TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC
Form N-CSR
January 27, 2011

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22106

Tortoise Power and Energy Infrastructure Fund, Inc.
(Exact name of registrant as specified in charter)

11550 Ash Street, Suite 300, Leawood, KS 66211
(Address of principal executive offices) (Zip code)

David J. Schulte
11550 Ash Street, Suite 300, Leawood, KS 66211
(Name and address of agent for service)

913-981-1020
Registrant's telephone number, including area code

Date of fiscal year end: November 30

Date of reporting period: November 30, 2010

Item 1. Report to Stockholders.

Company at a Glance

Tortoise Power and Energy Infrastructure Fund, Inc. (NYSE: TPZ) invests in a portfolio of fixed income and equity securities issued by power and energy infrastructure companies. The Fund's goal is to provide stockholders a high level of current income, with a secondary objective of capital appreciation. The Fund seeks to invest in a portfolio of companies that provide stable and defensive characteristics throughout economic cycles.

Infrastructure Asset Class

Increasingly, institutions have allocated a portion of their investment portfolio to infrastructure due to its desirable investment characteristics, which include:

- ♦ Long-term stable asset class with low historical volatility
- ♦ Attractive risk-adjusted returns
- ♦ Investment diversification through low historical correlation with other asset classes
- ♦ A potential inflation hedge through equity investments

For Investors Seeking

- ♦ A fund which invests in the historically stable and defensive power and energy infrastructure sectors
- ♦ Monthly distributions
- ♦ Fund invested in fixed income securities with low volatility and more safety as well as MLPs for growth
- ♦ One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings related to individual MLP partnership investments

Power and Energy Infrastructure Operations

At the heart of the infrastructure asset class is power and energy infrastructure, illustrated in the box below:

Power Infrastructure — The ownership and operation of asset systems that provide electric power generation (including renewable energy), transmission and distribution.

Energy Infrastructure — The ownership and operation of a network of pipeline assets to transport, store, gather, and/or process crude oil, refined petroleum products, natural gas or natural gas liquids (including renewable energy).

January 13, 2011

Dear Fellow Stockholders,

Tortoise Power and Energy Infrastructure Fund invests in securities issued by power and energy infrastructure companies. While we focus primarily in fixed income securities which offer greater investor protection of principal than equity investments, we believe our MLP equity component provides a partial hedge against inflation.

Our goal is to provide stockholders a high level of current income, with a secondary objective of capital appreciation. While we maintained an attractive yield during the year, the primary value creation for stockholders was driven by increased valuation of both our debt and equity holdings and the resulting rise in our stock price. Our fixed income investments increased in value as a result of lower interest rates and the narrowing of spreads stemming from the improved credit quality of power infrastructure companies as the economic recovery continued. MLP valuations also improved as a result of continued distribution growth and market recognition of the quality of the MLP cash flow streams.

Power and Energy Infrastructure Sector Review and Outlook

In our fiscal year ended Nov. 30, 2010, the TPZ Benchmark Index*, comprised of a blend of debt and equity securities issued by power and energy infrastructure companies, had a total return of 18.9 percent compared to approximately 10 percent for the S&P 500.

Power and energy infrastructure companies benefited from the underlying strength of their business fundamentals. Economic activity drove higher electricity demand and low prices for both natural gas and coal utilized by power infrastructure companies supported stability. Demand for services to gather, process, transport and store crude oil, natural gas and natural gas liquids rose as the economy began to improve. Power infrastructure growth was focused on transmission, renewables and natural gas fired generation, with an emphasis on regulated assets. In the MLP sector alone, integrated and other energy companies sold approximately $40 billion of assets to MLPs (including dropdowns and general partner transactions) and over $10 billion was invested in new internal growth projects in fiscal 2010. Capital markets were supportive as power and energy infrastructure companies enjoyed strong access to capital.

