Pioneer Diversified High Income Trust
Form N-2
July 20, 2007

As filed with the Securities and Exchange Commission on July 20, 2007

1933 Act File No. 333-
1940 Act File No. 811-22014

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United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 [X]

Pre-Effective Amendment No. [ ] [ ]

Post-Effective Amendment No. [ ] [ ]

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 [X]

Amendment No. 5 [X]

PIONEER DIVERSIFIED HIGH INCOME TRUST
Exact Name of Registrant as Specified in Charter

60 State Street, Boston, Massachusetts 02109
Address of Principal Executive Offices (Number, Street, City, State, Zip Code)

(617) 742-7825
Registrant's Telephone Number, including Area Code

Dorothy E. Bourassa, Pioneer Investment Management, Inc.,
60 State Street, Boston, Massachusetts 02109
Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

Copy to: Christopher P. Harvey, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, as amended, other than securities offered in connection with a dividend reinvestment plan, check the following box. [ ]

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price
Preferred Shares (par value $0.0001)	40 shares	$25,000.00	$1,000,000.00

(1) Transmitted prior to the filing to the designated lockbox of the Securities and Exchange Commission at Mellon Bank in Pittsburgh, Pennsylvania.

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

PIONEER DIVERSIFIED HIGH INCOME TRUST

CROSS-REFERENCE SHEET

PART A -- PROSPECTUS

ITEMS IN PART A OF FORM N-2	LOCATION IN PROSPECTUS
Item 1. Outside Front Cover	Cover Page
Item 2. Cover Pages; Other Offering Information	Cover Page
Item 3. Fee Table and Synopsis	Not applicable
Item 4. Financial Highlights	Financial Highlights (unaudited)
Item 5. Plan of Distribution	Cover Page; Prospectus Summary; The
Item 6. Selling Shareholders	Not applicable
Item 7. Use of Proceeds	Use of Proceeds
Item 8. General Description of the Registrant	Cover Page; Prospectus Summary; The Principal Investment Strategies; Use Factors; Net Asset Value; Certain Pr Declaration of Trust and By-Laws
Item 9. Management	Prospectus Summary; Management of th of APS
Item 10. Capital Stock, Long-Term Debt, and Other Securities	Description of APS; Federal Income T
Item 11. Default and Arrears On Senior Securities	Not applicable
Item 12. Legal Proceedings	Not applicable

PART B -- STATEMENT OF ADDITIONAL INFORMATION

PART C - OTHER INFORMATION

Items 25-34 have been answered in Part C of this Registration Statement.

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION [_____], 2007

[ ] SHARES SERIES A
[ ] SHARES SERIES B

[PIONEER LOGO]

PIONEER DIVERSIFIED HIGH INCOME TRUST
AUCTION PREFERRED SHARES ("APS")
LIQUIDATION PREFERENCE $25,000 PER SHARE

Pioneer Diversified High Income Trust (the "Fund") is a recently organized diversified, closed-end management investment company. The Fund is offering two series of auction preferred shares. The Fund is offering [ ] shares of its Series A Auction Preferred Shares and [ ] shares of its Shares B Auction Preferred Shares (collectively, "APS"). The Fund has the authority to redeem each series of APS at any time for any reason, subject to certain conditions.

INVESTMENT OBJECTIVES. The Fund's primary investment objective is to provide its common shareholders with a high level of current income. As a secondary investment objective, the Fund seeks capital appreciation to the extent consistent with its primary investment objective. There can be no assurance that the Fund will achieve its investment objectives.

PRINCIPAL INVESTMENT STRATEGIES. Under normal market conditions, the Fund invests at least 80% of its managed assets (net assets plus borrowings or other leverage for investment purposes) in a diversified portfolio of below investment grade (high yield) debt securities, loans and preferred stocks. Investment in securities of below investment grade quality, commonly referred to as "junk bonds," involves substantial risk of loss. The Fund allocates its investments principally among three sectors of the fixed income securities markets: (i) below investment grade debt securities and preferred stocks of U.S. and non-U.S. issuers, including governmental and corporate issuers in emerging markets ("global high yield debt securities"), (ii) floating rate loans and (iii) "event-linked" bonds, which sometimes are referred to as "insurance-linked" or "catastrophe" bonds.

The Adviser believes that this actively managed, diversified portfolio of asset classes - global high yield debt securities, floating rate loans and event-linked bonds - may provide investors with a range of potential benefits across various market cycles and under various market conditions. These benefits include, among others, the potential to provide investors with a relatively high level of current income without undue risk as a result of the low correlation among these asset classes, reduced volatility due to limited exposure to interest rate and duration risk, as well as a favorable risk return profile. Specifically, the floating rate feature of both floating rate loans and event-linked bonds serves to reduce sensitivity to changes in prevailing interest rates. In addition, the introduction of event-linked bonds to the diversified portfolio enhances these benefits by reducing volatility, while providing the potential for above average returns. Moreover, the Fund's investments in event-linked bonds offer investors access to a unique asset class that otherwise may be unavailable to them. (continued on following page)

BEFORE BUYING ANY APS, YOU SHOULD READ THE DISCUSSION OF THE MATERIAL RISKS OF INVESTING IN THE FUND IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE [ ]. CERTAIN OF THESE RISKS ARE SUMMARIZED IN "PROSPECTUS SUMMARY - SPECIAL RISK CONSIDERATIONS" BEGINNING ON PAGE [ ]. THE MINIMUM PURCHASE AMOUNT OF THE APS IS $25,000.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	SALES LOAD	ESTIMATED OFFERING EXPENSES	PROCEEDS, AFTER EXPENSES, TO THE FUND(1)
Per share	$ 25,000.00	$ 250.00	$ [ ]	$ [ ]

Total	$ [ ]	$ [ ]	$ [ ]	$ [ ]

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(1) Plus accumulated dividends, if any, from the date the APS are issued.

[____________] [______________] [ ]

(continued from previous page)

The Fund does not have a policy of maintaining a specific average credit quality or a targeted maturity range for its portfolio. The Fund may invest any portion of its assets in securities and other instruments of non-U.S. issuers, including emerging market issuers, and may engage in certain strategic transactions.

In accordance with the Fund's principal investment strategies, the Fund primarily invests in below investment grade (high yield) debt securities, loans and preferred stocks. Below investment grade securities, commonly referred to as junk bonds, are obligations that are rated below investment grade by the national rating agencies that cover the obligations (i.e., Ba and below by Moody's Investors Service, Inc. ("Moody's") or BB and below by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P")), or if unrated, are determined by the Fund's investment adviser, Pioneer Investment Management, Inc. (the "Adviser") or the Fund's subadviser, Montpelier Capital Advisors, Ltd. (the "Subadviser"), as applicable, to be of comparable quality. "Junk bonds" are considered predominantly speculative with respect to the issuer's ability to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. With respect to event-linked bonds, the rating primarily reflects the rating agency's calculated probability that a pre-defined trigger event will occur. The rating also assesses the event-linked bond's credit risk and the model used to calculate the probability of the trigger event. For event-linked bonds with a "BB" rating, the average expected loss probability (i.e., the weighted average sum of both partial and total loss models over a multi-year simulation period) is approximately 1% (i.e., loss occurrence once every 100 years). There can be no assurance that an event-linked bond rated "BB" will not experience either a partial or total loss of principal and/or interest more frequently than once every 100 years. Given the relatively new market for event-linked bonds, the rating system for event-linked bonds is relatively new and significantly less developed than that of corporate bonds and continues to evolve as the market develops. See "Portfolio contents - Event-linked bond ratings."

INVESTMENT ADVISER AND SUBADVISER. Pioneer Investment Management, Inc. is the Fund's investment adviser. The Adviser is responsible for managing the Fund's overall investment program, including allocating the Fund's investments among the different asset classes and managing the Fund's investments in global high income debt securities and floating rate loans. The Adviser is a wholly owned subsidiary of UniCredito Italiano S.p.A., one of the largest banking groups in Italy. The Adviser is part of a global asset management group providing investment management and financial services to mutual funds and other clients. As of July 31, 2007, assets under management by the Adviser and its affiliates were approximately $[_____] billion worldwide, including over $[_____] billion in assets under management by the Adviser.

The Adviser has engaged Montpelier Capital Advisors, Ltd. to act as the Fund's investment subadviser with respect to the Fund's investments in event-linked bonds. The Subadviser also assists the Adviser in the evaluation of the relative value of investments in event-linked bonds, compared to other sectors of the fixed income securities markets. Although the Subadviser was recently organized and has not previously served as an investment adviser or subadviser to any other registered investment company, the Subadviser's management team has substantial experience evaluating and monitoring event-linked instruments at its parent company, Montpelier Re Holdings, Ltd., a leading provider of global property and casualty reinsurance and insurance products through its wholly-owned subsidiary, Montpelier Reinsurance Ltd. When analyzing the Fund's potential investments in event-linked bonds, the Subadviser's management team intends to utilize the same tools and skills for evaluating event-linked bonds that it has been using for years in connection with underwriting insurance and reinsurance policies.

The APS are being offered by the underwriters subject to certain conditions. The underwriters reserve the right to withdraw, cancel or modify the offering in whole or in part. It is expected that the APS will be delivered to the nominee of The Depository Trust Company on or about [_____], 2007.

Investors in APS will be entitled to receive cash dividends at an annual rate that may vary for the successive dividend periods for such shares. The dividend rate on the Series A APS for the initial period from and including

the date of issue to, but excluding, [_____], 2007 will be [_____]% per year. The dividend rate on the Series B APS for the initial period from and including the date of issue to, but excluding, [_____], 2007 will be [_____]% per year. For each subsequent dividend period, the auction agent will determine the dividend rate for a particular period by an auction conducted in accordance with the procedures described in this Prospectus and, in further detail, in Appendix A to this Prospectus.

The APS, which have no history of public trading, will not be listed on an exchange or automated quotation system. Broker-dealers may maintain a secondary trading market in the APS outside of auctions; however, they have no obligation to do so, and there can be no assurance that a secondary market for the APS will develop or, if it does develop, that it will provide holders with a liquid trading market (that is, trading will depend on the presence of willing buyers and sellers, and the trading price will be subject to variables to be determined at the time of the trade by such broker-dealers). A general increase in the level of interest rates may have an adverse effect on the secondary market price of the APS, and a shareholder that sells APS between auctions may receive a price per share of less than $25,000. The Fund may redeem APS as described under "Description of APS - Redemption."

