,593	Consolidated Communications Holdings, Inc.	290,255
41,600	Cypress Sharpridge (a)	426,400
10,200	Cytec Industries Inc.	573,648
68,600	Eddie Bauer Holdings, Inc. (c)	779,982
1,400	Edison International	68,782
13,400	Enterprise Products Partners L.P.	426,120
174,300	Evergreen Energy Inc. (c)	1,145,151
10,100	FairPoint Communications, Inc.	194,021
27,845	Famous Dave's of America, Inc. (c)	503,716
60,800	Fording Canadian Coal Trust	1,343,680
138,800	Hawaiian Holdings, Inc. (c)	437,220
16,200	Helix Energy Solutions Group, Inc. (c)	604,098
9,700	Horizon Offshore, Inc. (c)	140,262
92,500	Infocrossing, Inc. (c)	1,375,475
78,927	InPhonic, Inc. (c)	860,304
7,200	Iowa Telecommunications Services, Inc.	144,000
11,100	Kinder Morgan Energy Partners, L.P.	584,748
34,400	KKR Financial Corp.	943,592
4,100	L-3 Communications Holdings, Inc.	358,627
37,900	LJ International Inc. (c)	385,064
152,600	Luminent Mortgage Capital, Inc.	1,364,244
36,300	Macquarie Infrastructure Company Trust	1,426,590
5,200	Magellan Midstream Partners, L.P.	243,360
18,000	McDermott International, Inc. (c)	881,640
25,300	MCG Capital Corporation	474,628
271,200	Meruelo Maddux Properties, Inc. (c)	2,373,000
15,600	Mittal Steel Company N.V.	825,084
33,400	Motorola, Inc.	590,178
44,600	Nam Tai Electronics, Inc.	577,570
151,100	Ness Technologies, Inc. (c)	1,931,058
41,300	New York Community Bancorp, Inc.	726,467
64,300	NNN Realty Advisors (a)	649,430
6,800	Oceaneering International, Inc. (c)	286,416
57,500	Optimal Group Inc. (c)	482,425
35,500	Owens Corning (c)	1,131,030
38,700	Parametric Technology Corporation (c)	735,300
4,000	Peabody Energy Corporation	160,960

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks (continued)		
22,100	PeopleSupport, Inc. (c)	\$ 253,045
67,300	PetroQuest Energy, Inc. (c)	786,737
53,700	Quintana Maritime Limited	739,449
24,300	Regal Entertainment Group	482,841
62,000	Resource Capital Corp.	1,000,680
6,100	RTI International Metals, Inc. (c)(d)	555,161
20,300	Sanderson Farms, Inc.	752,318
26,100	Sasol Limited	862,605
15,900	Ship Finance International Limited	436,137
50,400	Spansion Inc. (c)	614,376
90,500	Star Asia Fin Ltd.	905,000
4,900	Superior Energy Services, Inc. (c)	168,903
39,741	Taiwan Semiconductor Manufacturing Company Ltd.	427,216
92,700	Technology Investment Capital Corp.	1,567,557
20,700	Tenaris S.A.	950,130
300	The Dow Chemical Company (d)	13,758
9,300	The Home Depot, Inc.	341,682
68,500	The Wet Seal, Inc. (c)	448,675
13,200	Valero Energy Corporation (d)	851,268
6,200	Valero L.P.	412,920
14,300	Williams Partners L.P.	682,539
92,700	Windstream Corporation	1,361,763
28,900	Zoltek Companies, Inc. (c)(d)	1,009,477
	Total Common Stocks	
	(cost \$51,077,508)	54,977,849
Preferred Stocks—5.4% of Net Assets		
4,000	Baker Street Funding (a)	3,880,000
2,150	Baker Street Funding 2006-1 (a)	2,021,000
2,000	Centurion VII	1,515,000
3,000	Credit Genesis CLO 2005 (a)	2,970,000
9	Harborview 2006-8 (c)	1
67,000	Indymac Indx CI-1 Corp. (a)	1,820,858
2,000	Marquette Park CLO Ltd. (a)	1,920,000
3,150	Motient Corporation	2,520,000
2,000	Mountain View Funding (a)	1,760,000
4,000	Mountain View Funding (a)	3,880,000
3,500	WEBS CDO 2006-1 PS	3,150,000
	Total Preferred Stocks	
	(cost \$25,563,609)	25,436,859

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RMK MULTI-SECTOR HIGH INCOME FUND, INC.
PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

	Description	Value (b)
<i>Eurodollar Time Deposits—0.5% of Net Assets</i>		
	State Street Bank & Trust Company Eurodollar time deposits dated March 30, 2007 2.800% maturing at \$2,202,972 on April 2, 2007.	\$ 2,202,458
	<i>Total Investments—132.5% of Net Assets (cost \$647,643,924)</i>	<u>621,198,028</u>
	<i>Other Assets and Liabilities, net—(32.5%) of Net Assets</i>	<u>(152,319,346)</u>
	<i>Net Assets</i>	<u>\$ 468,878,682</u>
<i>Call Options Written</i>		
<i>3/31/2007</i>		
Number of Contracts	Common Stocks/Expiration Date/Exercise Price	Value (b)
30	RTI International Metals, Inc./April 2007/95	6,150
3	The Dow Chemical Company/April 2007/45	510
36	Valero Energy Corporation/April 2007/65	6,480
38	Zoltek Companies, Inc./April 2007/35	5,700
	<i>Total Call Options Written (Premiums Received \$22,662)</i>	<u>\$ 18,840</u>

- (a) Securities sold within the terms of a private placement memorandum, exempt from registration under Rule 144A under the Securities Act of 1933, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to valuation policies and procedures adopted by the Board of Directors, these issues have been determined to be liquid by Morgan Asset Management, Inc., the Fund's investment adviser.
- (b) See Note 2 of the accompanying Notes to the Financial Statements regarding investment valuations.
- (c) Non-income producing securities.
- (d) A portion or all of the security is pledged as collateral for call options written.

* This security is classified as a Yankee Bond, which is a U.S. dollar denominated bonds issued in the United States by a foreign entity.