We expect growth capital next year to be consistent with recent levels of investment and efforts to focus on transmission and renewables in power infrastructure and the development of natural gas and liquids energy infrastructure in the EagleFord shale in South Texas, the Bakken shale around North Dakota, the Marcellus shale located in the Appalachia region, and the Haynesville shale in east Texas and northern Louisiana.

Fund Performance Review and Outlook

Our total assets increased from $174.0 million on Nov. 30, 2009, to $204.1 million on Nov. 30, 2010, resulting primarily from market appreciation of our investments. Our total return based on market value, including the reinvestment of distributions, was 4.7 percent for the fourth fiscal quarter and 28.8 percent for our fiscal year.

During 2010, we paid monthly distributions of $0.125 per share ($1.50 annualized). This represented an annualized yield of 6.5 percent based on our fiscal year closing price of $23.06. Our payout ratio of distributions to distributable cash flow (DCF) for the fiscal year was 99.3 percent, which is in line with our expectations to pay out at least 95 percent of DCF to stockholders annually. For tax purposes, distributions to stockholders for 2010 were 88 percent ordinary income, six percent long-term capital gain and six percent return of capital.

We ended our fiscal year with leverage (including bank debt and senior notes) at 16 percent of total assets, well below our long-term target of 20 percent. The market appreciation of our investments led to an improvement of our leverage position as we allowed our leverage as a percent of total assets to decrease over the near term. Through the utilization of interest rate swaps, we have essentially fixed the rate on approximately 83 percent of our leverage, which has a weighted average maturity of 2.7 years and a weighted average cost of 3.46 percent at Nov. 30, 2010. We believe a primarily fixed-rate strategy with laddered maturities enhances the predictability and sustainability of our distributable cash flow.

Additional information about our financial performance is available in the Key Financial Data and Management's Discussion of this report.

Conclusion

We have a philosophy of comprehensive risk management, especially in portfolio selection and leverage policy. We seek to invest in a portfolio of power and energy infrastructure companies that provide stable and defensive characteristics throughout economic cycles. We focus on companies that operate essential assets with fee-based cash flows that generate high current yield with predictable revenues and stable cost structures. Our portfolio is anchored in fixed income securities, with our equity component providing a potential inflation hedge.

Thank you for your investment in TPZ. We look forward to a promising 2011.

Sincerely,
The Managing Directors
Tortoise Capital Advisors, L.L.C.
The adviser to Tortoise Power and Energy Infrastructure Fund, Inc.

H. Kevin Birzer	Zachary A. Hamel	Kenneth P. Malvey
Terry Matlack	David J. Schulte	

*TPZ Benchmark Index includes the BofA Merrill Lynch US. Energy Index (CIEN), the BofA Merrill Lynch US Electric Utility Index (CUEL) and the Tortoise MLP Total Return Index (TMLPT).

(Unaudited)

KEY FINANCIAL DATA (Supplemental Unaudited Information)

(dollar amounts in thousands unless otherwise indicated)

The information presented below regarding Distributable Cash Flow and Selected Operating Ratios is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Selected Operating Ratios are the functional equivalent of EBITDA for non-investment companies, and we believe they are an important supplemental measure of performance and promote comparisons from period-to-period. Supplemental non-GAAP measures should be read in conjunction with our full financial statements.