The APS will be senior in liquidation and distribution rights to the Fund's outstanding common shares. The Fund's common shares are traded on the American Stock Exchange under the symbol "HNW." This offering is conditioned upon the APS receiving a rating of "AAA" from Fitch, Inc. ("Fitch") and "Aaa" from Moody's (each a "Rating Agency" and together, the "Rating Agencies").

THE APS DO NOT REPRESENT A DEPOSIT OR OBLIGATION OF, AND ARE NOT GUARANTEED OR ENDORSED BY, ANY BANK OR OTHER INSURED DEPOSITORY INSTITUTION AND ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENT AGENCY.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the APS, and retain it for future reference. A Statement of Additional Information, dated [_____], 2007, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You can review the table of contents of the Statement of Additional Information on page [__] of this Prospectus. You may request a free copy of the Statement of Additional Information, annual reports and semi-annual reports to shareholders when available, and other information about the Fund, and make shareholder inquiries by calling (800) 225-6292 (toll-free), writing to the Fund or from the Fund's website (http://www.pioneerinvestments.com). The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus. You also may obtain a copy of the Statement of Additional Information (and other information regarding the Fund) or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (http://www.sec.gov). The Fund's registration number under the Investment Company Act of 1940, as amended (the "1940 Act") is 811-22014.

You should rely only on the information contained or incorporated by reference in this Prospectus. The Fund has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

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PROSPECTUS SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's APS, especially the information set forth under the heading "Risk factors." You should review the more detailed information contained in this Prospectus, the Statement of Additional Information and the Fund's Statement of Preferences of Auction Preferred Shares (the "Statement"), which is attached as Appendix __ to the Statement of Additional Information. Capitalized terms used but not defined herein shall have the meaning attributed to such term in the Statement.

THE FUND

Pioneer Diversified High Income Trust (the "Fund") is a recently organized, diversified, closed-end management investment company. The Fund's common shares of beneficial interest, no par value (the "Common Shares"), are traded on the American Stock Exchange under the symbol "HNW." As of July 31, 2007, the Fund had [_____] Common Shares outstanding and had net assets of $[_____]. See "The Fund."

THE OFFERING

The Fund is offering an aggregate of [ ] Series A APS and [ ] Series B APS, each at a purchase price of $25,000 per share plus accumulated dividends, if any, from the date of original issue. The APS are being offered by a group of underwriters (the "Underwriters") led by [________]. See "Underwriting." The APS offered hereby represent leverage. If the Fund were to offer additional preferred shares in the future, such additional preferred shares would increase the Fund's leverage.

The APS will entitle their holders to receive cash dividends at an annual rate that may vary for successive dividend periods. In general, except as described under "Description of APS -- Dividends and Dividend Periods," each dividend period will be seven days. Deutsche Bank Trust Company Americas (the "Auction Agent") will determine the rate per annum at which cash dividends are payable on APS for any dividend period (the "Applicable Rate") by an auction conducted on the business day immediately prior to the start of that dividend period.

The APS are not listed on an exchange. Instead, investors may buy or sell APS at an auction that normally is held weekly, by submitting orders to broker-dealers that have entered into an agreement with the Auction Agent ("Broker-Dealers") or to certain other broker-dealers. The Auction Agent reviews orders from Broker-Dealers on behalf of existing holders of APS (the Broker-Dealers being referred to as "Existing Holders" and the beneficial owners of the APS being referred to as "Beneficial Owners") that wish to sell, or hold at the auction rate, or hold only at a specified Applicable Rate. The Auction Agent also reviews orders from Broker-Dealers on behalf of potential beneficial owners of APS (the Broker-Dealers being referred to as "Potential Holders" and the potential beneficial owners of the APS being referred to as "Potential Beneficial Owners") that wish to buy APS. The Auction Agent then determines the lowest Applicable Rate that will result in all of the outstanding APS continuing to be held. This process for setting the dividend rate is referred to as an "Auction." The first Auction date for Series A APS will be [_____], 2007 and for Series B APS will be [_____], 2007, each being the business day before the initial dividend payment date for the initial dividend period for the relevant series of APS ([_____], 2007 for Series A and [_____], 2007 for Series B). The Auction day for Series A APS generally will be [ ] and for Series B APS generally will be [ ], unless the then-current dividend period is a special dividend period, or the day that normally would be the Auction date or the first day of the subsequent dividend period is not a business day.

Generally, investors in the APS will not receive certificates representing ownership of their shares. The Depository Trust Company or any successor (the "Security Depository") or nominee for the account of the investor's Broker-Dealer will maintain record ownership of APS in book-entry form. An investor's Broker-Dealer, in turn, will maintain records of that investor's beneficial ownership of the APS. A "Broker-Dealer" is a broker-dealer which has entered into an agreement with the Auction Agent (a "Broker-Dealer Agreement"), which provides for the participation of such Broker-Dealer in Auctions and pursuant to which such Broker-Dealer agrees to follow the Auction Procedures.

INVESTMENT OBJECTIVES AND PRINCIPAL INVESTMENT STRATEGIES

INVESTMENT OBJECTIVES

The Fund's primary investment objective is to provide its common shareholders with a high level of current income. As a secondary investment objective, the Fund seeks capital appreciation to the extent consistent with its primary investment objective. The Fund's investment objectives are fundamental policies and may not be changed without the approval of a majority of the outstanding voting securities (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of the Fund. There can be no assurance that the Fund will achieve its investment objectives.

PRINCIPAL INVESTMENT STRATEGIES

The Fund allocates its investments principally among three sectors of the fixed income securities markets: (i) below investment grade debt securities and preferred stocks of U.S. and non-U.S. issuers, including governmental and corporate issuers in emerging markets ("global high yield debt securities"), (ii) floating rate loans and (iii) "event-linked" bonds, which sometimes are referred to as "insurance-linked" or "catastrophe" bonds.

The Adviser believes that this actively managed, diversified portfolio of asset classes - global high yield debt securities, floating rate loans and event-linked bonds - may provide investors with a range of potential benefits across various market cycles and under various market conditions. These benefits include, among others, the potential to provide investors with a relatively high level of current income without undue risk as a result of the low correlation among these asset classes, reduced volatility due to limited exposure to interest rate and duration risk, as well as a favorable risk return profile. Specifically, the floating rate feature of both floating rate loans and event-linked bonds serves to reduce sensitivity to changes in prevailing interest rates. In addition, the introduction of event-linked bonds to the diversified portfolio enhances these benefits by reducing volatility, while providing the potential for above average returns. Moreover, the Fund's investments in event-linked bonds offer investors access to a unique asset class that otherwise may be unavailable to them. The Fund's investments nevertheless involve significant risks since the Fund invests at least 80% of its managed assets in below investment grade (high yield) debt securities, loans and preferred stocks, as discussed below. For a complete discussion on the risks related to the Fund's investments, please refer to the "Prospectus summary - Special risk considerations" and "Risk factors."

Pioneer Investment Management, Inc. is the Fund's investment adviser. The Adviser is responsible for managing the Fund's overall investment program, including allocating the Fund's investments among the different asset classes and managing the Fund's investments in global high income debt securities and floating rate loans. The Adviser considers both broad economic and issuer specific factors in selecting a portfolio designed to achieve the Fund's investment objectives. The Adviser selects individual securities based upon the terms of the securities (such as yields compared to U.S. Treasuries or comparable issues), liquidity and rating, sector and issuer diversification. The Adviser also employs due diligence and fundamental quantitative and qualitative research to assess an issuer's credit quality, taking into account financial condition and profitability, future capital needs, potential for change in rating, industry outlook, the competitive environment and management ability. The Adviser may sell a portfolio security when it believes the security no longer will contribute to meeting the Fund's investment objectives. The Adviser makes that determination based on the same criteria it uses to select portfolio securities. In making these portfolio decisions, Pioneer relies on the knowledge, experience and judgment of its staff and the staff of its affiliates who have access to a wide variety of research.

The Adviser has engaged Montpelier Capital Advisors, Ltd. (the "Subadviser") to act as the Fund's investment subadviser with respect to the Fund's investments in event-linked bonds. The Subadviser also assists the Adviser in the evaluation of the relative value of investments in event-linked bonds, compared to other sectors of the fixed income securities markets. Although the Subadviser was recently organized and has not previously served as an investment adviser or subadviser to any other registered investment company, the Subadviser's management team has substantial experience evaluating and monitoring event-linked instruments at its parent company, Montpelier Re Holdings, Ltd., a leading provider of global property and casualty reinsurance and insurance products through its wholly-owned subsidiary, Montpelier Reinsurance Ltd. When analyzing the Fund's potential investments in event-linked bonds, the Subadviser's management team intends to utilize the same tools and skills for evaluating event-linked bonds that it has been using for years in connection with underwriting insurance and reinsurance policies.

CREDIT MANAGEMENT

The Fund may invest in securities and other obligations of any credit quality, including those that are rated below investment grade or are unrated but determined by the Adviser or Subadviser, as applicable, to be of equivalent credit quality. The Fund does not have a policy of maintaining a specific average credit quality of its portfolio. The Adviser and/or Subadviser, as applicable, monitor the credit quality and price of the securities and other instruments held by the Fund. See "Portfolio contents - Securities ratings," "Portfolio contents - Event-linked bond ratings" and "Risk factors - Credit risk and junk bond risk."

Although the Adviser and Subadviser consider ratings when making investment decisions, each performs its own credit and investment analysis and does not rely primarily on ratings assigned by rating services. In evaluating the attractiveness of a particular obligation, whether rated or unrated, the Adviser and Subadviser generally give equal weight to the obligation's yield and the issuer's creditworthiness and will normally take into consideration, among other things, the issuer's financial resources and operating history, its sensitivity to economic conditions and trends, the availability of its management, its debt maturity schedules and borrowing requirements, and relative values based on anticipated cash flow, interest and asset coverage and earnings prospects.

EVENT-LINKED BOND MANAGEMENT

The Subadviser is responsible for assisting the Adviser in the evaluation of the Fund's investments in event-linked bonds. The Subadviser utilizes qualitative and proprietary quantitative research to screen the potential universe of investments in event-linked bonds. The Subadviser next utilizes multiple models to calculate the probability of an expected loss to be incurred by an individual pre-defined trigger event. The Subadviser seeks to minimize the Fund's overall exposure to event-linked bonds by allocating the Fund's investments among different issuers, geographic regions and types of pre-defined trigger events.