All of the Fund's investment securities, other than equity securities, are pledged as collateral under the line of credit.

The Notes to the Financial Statements are an integral part of, and should be read in conjunction with, the Financial Statements.

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RMK STRATEGIC INCOME FUND, INC.

OBJECTIVE & STRATEGY

RMK Strategic Income Fund, Inc. seeks a high level of current income. The Fund seeks capital growth as a secondary investment objective when consistent with its primary investment objective. The Fund invests in a diversified portfolio of securities that offers attractive yield and capital appreciation potential and consists primarily of debt securities and secondarily of equity securities. The Adviser will continually analyze the markets for income-producing securities and will periodically reallocate the Fund's investments among various fixed-income and equity asset classes and between investment grade and below investment grade debt securities (commonly referred to as "junk bonds") to pursue its investment objectives. As a result, a majority of the Fund's total assets may be invested in investment grade debt securities at some times and in below investment grade debt securities at other times. The Fund invests in a wide range of debt securities, including corporate bonds, mortgage-backed and asset-backed securities, and municipal and foreign government obligations, as well as securities of companies in bankruptcy reorganization proceedings or otherwise in the process of debt restructuring. The Fund also invests in other securities providing the potential for high income or a combination of high income and capital growth. (Below investment grade debt securities are rated Ba1 or lower by Moody's Investors Service, Inc., BB+ or lower by Standard & Poor's Ratings Group, comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Fund's investment adviser to be of comparable quality.) The Fund may use leverage through bank borrowings, reverse repurchase agreements or other transactions involving indebtedness or through the issuance of preferred shares. The Fund may leverage up to 33 1/3% of its total assets (in each case including the amounts obtained through leverage). The Fund may vary its use of leverage in response to changing market conditions.

INVESTMENT RISKS: Bond funds tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price. Bond prices and the value of bond funds decline as interest rates rise. Bonds with longer-term maturities generally are more vulnerable to interest rate risk than bonds with shorter-term maturities. Below investment grade bonds involve greater credit risk, which is the risk that the issuer will not make interest or principal payments when due. An economic downturn or period of rising interest rates could adversely affect the ability of issuers, especially issuers of below investment grade debt, to service primary obligations and an unanticipated default could cause the Fund to experience a reduction in value of its shares. The value of U.S. and foreign equity securities in which the Fund invests will change based on changes in a company's financial condition and in overall market and economic conditions. Leverage creates an opportunity for an increased return to

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RMK STRATEGIC INCOME FUND, INC.

common stockholders, but unless the income and capital appreciation, if any, on securities acquired with leverage proceeds exceed the costs of the leverage, the use of leverage will diminish the investment performance of the Fund's shares. Use of leverage may also increase the likelihood that the net asset value of the Fund and market value of its common shares will be more volatile, and the yield and total return to common stockholders will tend to fluctuate more in response to changes in interest rates and creditworthiness.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of (11.06)% and (1.09)%, respectively, based on market price and reinvested dividends and other distributions. For the six months and the fiscal year ended March 31, 2007, the Fund had a total return of 3.52% and 6.18%, respectively, based on net asset value and reinvested dividends and other distributions. For the six months and the twelve months ended March 31, 2007, the Lehman Brothers Ba U.S. High Yield Index⁽¹⁾ had a total return of 5.37% and 9.71%, respectively.

Since our last report, the Fund's market price share performance has been negatively impacted by the reduction of the monthly distribution rate from \$0.15 per share to \$0.14 per share. The Fund's performance has also been negatively impacted by the recent turmoil in the mortgage market. During the months leading up to the reduction of the Fund's distribution rate, portfolio earnings were increasingly under pressure due to consistently rising costs associated with the leverage (borrowed money) employed by the Fund and by a prolonged period of contracting credit spreads. The combination of these two market forces resulted in lower net earnings to the Fund and required a reduction in the distribution rate beginning in December 2006.

Since December, the U.S. mortgage-backed securities market has undergone serious turmoil, most notably in the sub-prime home equity arena. While this downward volatility in the mortgage-backed arena has had a negative impact on the net asset value of the Fund, it has also provided an opportunity to buy assets at considerably higher yields than have been available for more than two years. Strategically redeploying assets during this market upheaval may be difficult from a net asset value perspective for a period of time, but this is also the best opportunity we have seen in years to secure better portfolio earnings for quarters to come.

Although we made material shifts out of consumer oriented debt (home equity, credit cards), we still have a meaningful weighting. Corporate debt continues to outperform most other categories—in fact, the lower the credit rating, the more

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RMK STRATEGIC INCOME FUND, INC.

favorably it is viewed by the market. Some profit taking in this sector is probably warranted at this point in the economic cycle. It is our expectation that 2007 will prove to be a period of slower economic growth and a transition year for the Federal Reserve Board. That is, we expect the Federal Reserve Board to leave rates unchanged, perhaps through the summer; however, during the second half of this year, we expect the Federal Reserve Board to begin lowering interest rates as the U.S. economy experiences very sluggish growth quarters. Fixed rate securities will be a focus as will badly oversold consumer credit items.



James C. Kelsoe, Jr., CFA
Senior Portfolio Manager
Morgan Asset Management, Inc.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Fund will achieve its investment objectives. These views are subject to change at any time based upon market or other conditions, and Morgan Asset Management, Inc. disclaims any responsibility to update such views. The Fund is subject to market risk, which include the possibilities that the market values of the securities owned by the Fund will decline or that shares of the Fund will trade at lower prices in the market. Accordingly, you can lose money investing in the Fund.

INDEX DESCRIPTION

⁽¹⁾ *The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.*

[Table of Contents](#)**RMK STRATEGIC INCOME FUND, INC.****PORTFOLIO STATISTICS†**

AS OF MARCH 31, 2007

Average Credit Quality	BB
Current Yield	11.34%
Yield to Maturity	12.15%
Duration	4.30 Years
Average Effective Maturity	5.74 Years
Percentage of Leveraged Assets	28%
Total Number of Holdings	326

† The Fund's composition is subject to change.