	Year Ended November 30,		2009	2010			
	2009(1)	2010	Q4(2)	Q1(2)	Q2(2)	Q3(2)	Q4(2)
Total Income from Investments							
Interest earned on corporate bonds	$1,797	$ 7,876	$1,633	$1,900	$1,943	$2,005	$2,028
Distributions received from master limited partnerships	1,046	3,514	894	901	908	871	834
Dividends paid in stock	584	2,345	568	568	587	592	598
Interest and dividend income	29	—	4	—	—	—	—
Total from investments	3,456	13,735	3,099	3,369	3,438	3,468	3,460
Operating Expenses Before Leverage Costs							
Advisory fees, net of expense reimbursement	405	1,510	314	356	375	381	398
Other operating expenses	213	476	162	123	120	125	108
	618	1,986	476	479	495	506	506
Distributable cash flow before leverage costs	2,838	11,749	2,623	2,890	2,943	2,962	2,954
Leverage costs(3)	187	1,274	187	317	325	329	303
Current foreign tax expense	—	2	—	—	1	—	1
Distributable Cash Flow(4)	$2,651	$10,473	$2,436	$2,573	$2,617	$2,633	$2,650
Distributions paid on common stock	$2,577	$10,399	$2,577	$2,591	$2,602	$2,603	$2,603
Distributions paid on common stock per share	0.375	1.500	0.375	0.375	0.375	0.375	0.375
Payout percentage for period(5)	97.2%	99.3%	105.8%	100.7%	99.4%	98.9%	98.2%
Net realized gain on investments and interest rate swaps, for the period	104	4,846	104	1,325	1,764	1,251	506
Total assets, end of period	173,997	204,102	173,997	188,170	183,009	193,637	204,102
Average total assets during period(6)	153,210	190,522	158,766	181,412	188,261	190,519	200,243
Leverage (long-term debt obligations and short-term borrowings)(7)	31,300	32,700	31,300	31,100	32,500	32,650	32,700
Leverage as a percent of total assets	18.0%	16.0%	18.0%	16.5%	17.8%	16.9%	16.0%
Net unrealized appreciation, end of period	11,641	39,346	11,641	21,387	18,252	28,090	39,346
Net assets, end of period	141,789	169,874	141,789	152,231	149,567	159,362	169,874
Average net assets during period(8)	134,521	156,685	136,028	149,001	154,058	156,594	167,033
Net asset value per common share	20.55	24.47	20.55	21.96	21.55	22.96	24.47
Market value per common share	19.18	23.06	19.18	20.20	21.05	22.38	23.06
Shares outstanding	6,898,481	6,940,986	6,898,481	6,931,555	6,940,986	6,940,986	6,940,986
Selected Operating Ratios(9)							
As a Percent of Average Total Assets							
Total distributions received from investments	6.69%	7.21%	7.83%	7.53%	7.25%	7.22%	6.93%
Operating expenses before leverage costs	1.20%	1.04%	1.20%	1.07%	1.04%	1.05%	1.01%
Distributable cash flow before leverage costs	5.49%	6.17%	6.63%	6.46%	6.21%	6.17%	5.92%
As a Percent of Average Net Assets							

Distributable cash flow(4)	5.85%	6.68%	7.18%	7.00%	6.74%	6.67%	6.36%

(1) Represents the period from July 31, 2009 (commencement of operations) through November 30, 2009.
(2) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.
(3) Leverage costs include interest expense, interest rate swap expenses and other leverage expenses.
(4) "Net investment income" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on MLP distributions, the value of paid-in-kind distributions amortization of debt issuance costs and the change in methodology for calculating amortization of premiums or discounts; and decreased by realized and unrealized gains (losses) on interest rate swap settlements.
(5) Distributions paid as a percentage of Distributable Cash Flow.
(6) Computed by averaging month-end values within each period.
(7) The balance on the short-term credit facility was $12,700,000 as of November 30, 2010.
(8) Computed by averaging daily values within each period.
(9) Annualized for periods less than one full year. Operating ratios contained in our Financial Highlights are based on average net assets.

MANAGEMENT'S DISCUSSION(Unaudited)

Management's Discussion

The information contained in this section should be read in conjunction with our Financial Statements and the Notes thereto. In addition, this report contains certain forward-looking statements. These statements include the plans and objectives of management for future operations and financial objectives and can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are set forth in the "Risk Factors" section of our public filings with the SEC.