Event-linked bonds are typically rated by at least one nationally recognized rating agency, primarily Standard & Poor's Ratings Group ("S&P"), Fitch Ratings, Ltd. ("Fitch") and/or A.M. Best Company, Inc. ("A.M. Best"). Although each rating agency utilizes its own general guidelines and methodology to evaluate the risks of an event-linked bond, the average rating in the current market for event-linked bonds is "BB" by S&P (or the equivalent rating for another rating agency). However, there are event-linked bonds rated higher or lower than "BB." The Subadviser anticipates that the Fund's investments in event-linked bonds generally will be rated B, BB or BBB at the time of purchase, although the Fund may invest in event-linked bonds rated higher or lower than these ratings, as well as event-linked bonds that are unrated. The rating for an event-linked bond primarily reflects the rating agency's calculated probability that a pre-defined trigger event will occur. This rating also assesses the bond's credit risk and model used to calculate the probability of the trigger event. Most rating agencies rely upon one or more of the reports prepared by the following three primary independent catastrophe-modeling firms: EQECAT, Inc., AIR Worldwide Corp and Risk Management Solutions, Inc. These firms utilize different methodologies to evaluate the probability of various types of pre-defined trigger events. For event-linked bonds with a "BB" rating, the average expected loss probability (i.e., the weighted average sum of both partial and total loss models over a multi-year simulation period) is approximately 1% (i.e., loss occurrence once every 100 years). There can be no assurance that an event-linked bond rated "BB" will not experience either a partial or total loss of principal and/or interest more frequently than once every 100 years. See "Portfolio contents - Event-linked bond ratings" for more detailed discussion on event-linked bond ratings.

PORTFOLIO CONTENTS

Under normal market conditions, the Fund invests at least 80% of its managed assets (net assets plus borrowings or other leverage for investment purposes) in diversified portfolio of below investment grade (high yield) debt securities, loans and preferred stocks. These securities are rated below investment grade by the national rating agencies that cover the obligations (i.e., Ba and below by Moody's Investors Service, Inc. ("Moody's") or BB and below by S&P), or if unrated, are determined by the Adviser or Subadviser, as applicable, to be of comparable quality. Investment in securities of below investment grade quality, commonly referred to as "junk bonds," involves substantial risk of loss. "Junk bonds" are considered predominantly speculative with respect to the issuer's ability to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. With respect to event-linked bonds, the rating reflects the probability that a pre-defined

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trigger event will occur, rather than the bond's credit rating. The rating also assesses the model used to calculate the probability of the trigger event.

The Fund will provide written notice to shareholders at least 60 days prior to any change to the requirement that it invest at least 80% of its managed assets in below investment grade (high yield) debt securities, loans and preferred stocks.

The Fund does not have a policy of maintaining a specific average credit quality or a dollar weighted average maturity target or range for its portfolio. The Fund may invest any portion of its assets in securities and other instruments of non-U.S. issuers, including emerging market issuers, and may engage in certain strategic transactions.

GLOBAL HIGH INCOME DEBT SECURITIES

The Fund's investments in global high yield debt securities may include below investment grade convertible bonds and preferred stocks that are convertible into the equity securities of the issuer. The Fund's investments in global high yield debt securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, floating rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features. The Fund's investments in global high yield debt securities may have a broad range of maturities and may include securities denominated in foreign currencies.

FLOATING RATE LOANS

The Fund will invest a portion of its assets in floating rate loans. Floating rate loans are made by banks and other financial institutions to corporations, partnerships and other business entities that operated in various industries and geographical regions, including non-U.S. borrowers. The rates of interest on the loans adjust or "float" periodically by reference to a base lending rate, such as the London Interbank Offer Rate ("LIBOR"), the prime rate offered by one or more major U.S. banks ("Prime Rate"), or the overnight federal funds rate, plus a premium. LIBOR loans reset on set dates, typically every 30 to 90 days, but not exceeding one year. Prime Rates and federal funds rate loans reset periodically when the underlying rate resets. For purposes of the Fund's investment policies, the Fund considers "floating rate" and "adjustable rate" to be the same.

Floating rate loans typically are rated below investment grade. The Fund may invest in floating rate loans and other debt securities of any credit quality, including below investment grade obligations, or obligations that are unrated but are determined by the Adviser to be of equivalent credit quality. The Fund may invest a portion of its assets in securities of issuers that are in default or that are in bankruptcy. The Fund does not have a policy of maintaining a specific average credit quality of its portfolio. In most instances, the Fund's investments in floating rate loans will hold a senior position in the capital structure of the borrower. Having a senior position means that, if the borrower becomes insolvent, senior debtholders, such as the Fund, will be paid before subordinated debtholders and stockholders of the borrower. Senior loans typically are secured by specific collateral.

Floating rate loans are typically structured and administered by a financial institution that acts as an agent for the holders of the loan. Loans can be acquired directly through the agent, by assignment from another holder of the loan, or as a participation interest in the loan. When the Fund is a direct investor in the loan, the Fund may have the ability to influence the terms of the loan, although the Fund does not act as the sole negotiator or sole originator of the loan. Participation interests are fractional interests in a loan issued by a lender or other financial institution. When the Fund invests in a loan participation, the Fund does not have a direct claim against the borrower and must rely on an intermediate participant to enforce any rights against the borrower. As a result, the Fund is subject to the risk that an intermediate participant between the Fund and the borrower will fail to meet its obligations to the Fund, in addition to the risk that the issuer of the loan will default on its obligations.

EVENT-LINKED BONDS

The Fund anticipates an initial allocation to event-linked bonds of less than 25% of the Fund's total assets, although the actual allocation of the Fund's investments will be subject to market conditions at the time the Fund commences investment operations. In the future, the Adviser and Subadviser may modify this allocation in response to market

conditions and the development of event-linked
bonds as a sector of the fixed income securities markets, but at no time will

the Fund allocate greater than 35% of its total assets in event-linked bonds.

Event-linked bonds are a relatively new type of investment that were first developed in the early-1990s and designed to assist property-casualty insurance companies and reinsurers in managing their exposure to natural disasters, such as earthquakes, hurricanes, typhoons and tornados, by transferring their risks to the capital markets. Although the overall market for event-linked bonds is less developed and may be more thinly traded than that of other types of debt securities, the overall market for event-linked bonds has increased over the past decade. According to a recent study, this market totaled approximately $4.69 billion in issuances during 2006, which represents an increase of 136% since 2005 and 311% since 2004.

Event-linked bonds consist of a fixed insurance premium and a floating rate of interest. The rates of interest on the bonds adjust or "float" periodically by reference to a base lending rate, such as LIBOR. In 2006, event-linked bonds had an average scheduled maturity of three years, although maturities can be less than or greater than three years. They may be issued by government agencies, insurance companies, reinsurers, special purpose corporations or other on-shore or off-shore entities. Typically, an insurance or reinsurance company sponsors the establishment of a non-U.S. offshore reinsurance special purpose vehicle ("SPV"). The insurance company agrees to pay a future stream of premiums to the SPV in return for a reinsurance contract to cover an identified portfolio of its catastrophe exposure. The SPV issues the event-linked bonds to qualified institutional buyers who receive interest payments. This interest typically accrues and is paid on a quarterly basis. Although principal typically is repaid only on the maturity date, it may be repaid in installments, depending on the terms of the bond. The SPV's obligation to pay accrued but unpaid interest and/or repay principal of an event-linked bond is reduced or eliminated, depending on the specific circumstances, in the event the SPV would be required to make payments upon a trigger event, as described below. At the same time as the issuance of the event-linked bonds, the SPV invests the proceeds of the issuance in high- grade securities. The premiums paid by the insurance company, along with the interest on the high-grade debt securities, are directly paid to the event-linked bondholders in the form of interest payments.

Event-linked bonds are debt obligations for which the return of principal and the payment of interest are contingent on the non-occurrence of a pre-defined "trigger" event, such as a hurricane or an earthquake of a specific magnitude. If a trigger event, as defined within the terms of an event-linked bond, involves losses or other metrics exceeding a specific magnitude in the geographic region and time period specified therein, the Fund may lose a portion or all of its accrued interest and/or principal invested in such event-linked bond. If no trigger event occurs, the Fund is entitled to recover its principal plus accrued interest.

The Fund's investments in event-linked bonds may be linked to a broad range of insurance risks, which can be broken down into three major categories: natural risks, weather risks and non-natural events. Investments in event-linked bonds linked to natural risks will represent the largest portion of the Fund's event-linked bond investments. The events covered are natural catastrophes, such as hurricanes and earthquakes. Investments in event-linked bonds linked to weather risks provide insurance to companies whose sales depend on the weather and provide a hedge on the impact of weather-related risks. For example, a weather event-linked bond could provide coverage based on the average temperature in a region over a given period. Investments in event-linked bonds linked to non-natural risks could cover a much broader array of insurable risks, such as aerospace and shipping catastrophes.

The Fund may invest in other types of event-linked bonds where the trigger event or magnitude of losses may be based on company-wide losses ("indemnity triggers"), index-based losses ("index triggers") or a combination of triggers

("hybrid triggers")

- INDEMNITY TRIGGERS. Indemnity triggers are based on company-wide losses. The trigger event would be considered to have occurred only if a company's losses on catastrophic insurance claims exceeded a certain aggregate amount of insured claims. If the company's losses were less than the pre-determined aggregate amount, then the trigger event would not be considered to have occurred and the Fund would be entitled to recover its principal plus accrued but unpaid interest. Indemnity triggers require investors and rating agencies to understand the risks of the insurance and reinsurance policies underwritten by the company, which may be difficult to obtain and ascertain, particularly in the case of complex commercial insurance and reinsurance policies. In addition, event-linked bond investors are dependent upon the company's ability to settle catastrophe claims in a manner that would not be disadvantageous to investors' interests.

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- INDEX TRIGGERS. Index triggers follow one of three broad approaches: parametric, industry-loss and modeled-loss, and a combination thereof, which is discussed below as "hybrid triggers." Index triggers are based on pre-defined formulas, which eliminate the risks relating to a company's insurance claims-handling practices and potential information barriers. However, index triggers generally pose a higher risk on event-linked bond investors than indemnity triggers, and investors are dependent upon the accuracy of the models and reporting services used to calculate the formulas.