CREDIT QUALITY†

AS OF MARCH 31, 2007

	% OF DEBT SECURITIES		% OF DEBT SECURITIES
AAA	5.3%	CC	2.8%
BBB	24.8%	C	0.5%
BB	17.6%	D	0.4%
B	12.5%	Not Rated	21.4%
CCC	14.7%	Total	100.0%

† The Fund's composition is subject to change.

ASSET ALLOCATION†

AS OF MARCH 31, 2007

	% OF TOTAL INVESTMENTS
Corporate Bonds	28.6%
Collateralized Debt Obligations	26.1%
Collateralized Mortgage Obligations	16.5%
Common Stocks	9.1%
Home Equity Loans	6.1%
Equipment Leases	4.1%
Preferred Stocks	3.3%
Certificate-Backed Obligations	1.7%
Collateralized Loan Obligations	1.5%
Other	0.6%
Short-Term Investments	2.4%
Total	100.0%

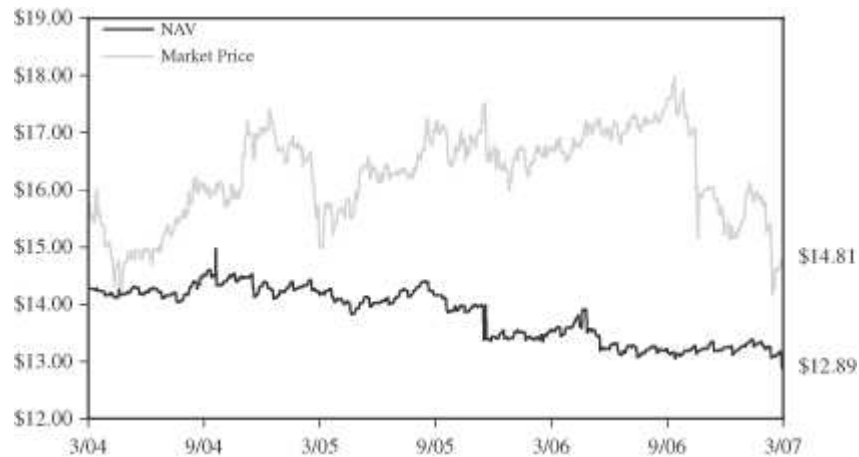
† The Fund's composition is subject to change.

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RMK STRATEGIC INCOME FUND, INC.

NAV & MARKET PRICE HISTORY*

The graph below illustrates the net asset value and market price history of RMK Strategic Income Fund, Inc. (NYSE: RSF) from the commencement of investment operations on March 18, 2004 to March 31, 2007.



* *Net asset value is calculated every day that the New York Stock Exchange is open as of the close of trading (normally 4:00 p.m. Eastern Time) by taking the closing market value of all portfolio securities, cash and other assets owned, subtracting all liabilities, then dividing the result (total net assets) by the total number of shares outstanding. The market price is the last reported price at which a share of the Fund was sold on the New York Stock Exchange.*

[Table of Contents](#)**RMK STRATEGIC INCOME FUND, INC.****PERFORMANCE INFORMATION**

AS OF MARCH 31, 2007	AVERAGE ANNUAL TOTAL RETURNS		
	SIX MONTHS*	1 YEAR	COMMENCEMENT OF INVESTMENT OPERATIONS⁽¹⁾
MARKET VALUE	(11.06)%	(1.09)%	12.20%
NET ASSET VALUE	3.52%	6.18%	8.81%
LEHMAN BROTHERS BA HIGH YIELD INDEX ⁽²⁾	5.37%	9.71%	N/A

* Not annualized for periods less than one year.

⁽¹⁾ The Fund commenced investment operations on March 18, 2004.

⁽²⁾ The Lehman Brothers Ba U.S. High Yield Index is a broad-based unmanaged index of Ba fixed rate, non-investment grade debt. All bonds included in the High Yield Index must be dollar-denominated, nonconvertible, have at least one year remaining to maturity, and an outstanding par value of at least \$150 million. The index is unmanaged and, unlike the Fund, is not affected by cashflows or trading and other expenses. It is not possible to invest directly in an index.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance changes over time and current performance may be lower or higher than what is stated. For the most recent performance, call toll-free 800-564-2188. Total returns assume an investment at the common share market price or net asset value at the beginning of the period, reinvestment of all dividends and other distributions for the period in accordance with the Fund's dividend reinvestment plan, and sale of all shares at the closing market price (excluding any commissions) or net asset value at the end of the period. Returns shown in the table do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or on the sale of Fund shares. Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including possible loss of principal.