Overview

Tortoise Power and Energy Infrastructure Fund, Inc.'s ("TPZ") primary investment objective is to provide a high level of current income, with a secondary objective of capital appreciation. We seek to provide our stockholders a vehicle to invest in a portfolio consisting primarily of securities issued by power and energy infrastructure companies. Power infrastructure operations use asset systems to provide electric power generation (including renewable energy), transmission and distribution. Energy infrastructure operations use a network of pipeline assets to transport, store, gather and/or process crude oil, refined petroleum products (including biodiesel and ethanol), natural gas or natural gas liquids. We believe the power and energy infrastructure sectors provide stable and defensive characteristics throughout economic cycles. A majority of the investments are in fixed income securities with the remainder invested in equities which provide growth potential.

TPZ is a registered non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and expects to qualify as a regulated investment company ("RIC") under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Tortoise Capital Advisors, L.L.C. (the "Adviser") serves as investment adviser.

Company Update

Market values of both our debt and equity investments ended the 4th quarter 2010 above their levels at August 31, 2010, contributing to an increase of $10.5 million in total assets. Distributions received from our investments during the quarter were in line with our expectations while the increase in total assets during the quarter resulted in increased asset-based expenses. Total leverage decreased as a percent of total assets and we maintained our monthly distribution of $0.125 per share. Additional information on the results of our operations is discussed in more detail below.

Critical Accounting Policies

The financial statements are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments. Our critical accounting policies are those applicable to the valuation of investments and certain revenue recognition matters as discussed in Note 2 in the Notes to Financial Statements.

Determining Distributions to Stockholders

Unlike most RIC's which pay distributions based upon income, we pay monthly distributions based upon our distributable cash flow ("DCF"). Our Board of Directors reviews the distribution rate quarterly, and may adjust the monthly distributions throughout the year.

Determining DCF

DCF is simply income from investments less expenses. Income from investments includes the accrued interest from corporate bonds, cash distributions and paid-in-kind distributions from MLPs and related companies and dividends earned from short-term investments. The total expenses include current or anticipated operating expenses and leverage costs. Each are summarized for you in the table on page 2 and are discussed in more detail below.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: (1) GAAP recognizes distribution income from MLPs and common stock on their ex-dates, whereas the DCF calculation reflects distribution income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (3) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts are not included as income for GAAP purposes; and (4) amortization of premium or discount for all securities is calculated using the yield to worst methodology for GAAP purposes while yield to call is used in calculating amortization for long-dated hybrid securities in the DCF calculation. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses, including expense reimbursement, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense and realized and unrealized gains (losses) on interest rate swap settlements as leverage costs. A reconciliation of Net Investment Income to DCF is included below.

Income from Investments

We seek to achieve our investment objectives by investing in income-producing fixed income and equity securities of companies that we believe offer attractive distribution rates. We evaluate each holding based upon its contribution to our investment income and its risk relative to other potential investments.

Total income from investments for the 4th quarter 2010 was approximately $3.5 million, a slight decrease as compared to 3rd quarter 2010. This decrease is due to an exchange during the quarter from a higher yielding debt investment to a lower yielding investment, offset by distribution increases from our MLPs.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee; and (2) leverage costs. On a percentage basis, operating expenses before leverage costs were an annualized 1.01 percent of average total assets for 4th quarter 2010 as compared to 1.05 percent for the 3rd quarter 2010. Advisory fees for 4th quarter 2010 increased 4.5 percent from 3rd quarter 2010 as a result of increased market values and average managed assets during the quarter.

While the contractual advisory fee is 0.95 percent of average monthly managed assets, the Adviser has agreed to waive an amount equal to 0.15, 0.15 and 0.10 percent of average monthly managed assets for the calendar years 2010, 2011 and 2012, respectively.

Leverage costs consist of two major components: (1) the direct interest expense, which will vary from period to period, as our senior notes and revolving credit facility have variable rates of interest; and (2) the realized and unrealized gain or loss on our interest rate swap settlements. Detailed information on our senior notes and revolving credit facility is included in the Liquidity and Capital Resources section below.