    - PARAMETRIC. Parametric trigger indices are based upon the occurrence of a catastrophic event with certain defined physical parameters (e.g., wind speed and location of a hurricane or magnitude and location of an earthquake).

    - INDUSTRY-LOSS. Industry loss trigger indices are based upon the estimated loss for the insurance industry as a whole from a particular catastrophe. Estimates are derived from a reporting service, such as Property Claim Services.

    - MODELED-LOSS. Modeled-loss trigger indices are based upon a catastrophe-modeling firm's database estimate of an industry loss, or a company's losses compared to a modeling firm's industry estimate of losses.

- HYBRID TRIGGERS. Hybrid triggers involve more than one trigger type in a single transaction or tranche of an event-linked bond. For example, a hybrid trigger could involve the occurrence of both a U.S. hurricane and a Japanese earthquake with a different kind of index trigger for each. Another example of a hybrid trigger involves different trigger types occurring in a particular sequence. For example, after the occurrence of a qualifying U.S. earthquake, a modeled-loss index is used to establish a company's overall market share, and then applied to the industry loss index associated with the qualifying event to determine any principal reduction. Hybrid triggers may be more complicated and difficult to understand for investors, and involve the applicable risks associated with the types of triggers described above.

OTHER FIXED INCOME INVESTMENTS

The Fund's investments also may include investment grade fixed income securities and money market instruments, such as commercial paper. The Fund may hold securities that are unrated or in the lowest ratings categories (rated C by Moody's or D by S&P). Debt securities rated C by Moody's are regarded as having extremely poor prospects of ever attaining any real investment standing. Debt securities rated D by S&P are in payment default or a bankruptcy petition has been filed and debt service payments are jeopardized. In order to enforce its rights with defaulted securities, the Fund may be required to retain legal counsel and/or a financial adviser. The Fund may have to pursue legal remedies, which may be expensive and the results of which are uncertain. This may increase operating expenses and adversely affect net asset value. The credit quality of most securities held by the Fund reflects a greater possibility that adverse changes in the financial condition of an issuer, or in general economic conditions, or both, may impair the ability of the issuer to make payments of interest or principal. The inability (or perceived inability) of issuers to make timely payment of interest and principal would likely make the values of such securities more volatile and could limit the Fund's ability to sell securities at favorable prices. In the absence of a liquid trading market for securities held by it, the Fund may have difficulties determining the fair market value of such securities. Because of the greater number of investment considerations involved in investing in high yield, high risk floating rate loans and bonds, the achievement of the Fund's objectives depends more on the Adviser's judgment and analytical abilities than would be the case if invested primarily in securities in the higher ratings categories.

TEMPORARY DEFENSIVE INVESTMENTS

Normally, the Fund will invest substantially all of its assets to meet its investment objectives. The Fund may invest the remainder of its assets in securities with remaining maturities of less than one year or cash equivalents, or it may hold cash. For temporary defensive purposes, the Fund may depart from its principal investment strategies and invest part or all of its assets in securities with remaining maturities of less than one year or cash equivalents, or it may hold cash. During such periods, the Fund may not be able to achieve its investment objectives.

STRATEGIC TRANSACTIONS

The Fund may, but is not required to, use various strategic transactions described below to earn income, facilitate portfolio management and mitigate risks. The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, fixed income and interest rate indices and other financial instruments; purchase and sell financial futures contracts and options thereon; and enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. The Fund also may purchase derivative instruments that combine features of these instruments. The Fund generally seeks to use these instruments and transactions as a portfolio management or hedging technique that seeks to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, to facilitate the sale of certain securities for investment purposes, manage the effective interest rate exposure of the Fund, manage the effective maturity or duration of the Fund's portfolio or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities.

The Fund may take advantage of opportunities in swaps, options and futures contracts and any other derivative instruments that presently are not contemplated by the Fund or currently are not available in the market, but which may be developed in the future, including instruments that provide for event-linked exposure, to the extent such investments are consistent with the

Fund's investment objectives. The Fund is not limited in the amount of assets it may invest in these or other types of derivative investments.

USE OF LEVERAGE BY THE FUND

The Fund expects to utilize financial leverage on an ongoing basis for investment purposes, such as through the issuance of preferred shares. After completion of the offering of APS, the Fund anticipates its total leverage from the issuance of APS will be approximately 33 1/3% of the Fund's total assets. This amount may change but the Fund will not incur additional leverage if the total leverage would exceed 50% of the Fund's total assets. Although the Fund may in the future offer other preferred shares, which would further leverage the Fund, the Fund does not currently intend to offer preferred shares other than the APS offered hereby. The Fund may also invest in derivative instruments, each of which may amplify the effects of leverage in the Fund's portfolio.

The Fund generally will not utilize leverage if it anticipates that it would result in a lower return to holders of the Common Shares over time. Use of financial leverage creates an opportunity for increased income for holders of the Common Shares but, at the same time, creates the possibility for greater loss (including the likelihood of greater volatility of net asset value and market price of the shares and of dividends), and there can be no assurance that a leveraging strategy will be successful during any period in which it is employed. Because the fees paid to the Adviser will be calculated on the basis of the Fund's managed assets, the fees will be higher when leverage (including the APS) is utilized, giving the Adviser an incentive to utilize leverage. See "Risk factors -- Risks of Investment in APS -- Leverage risk."

SPECIAL RISK CONSIDERATIONS

The following is a summary of the principal risks of investing in the Fund. You should read the fuller discussion in this Prospectus under "Risk factors" on page [ ].

Risks of investing in the APS include the following:

The primary risks

- If an Auction fails you may not be able to sell some or all of your APS, and the Fund is not obligated to redeem your APS if the Auction fails.

- Because of the nature of the market for APS, you may receive less than the price you paid for your shares if you sell them outside an Auction, especially when market interest rates are rising or if the Fund has designated a special dividend period. If an Auction does not fail and your APS are sold at the Auction, you will not receive less than $25,000 plus accrued dividends.

- A rating agency could downgrade or withdraw the rating assigned to the APS without prior notice to the Fund or shareholders, which could make your shares less liquid at an Auction or in the secondary market.

- The Fund may be forced to redeem APS to meet regulatory or Rating Agency requirements at a time that may be disadvantageous to the Fund or the holders of the APS or may voluntarily redeem the APS in certain circumstances at a time that may be disadvantageous to the Fund or the holders of the APS.

- In certain circumstances, the Fund may not earn sufficient income from its investments to pay dividends on the APS.

- If interest rates rise, the value of the Fund's investment portfolio generally will decline, reducing the asset coverage for the APS.

LEVERAGE RISK

The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of higher volatility of the net asset value of the Fund and the APS' asset coverage.

INTEREST RATE RISK

The APS pay dividends based on shorter-term interest rates. The Fund invests the proceeds from the issuance of the APS principally in a diversified portfolio of below investment grade (high yield) debt securities, loans and preferred stocks, which generally bear intermediate to longer-term interest rates. The yields on intermediate and long-term securities are typically, although not always, higher than shorter-term interest rates. Because income from the Fund's entire investment portfolio (not just the portion of the portfolio purchased with the proceeds of the APS offering) is available to pay dividends on the APS, however, dividend rates on the APS would need to exceed the rate of return on the Fund's investment portfolio by a wide margin before the Fund's ability to pay dividends on the APS would be jeopardized. If intermediate to longer-term interest rates rise, this could negatively impact the value of the Fund's investment portfolio, reducing the amount of assets serving as asset coverage for the APS.

AUCTION RISK

The dividend rate for the APS normally is set through an Auction process. In the Auction, Existing Holders of APS may indicate the dividend rate at which the Beneficial Owners would be willing to hold or sell their APS or purchase additional APS. The Auction also provides liquidity for the sale of APS. An Auction fails if there are more APS offered for sale than there are buyers. You may not be able to sell your APS at an Auction if the Auction fails. Also, if you place "Bid Orders" and the rate in your Bid exceeds the rate set at the Auction, you will not retain your APS.

Additionally, if you elect to retain APS without specifying a dividend rate below which you would not wish to continue to hold those APS, you could receive a lower rate of return on your shares than the market rate. Finally, the length of future dividend periods for the APS may be changed by the Fund, subject to certain conditions and with notice to the holders of the APS, which could also affect the liquidity of your investment.

SECONDARY MARKET RISK

If you try to sell your APS between Auctions, you may not be able to sell any or all of your APS, or you may not be able to sell them for $25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period, changes in interest rates could affect the price you will receive if you sell your APS in the secondary market.

RATINGS AND ASSET COVERAGE RISK

While it is a condition of the offering that Moody's and Fitch, Inc. ("Fitch" and with Moody's, each a "Rating Agency," and together, the "Rating Agencies") assign a rating of "Aaa" and "AAA," respectively, to the APS, such rating does not eliminate or necessarily mitigate the risks of investing in APS.

SECURITIES AND EXCHANGE COMMISSION INVESTIGATION

On May 31, 2006, the U.S. Securities and Exchange Commission announced that it had settled its investigation of fifteen firms, including [_____] (the "Settlement Broker-Dealers"), that participate in the auction rate securities market regarding their respective practices and procedures in this market. The Securities and Exchange Commission alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, each Settlement Broker-Dealer agreed to pay a civil penalty. In addition, each Settlement Broker-Dealer, without admitting or denying the Securities and Exchange Commission's allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by such Settlement Broker-Dealer to conduct the auction process in accordance with disclosed procedures. Each Settlement Broker-Dealer can offer no assurance as to how the settlement may affect the market for auction rate securities or the APS.

RESTRICTIONS ON DIVIDENDS AND OTHER DISTRIBUTIONS

Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of the Fund's Common Shares and the APS, both by the 1940 Act, and by requirements imposed by the Rating Agencies, might impair the Fund's ability to satisfy minimum distribution requirements that it must satisfy to maintain its qualification as a regulated investment company for federal income tax purposes. A sale of substantially all of the assets of the Fund or the merger of the Fund with or into another entity would not be treated as a liquidation of the Fund nor require the Fund to redeem APS.

General risks of investing in the Fund include the following:

SUBADVISER RISK

The Subadviser is a recently formed investment adviser registered with the Securities and Exchange Commission and has no prior history of acting as an investment adviser or subadviser to any other registered investment company.