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RMK STRATEGIC INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Investment Grade—23.3% of Net Assets		
Certificate-Backed Obligations (“CBO”)—1.5%		
5,000,000	CBC Insurance Revenue Securitization LLC 2002-A C, 8.880% 2/15/23 (a)	\$ 5,145,800
Collateralized Debt Obligations (“CDO”)—17.2%		
2,000,000	Broderick CDO Ltd. 2007-3A D, 9.163% 12/6/50 (a)	1,960,000
2,000,000	CDO Repack SPC Ltd. 2006-BRGA, Zero Coupon Bond 12/5/51	1,880,000
3,808,079	E-Trade CDO I 2004-1A, 2.000% 1/10/40	3,380,507
4,000,000	Fiorente Funding Ltd. 2006-1A M1, Zero Coupon Bond 11/4/56 (a)	3,560,000
1,500,000	Fort Dequesne CDO Ltd. 2006-1A D, 8.914% 10/26/46	1,173,300
4,000,000	Grand Avenue CDO Ltd. 2005-1A, 1.913% 4/5/46	3,720,000
3,610,159	High Income Trust Securities Inc. 2003-1A B, 5.860% 11/6/37 (a)	2,578,015
2,000,000	Highland Park CDO Ltd. 2006-1A E, 7.670% 11/25/51 (a)	1,870,000
3,000,000	Kodiak CDO 2006-1A G, 8.860% 8/7/37 (a)	2,910,000
3,000,000	Lexington Capital Funding Ltd. 2007-3A F, 8.860% 4/10/47 (a)	2,910,000
2,500,000	Lincoln Avenue Asset-Backed Securities CDO Ltd., 8.698% 7/5/46 (a)	2,487,500
2,000,000	Linker Finance PLC 16A E, 8.820% 5/19/45 (a)	1,935,000
2,977,983	Millstone III-A CDO Ltd., 4.300% 7/5/46	2,858,864
1,931,858	MKP CBO I Ltd. 4A CS, 2.000% 7/12/40 (a)	1,815,947
1,000,000	Newbury Street CDO Ltd. 2007-1A D, 9.100% 3/4/53 (a)	985,000
2,000,000	Norma CDO Ltd. 2007-1A E, 9.765% 3/11/49 (a)	1,800,000
1,992,552	Orchid Structured Finance CDO Ltd. 2006-3A E, 9.110% 1/6/46 (a)	1,992,552
3,000,000	Palmer Square 2A CN, 6.952% 11/2/45 (a)	2,970,000
1,000,000	Pasa Funding Ltd. 2007-1A D, 9.324% 4/7/52	910,000
3,000,000	Rutland Rated Investments MB06-4A E, 8.820% 5/28/46 (a)	2,958,600
2,964,247	Sharps CDO 2006-1A D, 7.500% 5/8/46 (a)	2,842,090
4,000,000	Taberna Preferred Funding Ltd. 2006-6A, 6.100% 12/5/36 (a)	3,977,600
2,941,859	Taberna Preferred Funding Ltd. 2006-7A C1, 10.000% 2/5/37 (a)	2,894,789
2,000,000	Tahoma CDO Ltd. 2006-1A D, 9.006% 6/18/47 (a)	2,000,000
1,500,000	Trapeza CDO I LLC 2006-10A, 6.700% 6/6/41	1,380,000
2,000,000	Trapeza CDO I LLC 2006-10A D2, 8.700% 6/6/41 (a)	2,045,000
		<u>61,794,764</u>
Equipment Leases—0.8%		
2,844,976	Aviation Capital Group Trust 2005-3A C1, 8.570% 12/25/35 (a)	2,901,875
Home Equity Loans (Non-High Loan-To-Value)—3.6%		
1,000,000	Aegis Asset-Backed Securities Trust 2004-2 B3, 9.070% 6/25/34	850,000
1,000,000	Asset-Backed Securities Corp. Home Equity 2005-HE1 M10, 7.967% 3/25/35	880,000
1,939,021	Equifirst Mortgage Loan Trust 2003-1 M3, 9.070% 12/25/32	1,939,005
1,000,000	Fremont Home Loan Trust 2004-4 M7, 7.040% 3/25/35	930,070
306,028	Home Equity Asset Trust 2003-4 B1, 9.320% 10/25/33	298,602
436,775	Home Equity Asset Trust 2003-4 B2, 9.320% 10/25/33	442,234

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RMK STRATEGIC INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Investment Grade (continued)		
Home Equity Loans (Non-High Loan-To-Value) (continued)		
3,915,000	Lake Country Mortgage Loan Trust 2006-HE1 M8, 8.070% 7/25/34 (a)	\$ 3,261,704
2,000,000	Meritage Mortgage Loan Trust 2005-3 B2, 8.320% 1/25/36 (a)	1,530,000
1,500,000	Park Place Securities Inc. 2004-WCW2 M9, 8.820% 10/25/34	1,455,000
1,500,000	Terwin Mortgage Trust 2007-3SL B3, 6.000% 5/25/38 (a)	1,389,300
		<u>12,975,915</u>
Manufactured Housing—0.2%		
789,832	Mid-State Trust 2005-1 B, 7.758% 1/15/40	<u>806,363</u>
	Total Asset-Backed Securities—Investment Grade (cost \$84,620,146)	<u>83,624,717</u>
Asset-Backed Securities—Below Investment Grade or Unrated—30.9% of Net Assets		
Basic Materials—0.2%		
900,000	Sterling Chemicals Inc., 10.250% 4/1/15 (a)	<u>900,000</u>
Certificate-Backed Obligations (“CBO”)—0.8%		
2,000,000	Goldman Sachs Asset Management CBO II 2A D1, 11.620% 11/5/12 (a)	2,015,620
2,451,074	Helios Series I Multi-Asset CBO, Ltd. IA C, 8.109% 12/13/36 (a)	<u>931,408</u>
		<u>2,947,028</u>
Collateralized Debt Obligations (“CDO”)—18.2%		
1,000,000	Aardvark Asset-Backed Securities CDO 2007-1A, 10.000% 7/6/47	910,000
3,000,000	Acacia CDO, Ltd. 10A, 3.700% 9/7/46 (a)	1,200,000
4,000,000	Aladdin CDO I Ltd. 2006-3A, 10.350% 10/31/13 (a)	1,930,000
2,000,000	Alesco Preferred Funding Ltd. 13A I, 10.000% 9/23/37	1,928,900
3,000,000	Attentus CDO Ltd. 2006-2A, 10.000% 10/9/41	2,955,000
2,000,000	Attentus CDO Ltd. 2006-2A F1, 10.360% 10/9/41 (a)	1,950,000
3,000,000	Attentus CDO Ltd. 2007-3A, 10.000% 10/11/42	2,760,000
3,000,000	Attentus CDO Ltd. 2007-3A F2, 9.532% 10/11/42 (a)	2,947,500
1,000,000	Cairn Mezzanine Asset-Backed CDO PLC 2007-3A, 10.000% 8/13/47	670,000
1,000,000	Copper River CLO Ltd. 2006-1A E, 9.124% 1/20/21 (a)	993,120
4,000,000	Dillon Read CDO Ltd. 2006-1A, 10.000% 12/5/46 (a)	3,550,000
3,500,000	Diversified Asset Securitization Holdings II 1A B1, 9.712% 9/15/35 (a)	1,890,000
3,000,000	Dryden Leveraged Loan CDO 2005-9A, 10.000% 9/20/19	2,490,000
3,000,000	Equinox Funding 1A D, 12.277% 11/15/12 (a)	1,680,000
3,000,000	Global Leveraged Capital Credit Opportunity Fund 2006-1A, 10.000% 12/20/18 (a)	2,997,600
1,000,000	Gulf Stream Atlantic CDO Ltd. 2007-1A, 10.000% 7/13/47 (a)	840,000

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RMK STRATEGIC INCOME FUND, INC.

