

Avenue Income Credit Strategies Fund  
Form N-Q  
March 30, 2011

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

**FORM N-Q**

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

Investment Company Act file number 811-22485

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

399 Park Avenue, 6th Floor

New York, NY  
(Address of principal executive offices)

10022  
(Zip code)

Randolph Takian

Avenue Capital Group

399 Park Avenue, 6th Floor

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

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

Date of fiscal year end: October 31

Date of reporting period: January 31, 2011

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**Item 1. Schedule of Investments.** The schedule of investments for the period ended January 31, 2011, is filed herewith.

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## Avenue Income Credit Strategies Fund

## SCHEDULE OF INVESTMENTS

January 31, 2011 (Unaudited)

| Security Description   | Principal<br>Amount<br>(000) | Value          |
|--|------------------------------|----------------|
| <b>CORPORATE BONDS &amp; NOTES 19.9%</b>   |                              |                |
| <b>COMMERCIAL BANKS 10.1%</b>  |                              |                |
| Lloyds Banking Group Capital No.1 PLC  |                              |                |
| 7.88%, 11/1/2020 (a)   | \$ 4,200                     | \$ 3,927,000   |
| Royal Bank of Scotland Group PLC   |                              |                |
| 7.65%, 8/29/2049 (b)   | 4,000                        | 3,480,000      |
| Unicredit SpA  |                              |                |
| 9.38%, 7/29/2049 (b)   | EUR 4,200                    | 5,577,918      |
|  |                              | 12,984,918     |
| <b>HOTELS, RESTAURANTS &amp; LEISURE 6.1%</b>  |                              |                |
| Punch Taverns Finance, Ltd.  |                              |                |
| 5.94%, 12/30/2024  | GBP 4,000                    | 5,061,848      |
| Unique Pub Finance Co. PLC:  |                              |                |
| 5.66%, 6/30/2027   | 1,000                        | 1,241,434      |
| 6.54%, 3/30/2021   | 1,100                        | 1,559,401      |
|  |                              | 7,862,683      |
| <b>OIL, GAS &amp; CONSUMABLE FUELS 3.7%</b>  |                              |                |
| Offshore Group Investments, Ltd.   |                              |                |
| 11.50%, 8/1/2015 (a)   | \$ 4,200                     | 4,672,500      |
| <b>TOTAL CORPORATE BONDS &amp; NOTES</b>   |                              |                |
| (Cost \$25,786,496)  |                              | 25,520,101     |
| <b>SENIOR LOANS FIXED RATE 4.9%</b>  |                              |                |
| <b>CHEMICALS 4.9%</b>  |                              |                |
| Ineos Holdings, Ltd. Term Loan D   |                              |                |
| 9.00%, 12/16/2015 (b)  |                              |                |
| (Cost \$6,257,417)   | EUR 4,400                    | 6,266,859      |
| <b>TOTAL LONG-TERM INVESTMENTS 24.8%</b>   |                              |                |
| (Cost \$ 32,043,913)   |                              | 31,786,960     |
| <b>SHORT-TERM INVESTMENTS 100.5%</b>   |                              |                |
| <b>REPURCHASE AGREEMENTS 100.5%</b>  |                              |                |
| State Street Repurchase Agreement, dated 01/31/11, due 02/01/11 at 0.01%, collateralized by a U.S. Treasury Note maturing 10/31/12, market value \$131,610,281 (repurchase proceeds \$129,025,120) |                              |                |
| (Cost \$129,025,084)   | \$ 129,025                   | 129,025,084    |
| <b>TOTAL SHORT-TERM INVESTMENTS 100.5%</b>   |                              |                |
| (Cost \$129,025,084)   |                              | 129,025,084    |
| <b>TOTAL INVESTMENTS 125.3%</b>  |                              |                |
| (Cost \$161,068,997)   |                              | 160,812,044    |
| <b>OTHER ASSETS &amp; LIABILITIES (25.3)%</b>  |                              | (32,503,951)   |
| <b>NET ASSETS 100.0%</b>   |                              | \$ 128,308,093 |

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(a) Securities purchased pursuant to Rule 144A of the Securities Act of 1933. These securities, which represent 6.7% of net assets as of January 31, 2011, are considered liquid and may be resold in transactions exempt from registration, normally to qualified institutional buyers.

(b) Variable Rate Security. Rate shown is rate in effect at January 31, 2011. Maturity date disclosed is the ultimate maturity.

EUR - Euro

GBP - Great British Pound

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**Avenue Income Credit Strategies Fund**

**SCHEDULE OF INVESTMENTS (continued)**

*January 31, 2011 (Unaudited)*

**Country Concentration:**

| <b>Country</b>           | <b>Percentage<br/>of Net Assets</b> | <b>Market Value</b>   |
|--------------------------|-------------------------------------|-----------------------|
| United States            | 104.2%                              | \$ 133,697,584        |
| United Kingdom           | 16.8                                | 21,536,542            |
| Italy                    | 4.3                                 | 5,577,918             |
| <b>Total Investments</b> | <b>125.3%</b>                       | <b>\$ 160,812,044</b> |