CONCENTRATION RISK

The Fund intends to invest at least 25% of its managed assets in securities and other instruments issued or structured by companies in the financial services group of industries, such as banks, broker-dealers and insurance and reinsurance companies. This policy makes the Fund more susceptible to adverse economic or regulatory occurrences affected companies in these industries. These industries may be sensitive to changes in interest rates and general economic activity and are subject to extensive government regulation.

INTEREST RATE RISK

The Fund's net asset value will usually change in response to interest rate fluctuations. When interest rates decline, the value of fixed-rate securities already held by the Fund can be expected to rise. Conversely, when interest rates rise, the value of existing fixed-rate portfolio securities can be expected to decline. This risk may be greater for securities with longer maturities. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk.

The values of securities with floating interest rates generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Further, in the case of some instruments, if the underlying reference interest rate does not move by at least a prescribed increment, no adjustment will occur in the floating rate instrument's interest rate. This means that, when prevailing interest rates increase, a corresponding increase in the instrument's interest rate may not result and the instrument may

decline in value. Unlike fixed rate securities, floating rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating rate investments. Unlike fixed rate securities, when prevailing interest rates decrease, the interest rate payable on floating rate investments will decrease.

CREDIT RISK AND JUNK BOND RISK

Credit risk is the risk that an issuer of a security in which the Fund invests will become unable to meet its obligation to make interest and principal payments. The Fund may invest all or a substantial portion of its assets in global high yield debt securities, floating rate loans, event-linked bonds and other debt securities that are rated below investment grade (commonly referred to as "junk bonds" or "high yield securities"), that is, rated Ba or below by Moody's or BB or below by S&P, or unrated securities determined by the Adviser or Subadviser to be of comparable credit quality. Investment in debt securities of below investment grade quality involves substantial risk of loss. "Junk bonds" are considered predominantly speculative with respect to the issuer's ability to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for fixed income securities of below investment grade quality tend to be more volatile, and these securities are less liquid, than investment grade debt securities. For these reasons, an investment in the Fund is subject to the following specific risks:

- increased price sensitivity to changing interest rates and to a deteriorating economic environment;

- greater risk of loss due to default or declining credit quality;

- adverse issuer-specific events are more likely to render the issuer unable to make interest and/or principal payments; and

- if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed, and this negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of high yield securities outstanding has proliferated in the past decade as an increasing number of issuers have used high yield securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity.

Instruments that allow for balloon payments or negative amortization payments permit the borrower to avoid paying currently a portion of the interest accruing on the instrument. While these features make the debt instrument more affordable to the borrower in the near term, they increase the risk that the borrower will be unable to make the resulting higher payment or payments that become due at the maturity of the loan.

FLOATING RATE LOAN RISK

The risks associated with floating rate loans are similar to the risks of junk bonds, although floating rate loans are typically senior and secured in contrast to below investment grade debt securities, commonly referred to as "junk bonds," which are often subordinated and unsecured. See "Risk factors - Credit risk and junk bond risk."

The Fund's investments in floating rate loans typically are rated below investment grade and are considered speculative because of the credit risk of their issuers. Moreover, any specific collateral used to secure a loan may decline in value or lose all its value or become illiquid, which would adversely affect the loan's value. Economic and other events, whether real or perceived, can reduce the demand for certain floating rate loans or floating rate loans generally, which may reduce market prices and cause the Fund's net asset value per share to fall. The frequency and magnitude of such changes cannot be predicted.

Floating rate loans and other debt securities are also subject to the risk of price declines and to increases in prevailing interest rates. The values of securities with floating interest rates generally are less sensitive to interest

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rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Further, in the case of some instruments, if the underlying reference interest rate does not move by at least a prescribed increment, no adjustment will occur in the floating rate instrument's interest rate. This means that, when prevailing interest rates increase, a corresponding increase in the instrument's interest rate may not result and the instrument may decline in value. Unlike fixed rate securities, floating rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the fund earns on its floating rate investments. Unlike fixed rate securities, when prevailing interest rates decrease, the interest rate payable on floating rate investments will decrease. Declines in interest rates may also increase prepayments of debt obligations and require the Fund to invest assets at lower yields. No active trading market may exist for certain floating rate loans, which may impair the ability of the Fund to realize full value in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded floating rate loans.

Floating rate loans and other corporate debt obligations are subject to the risk of non-payment of scheduled installments of interest or principal. Such non-payment would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. There can be no assurance that the liquidation of any collateral securing an obligation would satisfy a borrower's obligation in the event of non-payment of scheduled installments of interest or principal, or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an obligation. To the extent that an obligation is collateralized by stock in the borrower or its subsidiaries, such stock may lose all or substantially all of its value in the event of bankruptcy of a borrower. Loans that are obligations of a holding company are subject to the risk that, in a bankruptcy of a subsidiary operating company, creditors of the subsidiary may recover from the subsidiary's assets before the lenders to the holding company would receive any amount on account of the holding company's interest in the subsidiary. Some floating rate loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate floating rate loans to presently existing or future indebtedness of the borrower or take other action detrimental to the holders of floating rate loans including, in certain circumstances, invalidating floating rate loans or causing interest previously paid to be refunded to the borrower. If interest were required to be refunded, it could result in a loss to the Fund negatively affecting the Fund's performance. With respect to the Fund's investments in non-U.S. floating rate investments, the Fund's access to collateral may be limited by non-U.S. bankruptcy or other insolvency laws, which laws may be less developed and more cumbersome than U.S. bankruptcy laws.

Many loans in which the Fund will invest may not be rated by a rating agency, and most or all will not be registered with the Securities and Exchange Commission or any state securities commission and will not be listed on any national securities exchange. The amount of public information available with respect to issuers of floating rate loans will generally be less extensive than that available for issuers of registered or exchange listed securities. In evaluating the creditworthiness of borrowers, the Adviser will consider, and may rely in part, on analyses performed by others. The Adviser does not view ratings as the determinative factor in its investment decisions and relies more upon its credit analysis abilities than upon ratings. Borrowers may have outstanding debt obligations that are rated below investment grade by a rating agency. A high percentage of floating rate loans held by the Fund may be rated below investment grade by independent rating agencies. In the event floating rate loans are not rated, they are likely to be of below investment grade quality. Debt securities which are unsecured and rated below investment grade (i.e., Ba and below by Moody's or BB and below by S&P) and comparable unrated bonds, are viewed by the rating agencies as having speculative characteristics and are commonly known as "junk bonds." A description of the ratings of corporate bonds by Moody's and S&P is included as Appendix A to the Statement of Additional Information. See "Risk factors - Credit risk and junk bond risk." Because floating rate loans are senior to subordinated creditors and stockholders in a borrower's capital structure and are often secured by specific collateral, the Adviser believes, based on its experience, that floating rate loans have more favorable loss recovery rates as compared to most other types of below investment grade obligations. However, there can be no assurance that the Fund's actual loss recovery experience will be consistent with the Adviser's prior experience or that the floating rate loans will achieve any specific loan recovery rate.

No active trading market may exist for many floating rate loans, and some floating rate loans may be subject to restrictions on resale. Any secondary market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability of the Fund to realize full value on the disposition of an illiquid floating rate loan and cause a material decline in the Fund's net asset value.

Investing in floating rate loans involves investment risk. Some borrowers default on their floating rate loan payments. The Fund attempts to manage this credit risk through portfolio diversification and ongoing analysis and monitoring of borrowers.

EVENT-LINKED BOND RISK

Event-linked bonds are debt obligations for which the return of principal and the payment of interest are contingent on the non-occurrence of a pre-defined "trigger" event, such as a hurricane or an earthquake of a specific magnitude. For some event-linked bonds, the trigger event or magnitude of losses may be based on company-wide losses, index-portfolio losses, industry indexes or readings of scientific instruments rather than specified actual losses. Event-linked bonds may be issued by government agencies, insurance companies, reinsurers, special purpose corporations or other on-shore or off-shore entities. If a trigger event, as defined within the terms of an event-linked bond, involves losses or other metrics exceeding a specific magnitude in the geographic region and time period specified therein, the Fund may lose a portion or all of its accrued interest and/or principal invested in such event-linked bond. The Fund is entitled to receive principal and interest payments so long as no trigger event occurs of the description and magnitude specified by the instrument. Because event-linked bond issuers currently are structured so as to be bankruptcy remote SPVs, it is unlikely that the Fund could lose its entire investment in an event-linked bond if the applicable trigger event never occurs. However, there can be no assurance that event-linked bonds in which the Fund may invest in the future will be structured in a similar manner or that a court would uphold the intended bankruptcy remote characterization of the structure. If an event-linked bond that is issued in the future is structured in a different manner, it may be possible that the Fund would lose its entire investment in an event-linked bond even though the applicable trigger event never occurs.

Often event-linked bonds provide for extensions of maturity that are mandatory, or optional at the discretion of the issuer, in order to process and audit loss claims in those cases when a trigger event has, or possibly has, occurred. The typical duration of mandatory and optional extensions of maturity for event-linked bonds currently is between three to six months, but maturity may be extended for a period of up to two years. In rare circumstances, the extension may exceed two years. Upon the occurrence or possible occurrence of a trigger event, and until the completion of the processing and auditing of applicable loss claims, the Fund's investment in such event-linked bond may be fair valued, which may be at a price higher or lower than actual market quotations prior to the trigger event and may affect the Fund's net asset value per share. See "Net asset value." Market quotes may not be readily available during the completion of the processing and auditing of applicable loss claims, which may require the fund to fair value such securities. In addition to the specified trigger events, event-linked bonds may also expose the Fund to certain unanticipated risks, including but not limited to issuer (credit) default, adverse regulatory or jurisdictional interpretations and adverse tax consequences. Event-linked bonds are subject to the risk that the model used to calculate the probability of a trigger event was not accurate and underestimated the likelihood of a trigger event. This may result in more frequent and greater than expected loss of principal and/or interest, which would adversely impact the Fund's total returns. Further, to the extent there are events that involve losses or other metrics, as applicable, that are at, or near, the threshold for a trigger event, there may be some delay in the return of principal and/or interest until it is determined whether a trigger event has occurred. Finally, to the extent there is a dispute concerning the definition of the trigger event relative to the specific manifestation of a catastrophe, there may be losses or delays in the payment of principal and/or interest on the event-linked bond. As such, there is no significant trading history of these securities, and there can be no assurance that a liquid market in these instruments will develop. Lack of a liquid market may impose the risk of higher transactions costs and the possibility that the Fund may be forced to liquidate positions when it would not be advantageous to do so. See "Special risk considerations - Liquidity risk" below.