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MARCH 31, 2007

Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
Collateralized Debt Obligations (“CDO”) (continued)		
2,868,890	Hewett’s Island CDO Ltd. 2004-1A, 12.390% 12/15/16	\$ 2,768,479
1,000,000	IXIS ABS 1 Ltd., 10.000% 12/12/46	780,000
2,000,000	Jazz CDO BV III-A EB, 10.571% 9/26/14 (a)	2,000,000
13,000,000	Kenmore Street Synthetic CDO 2006-1A, 10.350% 4/30/14 (a)	6,240,000
999,741	Knollwood CDO Ltd. 2006-2A E, 11.360% 7/13/46 (a)	868,285
3,000,000	Knollwood CDO Ltd. 2006-2A SN, 15.000% 7/13/46	2,760,000
4,000,000	Kodiak CDO 2006-1A, 3.712% 8/7/37 (a)	3,660,000
2,000,000	Navigare Funding CLO Ltd. 2007-2A SN, 5.360% 4/17/21 (a)	1,800,000
3,000,000	OFSI Fund Ltd. 2006-1A, 2.000% 9/20/19 (a)	3,031,800
1,897,451	Peritus I CDO Ltd. 2005-1A C, 9.000% 5/24/15 (a)	1,866,978
2,000,000	Trapeza CDO I LLC 2006-11A, 10.000% 10/10/41	1,920,000
2,000,000	Trapeza CDO I LLC 2006-11A F, 10.361% 10/10/41	2,000,000
2,000,000	Trapeza CDO I LLC 2007-12A F, 9.852% 4/6/42 (a)	1,968,000
2,000,000	Tropic CDO I Corp. 2006-5A C1, 10.000% 7/15/36	1,894,000
		<u>65,249,662</u>
Collateralized Loan Obligations (“CLO”)—2.1%		
1,000,000	Flagship CLO 2005-4I, Zero Coupon Bond 6/1/17	903,050
2,000,000	Latitude CLO Ltd. 2005-1X, 8.200% 12/15/17	1,857,500
1,000,000	Ocean Trails CLO 2006-1A, 10.000% 10/12/20	965,000
2,000,000	Telos CLO Ltd. 2006-1A, 10.000% 10/11/21 (a)	1,970,000
2,000,000	Veritas CLO Ltd. 2006-2A, 15.000% 7/11/21 (a)	1,880,000
		<u>7,575,550</u>
Equipment Leases—4.7%		
8,438,000	Aerco Limited 1X C1, 6.670% 7/15/23	2,025,120
7,123,631	Aerco Limited 2A B2, 6.370% 7/15/25 (a)	2,635,744
9,511,931	Aerco Limited 2A C2, 7.370% 7/15/25 (a)	2,758,460
3,000,000	Aircraft Finance Trust 1999-1A A1, 5.800% 5/15/24 (a)	2,227,500
3,000,000	Airplanes Pass Through Trust 2001-1A A9, 5.870% 3/15/19	2,075,625
728,839	DVI Receivables Corp. 2001-2 A3, 3.519% 11/8/31	524,764
3,753,799	DVI Receivables Corp. 2002-1 A3A, 5.670% 6/11/10	1,951,975
1,022,822	DVI Receivables Corp. 2001-2 A4, 4.613% 11/11/09	746,660
2,370,355	Lease Investment Flight Trust 1 B2, 7.124% 7/15/31	687,403
3,000,000	Piper Jaffray Equipment Trust Securities 2007-1A, 6.300% 3/26/29 (a)	1,335,000
		<u>16,968,251</u>
Franchise Loans—0.1%		
1,000,000	Falcon Franchise Loan LLC 2001-1 F, 6.500% 1/5/23	489,250
Home Equity Loans (Non-High Loan-To-Value)—4.7%		
717,356	Aames Mortgage Trust 2001-3 B, 7.130% 11/25/31	695,835
4,235,895	ACE Securities Corp. 2004-HE1 B, 8.820% 3/25/34	1,087,071

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RMK STRATEGIC INCOME FUND, INC.

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Principal Amount	Description	Value (b)
Asset-Backed Securities—Below Investment Grade or Unrated (continued)		
Home Equity Loans (Non-High Loan-To-Value) (continued)		
262,034	ACE Securities Corp. 2004-HS1 M6, 8.820% 2/25/34	\$ 262,883
1,500,000	ACE Securities Corp. 2005-HE2 B1, 8.570% 4/25/35 (a)	1,065,000
2,000,000	ACE Securities Corp. 2005-HE6 B1, 8.320% 10/25/35 (a)	1,320,000
1,018,802	Amresco Residential Securities Mortgage Loan Trust 1999-1 B, 9.320% 11/25/29	982,312
2,325,700	Asset-Backed Securities Corp. Home Equity 2002-HE3 M4, 9.820% 10/15/32	1,863,355
2,000,000	Asset-Backed Securities Corp. Home Equity 2005-HE4 M12, 7.820% 5/25/35 (a)	1,540,000
2,000,000	Asset-Backed Securities Corp. Home Equity 2006-HE4 M9, 7.820% 5/25/36 (a)	1,280,000
1,000,000	Equifirst Mortgage Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	800,000
3,000,000	Meritage Asset Holdings 2005-2 N4, 7.500% 11/25/35 (a)	1,650,000
2,000,000	Merrill Lynch Mortgage Investors Inc. 2005-SL1 B5, 8.820% 6/25/35 (a)	1,360,000
3,000,000	Terwin Mortgage Trust 2005-R1, 5.000% 12/28/36 (a)	540,000
	Terwin Mortgage Trust 2005-3SL B6, 11.500% 3/25/35 interest-only strips	295,837
1,767,528	Terwin Mortgage Trust 2005-7SL, 4.265% 7/25/35 (a)	265,129
2,645,372	Terwin Mortgage Trust 2005-11SL B7, 5.000% 11/25/36 (a)	872,973
2,000,000	Terwin Mortgage Trust 2006-R3, 6.290% 6/26/37 (a)	880,000
		<u>16,760,395</u>
Manufactured Housing Loans—0.1%		
837,640	Greenpoint Manufactured Housing 2000-1 M2, 8.780% 3/20/30	16,113
3,885,972	UCFC Manufactured Housing Contract 1997-2 B1, Zero Coupon Bond 2/15/18	72,863
		<u>88,976</u>
Total Asset-Backed Securities—Below Investment Grade or Unrated (cost \$130,346,791)		<u>110,979,112</u>
Corporate Bonds—Investment Grade—3.3% of Net Assets		
Finance—0.3%		
1,000,000	ABN Amro Bank NV/London, 9.860% 11/17/09 (a)	990,000
Special Purpose Entities—3.0%		
2,000,000	Canal Pointe II LLC., 5.340% 6/25/14 (a)	2,000,000
2,000,000	Lincoln Park Referenced Link Notes 2001-1, 8.780% 7/30/31 (a)	1,820,000
3,000,000	Pyxis Master Trust 2006-7, 10.320% 10/1/37 (a)	3,000,000
4,000,000	Steers Delaware Business Trust 2007-A, 7.599% 6/20/18 (a)	4,000,000
		<u>10,820,000</u>
Total Corporate Bonds—Investment Grade (cost \$11,776,097)		<u>11,810,000</u>