**Forward Foreign Currency Contracts to Sell:**

| <b>Settlement<br/>Date</b> | <b>Contracts to Deliver</b> | <b>Value at<br/>01/31 2011</b> | <b>In<br/>Exchange<br/>for U.S.\$</b> | <b>Net<br/>Unrealized<br/>Appreciation/<br/>(Depreciation)</b> | <b>Counterparty</b>                |
|----------------------------|-----------------------------|--------------------------------|---------------------------------------|--|------------------------------------|
| 2/11/2011                  | 4,158,000      EUR          | \$ 5,692,258                   | \$ 5,652,385                          | \$ (39,873)  | State Street Bank and Trust<br>Co. |
| 2/11/2011                  | 5,040,000      GBP          | 8,072,792                      | 7,981,193                             | (91,599)   | State Street Bank and Trust<br>Co. |
|                            |                             |                                |                                       | \$ (131,472)   |                                    |

EUR - Euro

GBP - Great British Pound

**Avenue Income Credit Strategies Fund**

**NOTES TO SCHEDULES OF INVESTMENTS**

*January 31, 2011 (Unaudited)*

**Organization**

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

**Significant Accounting Policies**

**Security Valuation:** The Fund's loans and debt obligations are valued by following valuation guidelines established and periodically reviewed by the Fund's Board of Trustees. Under the valuation guidelines, loans and debt obligations for which reliable market quotes are readily available are valued at quotations obtained from a third party pricing service. Where reliable market quotes are not readily available, loans and debt obligations are valued, where possible, using independent market indicators provided by independent pricing sources approved by the Board of Trustees. Short-term debt securities purchased with a remaining maturity of sixty days or less are generally valued at amortized cost, which approximates market value.

Forward foreign currency contracts are valued using quoted foreign exchange rates. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by a third party pricing service. If events materially affecting the price of foreign portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the Fund's net asset value was last calculated, such securities may be valued at their fair value as determined in good faith in accordance with procedures established by the Board of Trustees.

**Security Transactions and Investment Income:** Investment transactions for financial statement purposes are accounted for on a trade date basis. Realized gains and losses on investments sold are determined on the basis of identified cost. Interest income is recorded on the basis of interest accrued, adjusted for amortization of premium or accretion of discount. Fees associated with loan amendments are recognized as incurred.

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

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At January 31, 2011, the aggregate fair value of derivative instruments in a liability position and whose primary underlying risk exposure is foreign exchange risk was \$(131,472).

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**Avenue Income Credit Strategies Fund**

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

*January 31, 2011 (Unaudited)*

**Unrealized Appreciation/(Depreciation)**

The cost and unrealized appreciation (depreciation) of investments of the Fund at January 31, 2011, as determined on a federal income tax basis, were as follows:

|                                    |           |                    |
|------------------------------------|-----------|--------------------|
| <b>Aggregate cost</b>              | <b>\$</b> | <b>161,068,997</b> |
| Gross unrealized appreciation      | \$        | 9,442              |
| Gross unrealized depreciation      |           | (266,395)          |
| <b>Net unrealized depreciation</b> | <b>\$</b> | <b>(256,953)</b>   |

**Fair Value Measurements**

Under generally accepted accounting principles for fair value measurements, a three-tier hierarchy to prioritize the assumptions, referred to as inputs, is used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 quoted prices in active markets for identical investments
  
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
  
- Level 3 significant unobservable inputs (including a fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.



**Avenue Income Credit Strategies Fund**

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

*January 31, 2011 (Unaudited)*

**Fair Value Measurements (continued)**

At January 31, 2011, the inputs used in valuing the Fund's investments, which are carried at value, were as follows:

| <b>Asset Description</b>           | <b>Quoted<br/>Prices in<br/>Active<br/>Markets for<br/>Identical<br/>Investments<br/>(Level 1)</b> | <b>Other<br/>Significant<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>          |
|------------------------------------|--|--|--|-----------------------|
| Corporate Bonds & Notes            | \$   | \$ 25,520,101  | \$   | \$ 25,520,101         |
| Senior Loans                       |  | 6,266,859  |  | 6,266,859             |
| Repurchase Agreements              |  | 129,025,084  |  | 129,025,084           |
| <b>Total Investments</b>           | <b>\$</b>  | <b>\$ 160,812,044</b>  | <b>\$</b>  | <b>\$ 160,812,044</b> |
| <b>Liability Description</b>       |  |  |  |                       |
| Forward Foreign Currency Contracts | \$   | \$ (131,472)   | \$   | \$ (131,472)          |
| <b>Total</b>                       | <b>\$</b>  | <b>\$ (131,472)</b>  | <b>\$</b>  | <b>\$ (131,472)</b>   |

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

**Item 2. Controls and Procedures.**

(a) The Registrant's Principal Executive Officer and Principal Financial Officer concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended, (17CFR 270.30a-3(c))), are effective based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended, (17 CFR 270.30a-3(d))) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Certifications of the Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940, as amended, (17 CFR 270.30a-2(a)) are attached hereto as Exhibit 99CERT.

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**SIGNATURES**

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

Avenue Income Credit Strategies Fund

By                               /s/ Randolph Takian  
                                      Randolph Takian  
                                      President and Chief Executive Officer

Date                             March 30, 2011

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

By   /s/ Randolph Takian  
      Randolph Takian  
      President and Chief Executive Officer

Date   March 30, 2011

By   /s/ Robert Ollwerther  
      Robert Ollwerther  
      Treasurer and Chief Financial Officer

Date   March 30, 2011

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