Event-linked bonds typically are restricted to qualified institutional buyers and, therefore, are not subject to registration with the Securities and Exchange Commission or any state securities commission and are not listed on any national securities exchange. The amount of public information available with respect to event-linked bonds is generally less extensive than that available for issuers of registered or exchange listed securities. Event-linked bonds may be subject to the risks of adverse regulatory or jurisdictional determinations. There can be no assurance that future regulatory determinations will not adversely affect the overall market for event-linked bonds. In evaluating the rating of the bond and the creditworthiness of the issuer, the Subadviser will consider, and may rely in part, on analyses performed by others.

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LIQUIDITY RISK

Some global high yield debt securities, floating rate loans, event-linked bonds and other debt obligations are not readily marketable and may be subject to restrictions on resale. Floating rate loans and event-linked bonds generally are not listed on any national securities exchange or automated quotation system and no active trading market may exist. Where a secondary market exists, such market for some floating rate loans and event-linked bonds may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. The Fund's investments in illiquid securities may be more difficult to value or may impair the Fund's ability to realize the full value of its assets in the event of a voluntary or involuntary liquidation of such assets and thus may cause a decline in the Fund's net asset value. The Fund has no limitation on the amount of its assets that may be invested in securities that are not readily marketable, are subject to restrictions on resale, or are illiquid. In certain situations, the Fund could find it more difficult to sell such securities at desirable times and/or prices. Most global high yield debt securities, floating rate loans and event-linked bonds are valued by an independent pricing service that uses market quotations of investors and traders in these securities. In other cases, these investments are valued at their fair value in accordance with procedures approved by the Board of Trustees.

ISSUER RISK

The value of corporate income-producing securities may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

REINVESTMENT RISK

Income from the Fund's portfolio will decline if the Fund invests the proceeds of repayment or sale of floating rate loans or other obligations into lower yielding instruments or floating rate loans with a lower spread over the base lending rate. A decline in income could affect the APS' distribution rate and their overall return.

INFLATION RISK

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the APS and distributions thereon can decline. In addition, during any periods of rising inflation, dividend rates on preferred shares issued by the Fund or interest rates on borrowings by the Fund would likely increase, which would tend to further reduce returns to common shareholders.

SPECIAL RISKS RELATED TO PREFERRED SECURITIES

There are special risks associated with the Fund's investments in preferred securities.

- Limited voting rights. Generally, holders of preferred securities have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board.

- Special redemption rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities after a specified date.

- Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer.

- Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments.

- Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

FOREIGN SECURITIES RISK

The Fund's investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks are more pronounced to the extent that the Fund invests a significant portion of its non-U.S. investments in one region or in the securities of emerging market issuers. These risks may include:

- Less information about non-U.S. issuers or markets may be available due to less rigorous disclosure, accounting standards or regulatory practices.

- Many non-U.S. markets are smaller, less liquid, more volatile and may be subject to a heightened level of inflation and default risk relative to U.S. issuers. In a changing market, the Adviser or Subadviser, as applicable, may not be able to sell the Fund's portfolio securities at times, in amounts and at prices it considers reasonable.

- Currency exchange rates or controls may adversely affect the value of the Fund's investments.

- The economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession.

- Withholdings and other non-U.S. taxes may decrease the Fund's return.

CURRENCY RISK

A portion of the Fund's assets may be quoted or denominated in non-U.S. currencies. These securities may be adversely affected by fluctuations in relative currency exchange rates and by exchange control regulations. The Fund's investment performance may be negatively affected by a devaluation of a currency in which the Fund's investments are quoted or denominated. Further, the Fund's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities quoted or denominated in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar.

SOVEREIGN DEBT RISK

An investment in debt obligations of non-U.S. governments and their political subdivisions ("sovereign debt") involves special risks that are not present in corporate debt obligations. The non-U.S. issuer of the sovereign debt or the non-U.S. governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Fund may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt may be more volatile than prices of debt obligations of U.S. issuers. In the past, certain non-U.S. countries have encountered difficulties in servicing their debt obligations, withheld payments of principal and interest and declared moratoria on the payment of principal and interest on their sovereign debt.

REGULATORY RISK

To the extent that legislation or federal regulators that regulate certain financial institutions impose additional requirements or restrictions with respect to the ability of such institutions to make loans, particularly in connection with highly leveraged transactions or sponsor event-linked instruments, the availability of these types of instruments for investment may be adversely affected. In addition, such legislation could depress the market value of these instruments.

DERIVATIVES RISK

Even a small investment in derivatives can have a significant positive or negative impact on the Fund's exposure to interest rates. If changes in a derivative's value do not correspond to changes in the value of the Fund's other investments, the Fund may not fully benefit from or could lose money on the derivative position. In addition, some derivatives involve risk of loss if the party that entered into the derivative contract defaults on its obligation. Certain derivatives, such as over-the-counter options, may be less liquid and more difficult to value than exchange traded options and futures.

MARKET DISRUPTION RISK

The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. The Fund cannot predict the effects of similar events in the future on the U.S. economy. These terrorist attacks and related events, including the war in Iraq, its aftermath, and continuing occupation of Iraq by coalition forces, have led to increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. A similar disruption of the financial markets could impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the APS. In particular, below investment grade securities tend to be more volatile than higher rated fixed income securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of the Fund's investments than on higher rated fixed income securities.

INVESTMENT ADVISER

Pioneer Investment Management, Inc. is the Fund's investment adviser. With respect to investments of the Fund other than event-linked bonds, the Adviser is responsible on a day-to-day basis for investment of the Fund's portfolio in accordance with its investment objectives and principal investment strategies. The Adviser also is responsible for allocating the Fund's investments among the different asset classes. The Adviser has engaged Montpelier Capital Advisors, Ltd. to act as investment subadviser to the Fund with respect to the portion of the Fund's portfolio invested in event-linked bonds. The Subadviser selects and monitors the Fund's event-linked bond investments and also assists the Adviser in the evaluations of the relative value of investment in event-linked bonds, compared to other sectors of the fixed income securities market.

The Adviser or its predecessors have been managing investment companies since 1928. The Adviser is an indirect, wholly-owned subsidiary of UniCredito Italiano S.p.A. ("UniCredito"), one of the leading banking groups in Italy. As of July 31, 2007, assets under management by the Adviser and its affiliates were approximately $[_____] billion worldwide, including over $[_____] billion in assets under management by the Adviser. The Adviser supervises the Subadviser's event-linked bond investments on behalf of the Fund, supervises the Fund's overall compliance program and provides for the general management of the business affairs of the Fund.

The Subadviser, based in Bermuda, is a recently organized investment adviser registered with the Securities and Exchange Commission. Although the Subadviser was recently organized and has not previously served as investment adviser or subadviser to any other registered investment company, the Subadviser's management team has substantial experience evaluating and monitoring event event-linked instruments at its parent company, Montpelier Re Holdings, Ltd., a leading provider of global property and casualty reinsurance and insurance products through its wholly-owned subsidiary, Montpelier Reinsurance Ltd.

The Fund pays the Adviser a fee for its investment advisory services equal on an annual basis to 0.85% of the Fund's average daily managed assets. "Managed assets" means the total assets of the Fund, including any form of investment leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other similar preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Fund's investment objectives and policies and/or (iv) any other means. The liquidation preference on any preferred shares is not a liability. The fee is accrued daily and payable monthly. Because the Adviser's fee is based upon managed assets, the Adviser may have an incentive to leverage the Fund, including through the issuance of APS and other preferred shares.

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The Adviser, and not the Fund, will pay a portion of the fees it receives from the Fund to the Subadviser in return for the Subadviser's services. See "Management of the Fund." The Adviser (and not the Fund) has agreed to provide certain additional compensation to the underwriters. See "Underwriting."

FEDERAL INCOME TAXATION

The Fund intends to take the position that under present law the APS will constitute stock of the Fund. Distributions with respect to the APS (other than distributions in redemption of the APS that are treated as exchanges of stock under Section 302(b) of the Internal Revenue Code of 1986, as amended (the "Code")) will constitute dividends to the extent of the Fund's current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. Dividends from the Fund's net investment income and distributions of its net realized short-term capital gains generally will be taxable as ordinary income. Since the Fund's income is derived primarily from interest, dividends of the Fund from its net investment income generally will not constitute "qualified dividend income" for federal income tax purposes and thus will not be eligible for the favorable federal long-term capital gain tax rates on qualified dividend income. Capital gain dividends distributed by the Fund to individual shareholders generally will qualify for the maximum 15% U.S. federal income tax rate on long-term capital gains. You should consult a tax adviser about state, local and foreign taxes on your distributions from the Fund.

TRADING MARKET

The APS will not be listed on an exchange. Instead, you may buy or sell APS at an Auction that normally is held every seven days by submitting orders to a Broker-Dealer that has entered into an agreement with the Auction Agent or a broker-dealer that has entered into a separate agreement with a Broker-Dealer. In addition to the Auctions, Broker-Dealers and other broker-dealers may maintain a secondary trading market in APS outside of Auctions, but may discontinue this activity at any time. There is no assurance that a secondary market will provide shareholders with liquidity. You may transfer APS outside of Auctions only to or through a Broker-Dealer or a broker-dealer that has entered into a separate agreement with a Broker-Dealer.

DIVIDENDS AND DIVIDEND PERIODS

The "Dividend Period," with respect to shares of a series of APS, is initially the period from and including the date of original issue of shares of such series to, but excluding the initial dividend payment date for shares of such series, and for any Dividend Period thereafter, the period from and including the dividend payment date for shares of such series to, but excluding the next succeeding dividend payment date for shares of such series. Subject to certain conditions, the Fund may elect a "Special Dividend Period," which is a Dividend Period of more than seven days. A Special Dividend Period is a "Short-Term Dividend Period" if it consists of a specified number of days, evenly divisible by seven and not fewer than 14 nor more than 364, or a "Long-Term Dividend Period" if it consists of a specific period of one whole year or more but not greater than five years. The "Dividend Payment Date" for each series of APS, (i) with respect to any seven-day Dividend Period (a "seven-Day Dividend Period") (the length, generally, of all Dividend Periods after the initial dividend payment date) or any Short-Term Dividend Period of 35 or fewer days, is the business day next succeeding the last day of that dividend period and (ii) with respect to any Short-Term Dividend Period of more than 35 days and with respect to any Long-Term Dividend Period is the first business day of each month and the business day next succeeding the last day of such Dividend Period. A "Business Day" is a day on which the American Stock Exchange is open for trading and which is not a Saturday, Sunday or other day on which banks in New York City are authorized or obligated by law to close.