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RMK STRATEGIC INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated—35.5% of Net Assets		
Agriculture—0.5%		
1,775,000	Eurofresh Inc., 11.500% 1/15/13 (a)	<u>\$ 1,739,500</u>
Apparel—1.1%		
3,723,000	Rafaella Apparel Group Inc., 11.250% 6/15/11	<u>3,797,460</u>
Automotive—3.1%		
2,770,000	Cooper Standard Automotive, Inc., 8.375% 12/15/14	2,319,875
225,000	Ford Motor Company, 9.980% 2/15/47	205,313
2,250,000	Ford Motor Company, 7.450% 7/16/31	1,740,937
1,375,000	Dana Corp., 3/15/10 in default (c)	1,058,750
2,000,000	Dana Corp., 1/15/15 in default (c)	1,490,000
2,325,000	Dura Operating Corp., 4/15/12 in default (c)	604,500
3,875,000	Metaldyne Corp., 11.000% 6/15/12	<u>3,671,369</u>
		<u>11,090,744</u>
Basic Materials—3.9%		
3,725,000	AmeriCast Technologies Inc., 11.000% 12/1/14 (a)	3,799,500
2,166	Corp Durango SA de CV, 9.500% 12/31/12	2,209
3,950,000	Edgen Acquisition Corp., 9.875% 2/1/11	4,038,875
1,900,000	Key Plastics LLC, 11.750% 3/15/13 (a)	1,935,625
1,125,000	Millar Western Forest Products Ltd., 7.750% 11/15/13	1,023,750
3,175,000	Momentive Performance Materials Inc., 11.500% 12/1/16 (a)	<u>3,254,375</u>
		<u>14,054,334</u>
Building & Construction—0.7%		
900,000	Masonite Corp., 11.000% 4/6/15 (a)	837,000
1,050,000	Ply Gem Industries Inc., 9.000% 2/15/12	910,875
1,100,000	Technical Olympic USA, Inc., 10.375% 7/1/12	<u>830,500</u>
		<u>2,578,375</u>
Communications—1.4%		
892,000	CCH I Holdings LLC, 11.000% 10/1/15	925,450
4,324,000	CCH I Holdings LLC, 11.750% 5/15/14	<u>4,140,230</u>
		<u>5,065,680</u>
Consulting Services—1.9%		
2,900,000	MSX International Inc., 11.000% 10/15/07	2,784,000
800,000	MSX International Inc., 11.375% 1/15/08	674,880
3,450,000	MSX International Inc., 12.500% 4/1/12 (a)	<u>3,471,562</u>
		<u>6,930,442</u>
Energy—1.0%		
3,500,000	Paramount Resources Ltd., 8.500% 1/31/13*	<u>3,491,250</u>

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MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
1,750,000	Entertainment—0.8%	
	French Lick Resorts & Casino LLC, 10.750% 4/15/14 (a)	\$ 1,470,000
1,650,000	Six Flags Inc., 9.625% 6/1/14	<u>1,551,000</u>
		<u>3,021,000</u>
Finance—1.3%		
1,000,000	ABN Amro Bank NV/London, 19.210% 11/17/09 (a)	990,000
2,625,000	Advanta Capital Trust I, 8.990% 12/17/26	2,628,281
1,000,000	Asure Float, 11.110% 12/31/35	<u>978,750</u>
		<u>4,597,031</u>
Food—0.5%		
2,400,000	Merisant Co., 9.500% 7/15/13	<u>1,944,000</u>
Garden Products—0.3%		
1,150,000	Ames True Temper, 10.000% 7/15/12	<u>1,115,500</u>
Health Care—0.4%		
4,725,000	Insight Health Services Corp., 9.875% 11/1/11	<u>1,417,500</u>
Human Resources—0.4%		
1,500,000	Comforce Operating Inc., 12.000% 12/1/10	<u>1,541,250</u>
Industrials—3.5%		
2,975,000	Advanced Lighting Technologies, 11.000% 3/31/09	2,960,125
1,900,000	Coleman Cable Inc., 9.875% 10/1/12	1,966,500
3,200,000	Continental Global Group Inc., 9.000% 10/1/08	3,209,952
1,669,000	Home Products International Inc., 5/15/08 in default (c)	500,700
1,225,000	Spectrum Brands Inc., 8.500% 10/1/13	1,163,750
1,590,000	Terphane Holding Corp., 12.500% 6/15/09 (a)	1,590,000
1,200,000	Trimas Corp., 9.875% 6/15/12	<u>1,198,500</u>
		<u>12,589,527</u>
Investment Companies—0.3%		
1,000,000	Regional Diversified Funding, 10.000% 1/25/36 (a)	<u>1,002,500</u>
Manufacturing—3.5%		
4,100,000	BGF Industries Inc., 10.250% 1/15/09	4,136,244
3,000,000	Elgin National Industries, 11.000% 11/1/07	2,978,370
3,400,000	JB Poindexter & Co. Inc., 8.750% 3/15/14	3,170,500
3,400,000	MAAX Corp., 9.750% 6/15/12	<u>2,329,000</u>
		<u>12,614,114</u>
Retail—1.8%		
1,264,000	Lazydays RV Center Inc., 11.750% 5/15/12	1,295,600
3,690,000	Uno Restaurant Corp., 10.000% 2/15/11 (a)	3,173,400
2,150,000	VICORP Restaurants, Inc., 10.500% 4/15/11	<u>1,951,125</u>
		<u>6,420,125</u>