MANAGEMENT'S DISCUSSION(Unaudited)
(Continued)

As indicated in Note 10 of our Notes to Financial Statements, we have entered into $27 million notional amount of interest rate swap contracts with Wells Fargo Bank in an attempt to reduce a portion of the interest rate risk arising from our leveraged capital structure. TPZ has agreed to pay Wells Fargo Bank a fixed rate while receiving a floating rate based upon the 1-month or 3-month U.S. Dollar London Interbank Offered Rate ("LIBOR"). The spread between the fixed swap rate and LIBOR is reflected in our Statement of Operations as a realized or unrealized gain when LIBOR exceeds the fixed rate (Wells Fargo Bank pays TPZ the net difference) or a realized or unrealized loss when the fixed rate exceeds LIBOR (TPZ pays Wells Fargo Bank the net difference). The interest rate swap contracts have a weighted average fixed rate of 2.13 percent and weighted average remaining maturity of approximately 2.8 years at November 30, 2010. This swap arrangement effectively fixes the cost on approximately 83 percent of our outstanding leverage as of November 30, 2010 over the remaining swap period.

Total leverage costs for DCF purposes were approximately $303,000 for the 4th quarter 2010, a decrease of approximately 8 percent as compared to 3rd quarter 2010 due primarily to improved terms included in the amendment to our credit facility which became effective September 14, 2010. This includes interest expense on our senior notes and bank credit facility and accrued swap settlement costs of approximately $121,000. The average annualized total cost of leverage (total leverage costs divided by average outstanding leverage) was 3.75 percent for 4th quarter 2010.

Distributable Cash Flow

For 4th quarter 2010, our DCF was approximately $2.65 million, an increase of 0.6 percent as compared to 3rd quarter 2010. This increase is the net result of the change in distributions and expenses as outlined above. On August 9, 2010, we declared monthly distributions for the 2010 4th fiscal quarter of $0.125 per share. This is unchanged as compared to 3rd quarter 2010.

Our dividend payout ratio as a percentage of DCF decreased from 98.9 percent during 3rd quarter 2010 to 98.2 percent during 4th quarter 2010. A payout of less than 100 percent of DCF provides cushion for on-going management of the portfolio, changes in leverage costs and other expenses. An on-going payout ratio in excess of 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions or portfolio managers taking on more risk than they otherwise would.

Net investment income on the Statement of Operations is adjusted as follows to reconcile to DCF for fiscal year 2010 and the 4th quarter 2010 (in thousands):

	2010	4th Qtr 2010
Net Investment Income	$ 5,066	$1,353
Adjustments to reconcile to DCF:		
Dividends paid in stock	2,345	598
Return of capital on distributions	3,296	750
Amortization of debt issuance costs	38	10
Interest rate swap expenses	(497)	(121)
Change in amortization methodology	225	60
DCF	$10,473	$2,650

Liquidity and Capital Resources

We had total assets of $204.1 million at year-end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and receivables and any expenses that may have been prepaid. During the 4th quarter 2010, total assets increased from $193.6 million to $204.1 million, an increase of $10.5 million which was primarily the result of net realized and unrealized gains on investments during the quarter (excluding return of capital on distributions reflected during the quarter).

Total leverage outstanding at November 30, 2010 of $32.7 million is comprised of $20 million floating rate senior notes and $12.7 million outstanding on our bank credit facility. Through the utilization of our interest rate swaps, we have essentially fixed the rate on approximately 83 percent of our leverage with the remaining 17 percent floating based upon short-term LIBOR. Total leverage represented 16.0 percent of total assets. We've allowed leverage as a percent of total assets to decrease as market values increased rather than maintain leverage to total assets at the long-term target level of 20 percent of total assets. This allows the opportunity to add leverage when compelling investment opportunities arise. Temporary increases of up to 25 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in investment values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

We have used leverage to acquire investments consistent with our investment philosophy. The terms of our leverage are governed by regulatory and contractual asset coverage requirements that arise from the use of leverage. Additional information on our leverage and asset coverage requirements is discussed in Note 9 in the Notes to Financial Statements. Our coverage ratio is updated each week on our Web site at www.tortoiseadvisors.com.