The APS will entitle their holders to receive cash dividends at a rate per annum that may vary for the successive Dividend Periods for such shares. In general, except as described below, each Dividend Period for each series of APS subsequent to the initial Dividend Period will be seven days in length. The Applicable Rate for a particular Dividend Period will generally be determined by an Auction conducted on the Business Day immediately preceding the start of such Dividend Period.

The table below shows the initial dividend rate, the initial Dividend Payment Date and the number of days for the initial Dividend Period on each series of the APS offered in this Prospectus. For subsequent Dividend Periods, the APS will pay dividends based on a rate set at Auctions, normally held every seven days. The rate set at Auction will not exceed the maximum Applicable Rate permitted on the APS. See "Description of APS -- Dividends and

Dividend Periods." Dividends on the APS offered hereby are cumulative from the date of original issue and are payable when, as and if declared by the Board of Trustees of the Fund out of funds legally available therefor, commencing on the initial Dividend Payment Date. See "Description of APS -- Dividends and Dividend Periods -- Designation of Special Dividend Periods." In the case of Dividend Periods that are not Special Dividend Periods, dividends will be payable generally on each succeeding [ ] for Series A APS and, on each succeeding [ ] for Series B APS, subject to certain exceptions.

	INITIAL DIVIDEND RATE	ENDING DATE OF INITIAL DIVIDEND PERIOD	INITIAL DIVIDEND PAYMENT DATE	N I
Series A..............................	[_____]%	[_____], 2007	[_____], 2007	
Series B..............................	[_____]%	[_____], 2007	[_____], 2007	

After the initial Dividend Period, each subsequent Dividend Period for each series of APS will generally consist of seven days; provided, however, that prior to any Auction, the Fund may elect, subject to certain limitations, upon notice to holders of APS of the applicable series, a Special Dividend Period for any or all series.

Dividends for the APS will be paid through the Securities Depository on each Dividend Payment Date. The Securities Depository's normal procedures provide for it to distribute dividends in same-day funds to agent members, who are in turn expected to distribute such dividends to the person for whom they are acting as agent in accordance with the instructions of such person. See "Description of APS -- Dividends and Dividend Periods."

DETERMINATION OF MAXIMUM APPLICABLE RATES

Except during a period when the Fund has failed to pay certain amounts with respect to the APS (a "Non-Payment Period"), the Applicable Rate for any Dividend Period for APS will not be more than the Maximum Applicable Rate for each series of APS which will depend on the credit rating assigned to such series and on the duration of the Dividend Period. The "Maximum Applicable Rate" will be the percentage specified below of the "Reference Rate" which is the applicable LIBOR Rate (for a rate period or of fewer than 365 days), or the Treasury Index Rate (for a special rate period of 365 days or more). In the case of a special rate period, the reference rate will be specified by the Fund in the notice of the special rate period for such dividend payment period. The Applicable Percentage will be determined based on the level of the credit rating assigned on such date to the APS by Fitch or Moody's (or, if Fitch and Moody's shall not make such rating available, the equivalent of such rating by a substitute rating agency), as follows:

CREDIT RATINGS ON APS		APPLICABLE PERCENTAGE OF REFERENCE RATE
MOODY'S	FITCH	
Aa3 or higher	AA- or higher	[___]%
A3 to A1	A- to A+	[___]%
Baa to Baa1	BBB- to BBB+	[___]%

Below Baa	Below BBB-	[___]%

The "LIBOR Rate" is the applicable London Inter-Bank Offered Rate for deposits in U.S. dollars for the period most closely approximating the applicable dividend period for a series of the APS.

The "Treasury Index Rate" is the average yield to maturity for certain U.S. Treasury securities having substantially the same length to maturity as the applicable dividend period for a series of the APS.

There is no minimum Applicable Rate in respect of any Dividend Period. The Maximum Applicable Rate for any Dividend Period commencing during any Non-Payment Period, and the rate used to calculate the late charge described under "Description of APS -- Dividends and Dividend Periods -- Non-Payment Period and Late Charge," will be [___]% of the Reference Rate.

ASSET MAINTENANCE

Under the Statement, which establishes and fixes the rights and preferences of the shares of each series of APS, the Fund must maintain:

- Asset coverage (the "APS Basic Maintenance Amount") of the APS as required by the Rating Agencies. The APS Basic Maintenance Amount is the sum of (a) the aggregate liquidation preference of the APS then outstanding, together with the aggregate liquidation preference on any other series of preferred shares, and (b) certain accrued and projected dividend and other payment obligations of the Fund. Moody's and Fitch have each established separate guidelines for calculating discounted value of the Fund's assets for purposes of this test. To the extent any particular portfolio holding does not satisfy a Rating Agency's guidelines, all or a portion of the holding's value will not be included in the Rating Agency's calculation of discounted value. The Moody's and Fitch guidelines also impose certain diversification requirements on the Fund's portfolio

- Asset coverage of at least 200% with respect to senior securities that are shares of beneficial interest of the Fund, including the APS (the "1940 Act Preferred Share Asset Coverage")

In the event that the Fund does not maintain or cure these coverage tests, some or all of the APS will be subject to mandatory redemption. See "Description of APS -- Redemption -- Mandatory redemption." Based on the composition of the Fund's portfolio as of July 31, 2007, the asset coverage of the APS, as measured pursuant to the 1940 Act, would be approximately [___]% if the Fund were to issue the APS offered by this Prospectus.

MANDATORY REDEMPTION

If the APS Basic Maintenance Amount or the 1940 Act Preferred Share Asset Coverage is not maintained or restored as specified herein, the APS will be subject to mandatory redemption, out of funds legally available therefor, at the mandatory redemption price of $25,000 per share plus an amount equal to dividends thereon (whether or not earned or declared) accumulated but unpaid to the date fixed for redemption. Any such redemption will be limited to the minimum number of APS necessary to restore the APS Basic Maintenance Amount or the 1940 Act Preferred Share Asset Coverage, as the case may be. The Fund's ability to make such a mandatory redemption may be restricted by the provisions of the 1940 Act. See "Description of APS -- Redemption -- Mandatory redemption."

OPTIONAL REDEMPTION

The APS are redeemable at the option of the Fund, as a whole or in part, on any Dividend Payment Date (except during the initial Dividend Period or a Special Dividend Period with respect to which the Fund has agreed not to redeem APS voluntarily (a "Non-Call Period")) at the optional redemption price of $25,000 per share, plus an amount equal to dividends thereon (whether or not earned or declared) accumulated but unpaid to the date fixed for redemption plus the premium, if any, resulting from the designation of a premium call period ("Premium Call Period") (that is, a period during which APS are only redeemable at the option of the Fund at a price per share equal to $25,000 plus accumulated but unpaid dividends plus a premium). See "Description of APS -- Redemption -- Optional redemption."

LIQUIDATION PREFERENCE

The liquidation preference of the APS will be $25,000 per share, plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). See "Description of APS -- Liquidation."

RATING

It is a condition to their issuance that the APS be issued with a credit quality rating of "AAA" and "Aaa" from Fitch and Moody's, respectively, which rating may be changed or withdrawn at any time without notice. The Fund may at some future time seek to have the APS rated by an additional or substitute rating agency. See "Description of APS -- Rating Agency Guidelines and Asset Coverage."

VOTING RIGHTS

The 1940 Act requires that the holders of APS and any other preferred shares, voting as a separate class, have the right to elect at least two Trustees at all times and to elect a majority of the Trustees at any time when two years' dividends on the APS or any other preferred shares are unpaid. The holders of APS and any other preferred shares will vote as a separate class on certain other matters as required under the Agreement and Declaration of Trust and the Statement and under the 1940 Act. See "Description of APS -- Voting Rights," and "Certain provisions of the Agreement and Declaration of Trust and By-Laws."

AUCTION PROCEDURES

Separate Auctions will be conducted for each series of APS. Unless otherwise permitted by the Fund, investors may only participate in Auctions through their Broker-Dealers. The process for determining the Applicable Rate on the APS described in this section is referred to as the "Auction Procedures" and each setting of the Applicable Rate as an "Auction." All definitions used herein are specified in the Auction Agreement, the Auction Procedures forming Exhibit A thereto and Schedule 1 to said procedures.

SUBMISSION OF HOLD ORDERS, BIDS AND SELL OFFERS

Broker-Dealers will submit the orders of their respective customers who are Beneficial Owners and Potential Beneficial Owners to the Auction Agent. On or prior to each Auction date for the APS (the Business Day next preceding the first day of each Dividend Period), each Beneficial Owner may submit orders to its Broker-Dealer as follows:

- "Hold Order" -- indicating its desire to hold the APS without regard to the dividend rate for the next Dividend Period for such shares.

- "Bid" -- indicating its desire to hold the APS, provided that the dividend rate for the next Dividend Period for such shares is not less than the rate per annum specified in such Bid.

- "Sell Order" -- indicating its desire to sell the APS without regard to the dividend rate for the next Dividend Period for such shares.

A Beneficial Owner may submit a combination of Hold, Bid and Sell Orders with respect to an Auction, provided that the total number of APS covered by such orders does not exceed the number of APS held by such Beneficial Owner. If, however, a Beneficial Owner offers to purchase additional APS in such Auction, the Beneficial Owner, for purposes of such offer to purchase additional shares, will be treated as a Potential Beneficial Owner as described below.

Potential Beneficial Owners may submit Bids through their Broker-Dealers. A Bid by a Potential Beneficial Owner with a rate per annum higher than the Maximum Applicable Rate will not be considered. Neither the Fund nor the Auction Agent will be responsible for a Broker-Dealer's failure to act in accordance with the instructions of Beneficial Owners or Potential Beneficial Owners or failure to comply with any of the foregoing.