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RMK STRATEGIC INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Principal Amount	Description	Value (b)
Corporate Bonds—Below Investment Grade or Unrated (continued)		
Special Purpose Entities—6.1%		
2,813,166	Antares Fund LP, 13.413% 12/14/11 (a)	\$ 3,010,088
500,000	Eirles Two Ltd. 262, 10.860% 8/3/21	500,000
3,500,000	Eirles Two Ltd. 263, 13.360% 8/3/21 (a)	3,500,000
1,470,000	Interactive Health LLC, 7.250% 4/1/11 (a)	1,032,675
1,625,000	Milacron Escrow Corp., 11.500% 5/15/11	1,576,250
775,000	PCA Finance Corp., 14.000% 6/1/09 (a)	782,750
1,000,000	Preferred Term Securities II, Ltd., 10.000% 5/22/33 (a)	555,760
1,000,000	Preferred Term Securities XXI, Ltd., 10.000% 3/22/38 (a)	970,750
2,400,000	Preferred Term Securities XXII, Ltd., 15.000% 9/22/36 (a)	2,313,096
3,200,000	Preferred Term Securities XXIII, Ltd., 15.000% 12/22/36 (a)	3,040,000
1,000,000	Preferred Term Securities XXIV, Ltd., 10.000% 3/22/37 (a)	980,000
1,000,000	Preferred Term Securities XXV, Ltd., 10.000% 6/22/37 (a)	990,000
2,000,000	Preferred Term Securities XXVIII, Ltd., 10.000% 9/23/35 (a)	1,710,000
1,000,000	Pyxis Master Trust, 10.320% 10/1/2037 (a)	1,000,000
		<u>21,961,369</u>
Telecommunications—1.6%		
625,000	Clearwire Corp., 11.000% 8/15/10 (a)	646,094
700,000	Iridium Satellite LLC, 7/15/05 in default (c)	161,000
3,975,000	Primus Telecommunications GP, 8.000% 1/15/14	2,578,781
2,200,000	Securus Technologies Inc., 11.000% 9/1/11	2,167,000
		<u>5,552,875</u>
Tobacco—0.6%		
2,600,000	North Atlantic Trading Co., 9.250% 3/1/12	2,197,000
Transportation—0.8%		
3,475,000	Sea Containers Ltd., 10/15/06 in default (c)*	2,884,250
		<u>2,884,250</u>
	Total Corporate Bonds—Below Investment Grade or Unrated (cost \$131,991,327)	<u>127,605,826</u>
Mortgage-Backed Securities—Investment Grade—9.6% of Net Assets		
Collateralized Mortgage Obligations—9.6%		
	Countrywide Alternative Loan Trust 2006-0A17 2X, 1.331% 12/20/46 interest-only strips	3,016,487
3,000,000	Deutsche Mortgage Securities, Inc. 2006-RS1 N2, 8.570% 9/27/35 (a)	3,015,000
5,000,000	GSAMP Trust 2006-S2 M7, 7.250% 1/25/36	3,762,700
	Harborview Mortgage Loan Trust 2004-1 X, 1.483% 4/19/34 interest-only strips	193,935
	Harborview Mortgage Loan Trust 2004-8 X, 1.881% 11/19/34 interest-only strips	902,941

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Principal Amount	Description	Value (b)
<i>Mortgage-Backed Securities—Investment Grade (continued)</i>		
Collateralized Mortgage Obligations (continued)		
1,000,000	Indymac Index Corp. 2006-AR6 N2, 8.833% 6/25/46 (a)	\$ 1,000,000
	Indymac Index Mortgage Loan Trust 2005-AR10 AX, 2.218% 6/25/35 interest-only strips	3,369,622
	Master Adjustable Rate Mortgages Trust 2006-OA2 XW, 1.164% 12/25/46 interest-only strips	4,048,326
	Mellon Residential Funding Corp. 2004-TBC1 X, 0.568% 2/26/34 interest-only strips (a)	287,723
5,000,000	Park Place Securities Inc. 2005-WCW2 M10, 7.820% 7/25/35	4,365,000
3,000,000	Park Place Securities Inc. 2005-WHQ3 M11, 7.820% 6/25/35	2,602,500
	Residential Accredit Loans Inc. 2005-QO4 XIO, 2.107% 12/25/45 interest-only strips	1,594,624
116,580	Structured Asset Investment Loan Trust 2004-5A B, 6.750% 6/27/34 (a)	116,871
973,754	Structured Asset Securities Corp. 1999-SP1, 9.000% 5/25/29	965,463
1,423,000	Structured Asset Investment Loan Trust 2003-BC1 B2, 9.000% 5/25/32	256,954
	Washington Mutual Inc. 2006-AR4 PPP, 0.055% 5/25/46 interest-only strips	460,657
	Washington Mutual Inc. 2006-AR4 1X1A, 0.435% 5/25/46 interest-only strips	2,082,799
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 CX3, 1.000% 10/25/46 interest-only strips	813,132
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X1, 1.400% 10/25/46 interest-only strips	1,168,580
	Washington Mutual Alternative Mortgage Pass Through Certificates 2006-AR8 3X2, 0.500% 10/25/46 interest-only strips	394,979
	Total Mortgage-Backed Securities—Investment Grade	
	(cost \$42,225,031)	34,418,293
<i>Mortgage-Backed Securities—Below Investment Grade or Unrated—12.7% of Net Assets</i>		
Collateralized Mortgage Obligations—12.7%		
2,532,880	Countrywide Alternative Loan Trust 2006-6CB B4, 5.575% 5/25/36	1,157,704
2,000,000	Countrywide Alternative Loan Trust 2006-0A11 N3, 12.500% 9/25/46 (a)	2,058,960
998,328	Countrywide Alternative Loan Trust 2006-OA21 B1, 7.070% 3/20/47	728,270
998,328	Countrywide Alternative Loan Trust 2006-OA21 B2, 7.070% 3/20/47	579,998
998,328	Countrywide Alternative Loan Trust 2006-OA21 B3, 7.070% 3/20/47 (a)	246,747
1,367,018	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH2 B2, 8.820% 6/25/34 (a)	751,860