Taxation of our Distributions

We expect that distributions paid on common shares will generally consist of: (i) investment company taxable income (which includes, among other items, taxable interest and the excess of any short-term capital gains over net long-term capital losses); (ii) long-term capital gain (net gain from the sale of a capital asset held longer than 12 months over net short-term capital losses) and (iii) return of capital.

We may distribute additional capital gains in the last fiscal quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. If, however, we elect to retain any capital gains, we will be subject to U.S. capital gains taxes. The payment of those taxes will flow-through to stockholders as a tax credit to apply against their U.S. income tax payable on the deemed distribution of the retained capital gain.

For tax purposes, distributions paid to common stockholders for the calendar year ended December 31, 2010 were approximately 88 percent ordinary income (none of which is qualified dividend income), 6 percent long-term capital gain and 6 percent return of capital. A holder of our common stock would reduce their costs basis for income tax purposes by approximately 6 percent of the total distributions they received in 2010. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at www.tortoiseadvisors.com.

SCHEDULE OF INVESTMENTS
November 30, 2010

	Principal Amount/Shares		Fair Value	
Corporate Bonds — 68.0%(1)				
Crude/Refined Products Pipelines — 1.9%(1)				
Canada — 1.9%(1)				
Gibson Energy ULC/GEP Midstream Finance Corp., 10.000%, 01/15/2018	$	3,250,000	$	3,250,000
Natural Gas/Natural Gas Liquids Pipelines — 18.0%(1)				
Canada — 3.5%(1)				
TransCanada Pipelines Limited, 6.350%, 05/15/2067		6,000,000		5,925,966
United States — 14.5%(1)				
El Paso Corp., 6.500%, 09/15/2020(2)		4,000,000		4,132,472
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020(2)		500,000		539,154
Midcontinent Express Pipeline LLC, 6.700%, 09/15/2019(2)		6,000,000		6,578,778
NGPL PipeCo LLC, 7.119%, 12/15/2017(2)		4,000,000		4,444,000
Southern Star Central Corp., 6.750%, 03/01/2016		2,745,000		2,745,000
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016(2)		2,000,000		2,241,270
Southern Union Co., 7.600%, 02/01/2024		3,500,000		3,871,028
				30,477,668
Natural Gas Gathering/Processing — 5.7%(1)				
United States — 5.7%(1)				
DCP Midstream LLC, 9.750%, 03/15/2019(2)		4,000,000		5,244,924
Enogex LLC, 6.250%, 03/15/2020(2)		4,000,000		4,400,124
				9,645,048
Oil and Gas Exploration and Production — 5.4%(1)				
United States — 5.4%(1)				
Chesapeake Energy Corp., 7.250%, 12/15/2018		2,000,000		2,100,000
Encore Acquisition Co., 9.500%, 05/01/2016		1,500,000		1,650,000