ORDERS DEEMED TO BE DELIVERED

The Auction Agent will treat Bids by Beneficial Owners with designated dividend rates higher than the Maximum Applicable Rate as Sell Orders. If a Beneficial Holder does not submit an order (including due to a failure of the Broker-Dealer to submit an order on behalf of a Beneficial Owner), the Auction Agent will deem the Beneficial

Owner to have submitted a Hold Order, except when there is a conversion from one auction period to a longer auction period, in which case the Auction Agent will deem such Beneficial Owner to have submitted a Sell Order.

BROKER-DEALERS MAY HOLD APS

A Broker-Dealer may hold APS for its own account as a Beneficial Owner provided that the Broker-Dealer is not an affiliate of the Fund. A Broker-Dealer may submit Orders to the Auction Agent as a Beneficial Owner or a Potential Beneficial Owner and therefore participate in an Auction as a Beneficial Owner or Potential Beneficial Owner on behalf of both itself and its customers.

DETERMINATION OF APPLICABLE RATE IN AUCTION

"Sufficient Clearing Bids" exist in an Auction if, in general, the number of APS subject to Bids by Potential Beneficial Owners with rates equal to or lower than the Maximum Rate is at least equal to the number of APS subject to Sell Orders by Beneficial Owners. If Sufficient Clearing Bids exist, the Applicable Rate will be the lowest rate per annum specified in the submitted Bids which, taking into account such rate per annum and all lower rates per annum bid by Beneficial Owners and Potential Beneficial Owners, would result in Beneficial Owners and Potential Beneficial Owners owning all of the APS available for purchase in the Auction. If Sufficient Clearing Bids do not exist, the Dividend Period next following the Auction automatically will be a seven-Day Dividend Period and the Applicable Rate will be the Maximum Rate. Consequently, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, APS subject to such Sell Orders. Thus, in certain circumstances, the Auction may not provide liquidity of investment to Beneficial Owners.

The Auction Procedures include a pro rata allocation of shares for purchase and sale, which may result in an Existing Holder selling or holding, or a Potential Holder purchasing, a number of APS that is less than the number of APS specified in its Order. To the extent the allocation has this result, a Broker-Dealer will be required to make appropriate pro rata allocations among its customers and itself. The following is a simplified example of how a typical Auction works. Assume that the Fund has 1,000 outstanding APS and three Existing Holders. The three Existing Holders and three Potential Holders submit orders transmitted to them by their corresponding Beneficial Owners and their corresponding Potential Beneficial Owners:

Existing Holder A.................	Beneficially owns 500 shares, wants to sell all 500 shares if the Applicable Rate is less than 2.1%	Bid of 2.1% rate
Existing Holder B.................	Beneficially owns 300 shares, wants to hold	Hold Order -- wil Applicable Rate
Existing Holder C.................	Beneficially owns 200 shares, wants to sell all 200 shares if the Applicable Rate is less than 1.9%	Bid of 1.9% rate
Potential Holder D.................	Wants to buy 200 shares	Place order to bu
Potential Holder E.................	Wants to buy 300 shares	Place order to bu
Potential Holder F.................	Wants to buys 200 shares	Place order to bu

The lowest dividend rate that will result in all 1,000 APS continuing to be held is 2.0% (the offer by D). For the purposes of the example, the lowest dividend rate is 2.0% at which there is Sufficient Clearing Bids and, therefore, the dividend rate will be 2.0%. Existing Holders B and C will continue to hold their shares. Existing Holder A will sell its shares because A's bid was higher than the Applicable Rate. Potential Holder D will buy 200 shares and Potential Holder E will buy 300 shares because their bid rates were at or below the Applicable Rate. Potential Holder F will not buy any shares because its bid rate was above the dividend rate.

ORDERS IRREVOCABLE

After the auction submission deadline and in the absence of Clerical Error, a Sell Order by a Beneficial Owner will constitute an irrevocable offer to sell the APS subject thereto, and a Bid placed by an Existing Holder also will constitute an irrevocable offer to sell the APS subject thereto if the rate per annum specified in the Bid is higher than the Applicable Rate determined in the Auction, in each case at a price per share equal to $25,000. A Bid placed by a

Potential Beneficial Owner will constitute an irrevocable offer to purchase the APS subject thereto at a price per share equal to $25,000 if the rate per annum specified in such Bid is less than or equal to the Applicable Rate determined in the Auction. Settlement of purchases and sales will be made on the next Business Day (also a Dividend Payment Date) after the Auction Date through the Securities Depository. Purchasers will make payment through their agent members in same-day funds to the Securities Depository against delivery by book-entry to their agent members. The Securities Depository will make payment to the sellers' agent members in accordance with the Securities Depository's normal procedures, which now provide for payment in same-day funds. See "The Auction."

FINANCIAL HIGHLIGHTS (UNAUDITED)

Information contained in the table below shows the unaudited operating performance of the Fund from the commencement of the Trust's investment operations on May 30, 2007 through July 31, 2007. Since the Fund was recently organized and commenced investment operations on May 30, 2007, the table covers approximately two months of operations, during which a substantial portion of the Fund's portfolio was held in temporary investments pending investment in below investment grade (high yield) debt securities, loans and preferred stocks. Accordingly, the information presented does not provide a meaningful picture of the Fund's future operating performance.

	FOR THE 2007(1) (
Per Common Share operating performance (2)	
Net asset value, beginning of period	
Increase (decrease) from investment operations:	
Net investment income	
Net realized and unrealized loss on investments	
Distributions to preferred shareowners from net investment income	
Net increase from investment operations	
Capital charge with respect to issuance of:	
Common Shares	
Net decrease in net asset value	
Net asset value, end of period (4)	
Market value, end of period (4)	
Total return at market value (5)	
Total return on NAV (6)	
Ratios to average net assets of holders of Common Shares	
Net expenses (7)	
Net investment income before APS dividends (7)	
Preferred share dividends	
Net investment income available to holders of Common Shares	
Portfolio turnover	
Net assets of holders of Common Shares, end of period (in thousands)	
APS outstanding (in thousands)	
Asset coverage per preferred share, end of period	
Average market value per preferred share	
Liquidation value per preferred share	
Ratios to average net assets of holders of Common Shares before reimbursement of organization expenses	
Net expenses (7)	
Net investment income before APS dividends (7)	
Preferred share dividends	
Net investment income available to holders of Common Shares	

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(1) Fund shares were first publicly offered on May 24, 2007, and the Fund commenced operations on May 30, 2007.

(2) The per share data presented above is based upon the average Common Shares outstanding for the period presented.

(3) Net asset value immediately after the closing of the first public offering was $[_____].

(4) Net asset value and market value are published in Barron's and the Monday edition of The Wall Street Journal.

(5) Total investment return is calculated assuming a purchase of Common Shares at the current market price on the first day and a sale at the current market price on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions on shares of the Trust. Total investment returns for less than a full period are not annualized. Past performance is not a guarantee of future results.

(6) Total return on net asset value is calculated assuming a purchase at the offering price of $25.00 less the sales load of $1.125, and the ending net asset value per share of $[23.825].

(7) Ratios do not reflect the effect of dividend payments to holders of APS.

(8) Annualized.

The information above represents the unaudited operating performance for a Common Share outstanding, total investment return, ratios to average net assets and other supplemental data for the period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Fund's Common Shares.

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THE FUND

Pioneer Diversified High Income Trust is a recently organized, diversified, closed-end management investment company. The Fund was organized under the laws of the State of Delaware on January 30, 2007, and has registered under the 1940 Act. The Fund's principal office is located at 60 State Street, Boston, Massachusetts 02109, and its telephone number is (617) 742-7825.

On May 30, 2007, the Fund issued an aggregate of 7,300,000 Common Shares of beneficial interest, no par value, pursuant to an initial public offering. On June 28, 2007 and July 10, 2007, the Fund issued in the aggregate an additional 850,000 Common Shares of beneficial interest pursuant to an over-allotment option. The Common Shares are traded on the American Stock Exchange under the symbol "HNW."

The following provides information about the Fund's outstanding shares as of July 31, 2007.

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY THE FUND OR FOR ITS ACCOUNT	AMOUNT OUTSTANDING
Common Shares	Unlimited	0	8,154,188
APS.......................	Unlimted for each series	0	0
Series A			
Series B			

USE OF PROCEEDS

The net proceeds of this offering will be approximately $[_____] after payment of the estimated offering costs and the deduction of the sales load. The Fund will invest the net proceeds of the offering in accordance with the Fund's investment objectives and principal investment strategies as stated below. However, investments that, in the judgment of the Adviser or Subadviser, are appropriate investments for the Fund may not be immediately available. Therefore, there will be an initial investment period of approximately four months following the completion of this offering before the Fund is required to be invested in accordance with its principal investment strategies. During such period, all or a portion of the proceeds may be invested in U.S. government securities or high grade, short-term money market instruments. See "Investment objectives and principal investment strategies."

CAPITALIZATION (UNAUDITED)

The following table sets forth the capitalization of the Fund as of July 31, 2007, and as adjusted to give effect to the issuance of the APS offered hereby (including estimated offering expenses of $[_____] and a sales load of $[_____] per APS).

	ACTUAL
APS, $[0.0001] par value, $25,000 stated value per share, at liquidation value, including dividends payable; unlimited shares authorized (no shares issued; [ ] shares issued, as adjusted)	$ [_____]
Shareholder's Equity:	
Common Shares, no par value per share; unlimited shares authorized, [8,154,188] shares outstanding (1)	$ [_____]
Undistributed net investment income	$ [_____]
Accumulated net realized loss on investments	$ [_____]
Net unrealized gain on investments	$ [_____]
Net assets attributable to holders of Common Shares	$ [_____]

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(1) None of these outstanding shares are held by or for the account of the Fund.

PORTFOLIO COMPOSITION

As of July 31, 2007, approximately [_____]% of the market value of the Fund's portfolio was invested in below investment grade (high yield) debt securities, loans and preferred stocks, and approximately [_____]% of the market value of the Fund's portfolio was invested in other securities and short-term instruments. The following table sets forth certain information with respect to the composition of the Fund's investment portfolio as of July 31, 2007.

INVESTMENT DESCRIPTION	VALUE	PERCENT
	$ [______]	[______] %
	$ [______]	[______] %
	$ [______]	[______] %
	$ [______]	[______] %
	$ [______]	[______] %
	$ [______]	[______] %
Total	$ [______]	[______] %