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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22485

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

399 Park Avenue, 6th Floor

New York, NY 10022
(Address of principal executive offices) (Zip code)

Copy to:

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Avenue Capital Group	Stuart Strauss
399 Park Avenue, 6th Floor	Dechert LLP
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Registrant s telephone number, including area code: (212) 878-3500

Date of fiscal year end: October 31, 2013

Date of reporting period: April 30, 2013

Item 1. Shareholder Report

Avenue Income Credit Strategies Fund

Manager Commentary

April 30, 2013 (unaudited)

Dear Shareholder,

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

Fund Objective

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

Performance

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

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

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

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

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

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

Factors Affecting Performance

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

In addition, the following factors contributed positively to performance:

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

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

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

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

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

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

Market Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leveraged loan defaults continue to be below average

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

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

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

European high yield bond and leveraged loan default outlook

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

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

Avenue Capital Management II, L.P.

May 2013

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

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

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

(3) Bloomberg as of May 22, 2013.

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

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

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

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

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

Avenue Income Credit Strategies Fund

Financial Data(a)

April 30, 2013 (unaudited)

Security Type(b)(f)

Ratings(b)(g)

Geographic Allocation(b)(d)

Top Five Industries(b)

Top 10 Largest Holdings(b)(c)

1	American International Group, Inc.	3.4%

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

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

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

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

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

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

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

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

Avenue Income Credit Strategies Fund

Schedule of Investments

April 30, 2013 (unaudited)

Security Description	Coupon	Maturity		Principal Amount (000)		Value
CORPORATE BONDS & NOTES 119.3%						
Aerospace & Defense 2.1%						
Silver II Borrower / Silver II US Holdings LLC (a)	7.75%	12/15/2020	$	3,800	$	4,075,500
Airlines 3.6%						
US Airways 2000-3C Pass Through Trust	8.39%	3/1/2022		5,370		5,463,803
US Airways 2011-1C Pass Through Trust	10.88%	10/22/2014		1,337		1,430,923
						6,894,726
Building Products 4.0%						
HD Supply, Inc.	10.50%	1/15/2021		4,150		4,352,313
Nortek, Inc.	10.00%	12/1/2018		3,000		3,371,250
						7,723,563
Chemicals 4.8%						
Kerling PLC (a)	10.63%	2/1/2017	EUR	3,000		4,094,070
Perstorp Holding AB (a)	8.75%	5/15/2017	$	4,825		5,192,906
						9,286,976
Commercial Banks 3.3%						