Newfield Exploration Co.,		
7.125%, 05/15/2018	1,000,000	1,050,000
Pioneer Natural Resources Co.,		
6.875%, 05/01/2018	1,000,000	1,064,256
Plains Exploration & Production Co.,		
10.000%, 03/01/2016	3,000,000	3,330,000
		9,194,256
Oilfield Services — 2.0%(1)		
United States — 2.0%(1)		
Pride International, Inc.,		
8.500%, 06/15/2019	3,000,000	3,420,000
Power/Utility — 33.1%(1)		
United States — 33.1%(1)		
Ameren Illinois Power Co.,		
9.750%, 11/15/2018	2,000,000	2,633,050
CenterPoint Energy, Inc.,		
6.500%, 05/01/2018	4,000,000	4,568,228
CMS Energy Corp.,		
8.750%, 06/15/2019	4,185,000	5,008,202
Dominion Resources, Inc.,		
8.375%, 06/15/2064	183,000	5,361,900
FPL Group Capital, Inc.,		
6.650%, 06/15/2067	1,029,000	1,016,138
Integrys Energy Group, Inc.,		
6.110%, 12/01/2066	3,750,000	3,637,500
IPALCO Enterprises, Inc.,		
7.250%, 04/01/2016(2)	2,000,000	2,150,000
NiSource Finance Corp.,		
10.750%, 03/15/2016	3,500,000	4,626,135
North American Energy Alliance LLC,		
10.875%, 06/01/2016(2)	2,800,000	3,108,000
NRG Energy, Inc.,		
8.500%, 06/15/2019	6,000,000	6,090,000
PPL Capital Funding, Inc.,		
6.700%, 03/30/2067	6,000,000	5,865,000
Sierra Pacific Resources,		
6.750%, 08/15/2017	3,000,000	3,114,753
Source Gas, LLC,		
5.900%, 04/01/2017(2)	5,770,000	5,666,463
Wisconsin Energy Corp.,		
6.250%, 05/15/2067	3,450,000	3,381,000
		56,226,369
Refining — 1.9%(1)		
United States — 1.9%(1)		
Holly Corp.,		
9.875%, 06/15/2017	3,000,000	3,262,500
Total Corporate Bonds (Cost $106,885,096)		115,475,841

See accompanying Notes to Financial Statements.

SCHEDULE OF INVESTMENTS (Continued)
November 30, 2010

	Shares	Fair Value
Master Limited Partnerships and Related Companies — 50.7%(1)		
Crude/Refined Products Pipelines — 26.2%(1)		
United States — 26.2%(1)		
Buckeye Partners, L.P.	25,300	$ 1,722,171
Enbridge Energy Management, L.L.C.(3)	284,146	17,310,154
Holly Energy Partners, L.P.	27,549	1,409,131
Kinder Morgan Management, LLC(3)(4)	275,703	17,642,216
Magellan Midstream Partners, L.P.	19,400	1,086,400
NuStar Energy L.P.	32,600	2,198,870
Plains All American Pipeline, L.P.	16,500	1,014,750
Sunoco Logistics Partners L.P.	26,481	2,135,693
		44,519,385
Natural Gas/Natural Gas Liquids Pipelines — 12.6%(1)		
United States — 12.6%(1)		
Boardwalk Pipeline Partners, LP	120,000	3,720,000
Duncan Energy Partners L.P.	101,700	3,190,329
Energy Transfer Equity, L.P.	27,809	1,100,124
Energy Transfer Partners, L.P.	107,700	5,457,159
Enterprise Products Partners L.P.	33,600	1,413,888
Niska Gas Storage Partners LLC	6,866	137,183
ONEOK Partners, L.P.	66,600	5,275,386
Williams Partners, L.P.	23,932	1,126,000
		21,420,069
Natural Gas Gathering/Processing — 7.3%(1)		
United States — 7.3%(1)		
Copano Energy, L.L.C.	93,200	2,789,476
DCP Midstream Partners, LP	85,200	2,973,480
MarkWest Energy Partners, L.P.	56,700	2,400,111
Regency Energy Partners, L.P.	10,600	272,420
Targa Resources Partners L.P.	132,417	4,010,911
		12,446,398
Propane Distribution — 4.6%(1)		
United States — 4.6%(1)		
Inergy, L.P.	197,500	7,706,450
Total Master Limited Partnerships and Related Companies (Cost $54,352,285)		86,092,302
Short-Term Investment — 0.0%(1)		
United States Investment Company — 0.0%(1)		