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Principal Amount	Description	Value (b)
<i>Mortgage-Backed Securities—Below Investment Grade or Unrated (continued)</i>		
Collateralized Mortgage Obligations (continued)		
2,500,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH3 B1, 8.820% 10/25/34 (a)	\$ 1,900,000
1,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2004-FFH4 B1, 8.570% 1/25/35 (a)	804,180
2,000,000	First Franklin Mortgage Loan Asset-Backed Certificates 2005-FFH3 B4, 7.320% 9/25/35 (a)	1,280,000
3,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-3A N2, 2.000% 6/27/35 (a)	1,935,000
6,000,000	Greenwich Structured Adjustable Rate Mortgage Products 2005-4A N-2, Zero Coupon Bond 7/27/45 (a)	3,450,000
4,000,000	GSAMP Trust 2006-S1 B2, 7.900% 11/25/35 (a)	2,380,000
2,962,453	Harborview Mortgage Loan Trust 2006-4 B11, 7.070% 5/19/47 (a)	1,821,909
4,983,832	Harborview Mortgage Loan Trust 2006-5 B1, 7.070% 7/19/47	2,973,155
1,000,000	Harborview Corp. 2006-14 N4, 8.350% 3/19/38 (a)	841,880
2,000,000	Harborview Corp. 2006-8A N5, Zero Coupon Bond 7/21/36 (a)	827,500
5,000,000	Harborview Corp. 2006-14 PS, Zero Coupon Bond 12/19/36	930,500
1,000,000	Indymac Index Corp. 2006-AR6 N3, 8.833% 6/25/46 (a)	943,500
5,000,000	Long Beach Asset Holdings Corp. 2005-WL1 N4, 7.500% 6/25/45 (a)	4,050,000
3,000,000	Long Beach Mortgage Loan Trust 2005-WL2 B3, 7.820% 8/25/35 (a)	1,988,940
1,125,496	Meritage Mortgage Loan Trust 2004-2 B1, 8.570% 1/25/35 (a)	959,486
1,021,575	Park Place Securities Inc. 2005-WCW1 B, 5.000% 9/25/35 (a)	942,403
2,000,000	Park Place Securities Inc. 2005-WCW3, 7.820% 8/25/35 (a)	1,480,000
3,000,000	Park Place Securities Inc. 2005-WHQ1 M10, 7.820% 3/25/35 (a)	2,497,500
1,000,000	Park Place Securities Inc. 2005-WHQ4, 7.820% 9/25/35 (a)	700,000
1,000,000	Sharp SP I LLC Trust 2006-A HM3 N3, 12.500% 10/25/46 (a)	1,000,000
2,000,000	Soundview Home Equity Loan Trust 2005-1 B3, 8.570% 4/25/35 (a)	1,560,000
1,325,145	Soundview Home Equity Loan Trust 2005-B M14, 7.650% 5/25/35 (a)	130,487
1,997,452	Structured Asset Securities Corp. 2004-S2 B, 6.000% 6/25/34 (a)	1,920,171
1,053,974	Structured Asset Securities Corp. 2004-S3 M9, 6.000% 11/25/34 (a)	985,044
1,528,382	Structured Asset Securities Corp. 2004-S4 B3, 5.000% 12/25/34 (a)	490,672
2,000,000	Structured Asset Securities Corp. 2005-AR1 B2, 7.320% 9/25/35 (a)	1,510,000
<i>Total Mortgage-Backed Securities—Below Investment Grade or Unrated (cost \$50,353,885)</i>		<u>45,825,866</u>
<i>Municipal Securities—0.2% of Net Assets</i>		
1,000,000	Pima County Arizona Industrial Development Authority Health Care, Zero Coupon Bond 11/15/32 in default (c)	630,000
<i>Total Municipal Securities (cost \$627,616)</i>		<u>630,000</u>

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RMK STRATEGIC INCOME FUND, INC.

PORTFOLIO OF INVESTMENTS

MARCH 31, 2007

Shares	Description	Value (b)
Common Stocks—12.4% of Net Assets		
37,200	Alpha Natural Resources, Inc. (c)	\$ 581,436
18,162	American Capital Strategies, Ltd.	804,758
10,700	Anadarko Petroleum Corporation	459,886
14,400	Aqua America, Inc.	323,280
61,500	Aries Maritime Transport Limited	504,915
21,300	AVX Corporation	323,760
8,500	BJ Services Company	237,150
17,700	Brookdale Senior Living, Inc.	790,482
28,700	BRT Realty Trust	866,453
37,400	Cascade Microtech, Inc. (c)	532,950
56,000	CastlePoint Holdings, Ltd.	915,600
5,500	Cemex, S.A. de C.V.	180,125
106,700	Cirrus Logic, Inc. (c)	817,322
39,100	Citizens Communications Company	584,545
17,800	Companhia de Saneamento Basico do Estado de São Paulo	601,462
90,900	Compass Diversified Trust	1,524,393
11,500	Consolidated Communications Holdings, Inc.	228,735
34,600	Cypress Sharpridge (a)	354,650
8,500	Cytec Industries Inc.	478,040
53,600	Eddie Bauer Holdings, Inc. (c)	609,432
1,100	Edison International	54,043
10,500	Enterprise Products Partners L.P.	333,900
136,500	Evergreen Energy Inc. (c)	896,805
7,400	FairPoint Communications, Inc.	142,154
23,200	Famous Dave's of America, Inc. (c)	419,688
50,600	Fording Canadian Coal Trust	1,118,260
108,700	Hawaiian Holdings, Inc. (c)	