Fidelity Institutional Government Portfolio —		
Class I, 0.05%(5) (Cost $57,868)	57,868	57,868
Total Investments — 118.7%(1)		
(Cost $161,295,249)		201,626,011
Long-Term Debt Obligations — (11.8%)(1)		(20,000,000)
Interest Rate Swap Contracts — (0.6%)(1)		
$27,000,000 notional — Unrealized Depreciation(6)		(985,024)
Other Assets and Liabilities — (6.3%)(1)		(10,767,139)
Total Net Assets Applicable to		
Common Stockholders — 100.0%(1)		$ 169,873,848

(1) Calculated as a percentage of net assets applicable to common stockholders.
(2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of $38,505,185, which represents 22.7% of net assets. See Note 7 to the financial statements for further disclosure.
(3) Security distributions are paid-in-kind.
(4) All or a portion of the security is segregated as collateral for the unrealized depreciation of interest rate swap contracts.
(5) Rate indicated is the current yield as of November 30, 2010.
(6) See Note 10 of the financial statements for further disclosure.

See accompanying Notes to Financial Statements.

Statement of Assets & Liabilities

November 30, 2010

Assets	
Investments at fair value (cost $161,295,249)	$ 201,626,011
Receivable for Adviser expense reimbursement	50,670
Interest and dividend receivable	2,191,570
Prepaid expenses and other assets	233,318
Total assets	204,101,569
Liabilities	
Payable to Adviser	320,908
Accrued expenses and other liabilities	220,129
Unrealized depreciation of interest rate swap contracts	985,024
Current foreign tax liability	1,660
Short-term borrowings	12,700,000
Long-term debt obligations	20,000,000
Total liabilities	34,227,721
Net assets applicable to common stockholders	$ 169,873,848
Net Assets Applicable to Common Stockholders Consist of:	
Capital stock, $0.001 par value; 6,940,986 shares issued and outstanding (100,000,000 shares authorized)	$6,941
Additional paid-in capital	130,167,343
Undistributed net investment income	353,765
Undistributed net realized gain	—
Net unrealized appreciation of investments and interest rate swap contracts	39,345,799
Net assets applicable to common stockholders	$ 169,873,848
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$ 24.47

Statement of Operations

Year Ended November 30, 2010

Investment Income	
Distributions from master limited partnerships	$ 3,513,885
Less return of capital on distributions	(3,296,231)
Net distributions from master limited partnerships	217,654
Interest from corporate bonds	7,651,686
Dividends from money market mutual funds	118
Total Investment Income	7,869,458
Operating Expenses	

Advisory fees	1,792,589
Professional fees	174,780
Administrator fees	75,773
Directors’ fees	60,214
Stockholder communication expenses	56,477
Fund accounting fees	24,000
Registration fees	22,987
Franchise fees	20,000
Stock transfer agent fees	12,339
Custodian fees and expenses	6,762
Other operating expenses	23,009
Total Operating Expenses	2,268,930
Interest expense	716,752
Amortization of debt issuance costs	37,815
Other leverage expenses	61,394
Total Leverage Expenses	815,961
Total Expenses	3,084,891
Less expense reimbursement by Adviser	(283,040)
Net Expenses	2,801,851
Net Investment Income, before Current Foreign Tax Expense	5,067,607
Current foreign tax expense	(1,660)
Net Investment Income	5,065,947
Realized and Unrealized Gain on Investments and Interest Rate Swaps	
Net realized gain on investments	5,345,674
Net realized loss on interest rate swap settlements	(499,365)
Net realized gain on investments and interest rate swaps	4,846,309
Net unrealized appreciation of investments	28,291,321
Net unrealized depreciation of interest rate swap contracts	(586,913)
Net unrealized appreciation of investments and interest rate swap contracts	27,704,408
Net Realized and Unrealized Gain on Investments and Interest Rate Swaps	32,550,717
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$ 37,616,664

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

	Year Ended November 30, 2010	Period from July 31, 2009(1) through November 30, 2009