

EVERGREEN UTILITIES & HIGH INCOME FUND
Form N-CSR
November 08, 2005

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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 811-21507

[Utilities & High Income Fund]

(Exact name of registrant as specified in charter)

200 Berkeley Street Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq. 200 Berkeley Street Boston, Massachusetts 02116

(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 210-3200

Date of fiscal year end: [August 31, 2005]

Date of reporting period: [August 31, 2005]

Item 1 - Reports to Stockholders.

Evergreen Utilities and High Income Fund

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The fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q will be available on the SEC's Web site at <http://www.sec.gov>. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330.

A description of the fund's proxy voting policies and procedures, as well as information regarding how the fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by visiting our Web site at EvergreenInvestments.com or by visiting the SEC's Web site at <http://www.sec.gov>. The fund's proxy voting policies and procedures are also available without charge, upon request, by calling 800.343.2898.

Mutual Funds:

NOT FDIC INSURED MAY LOSE VALUE NOT BANK GUARANTEED

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LETTER TO SHAREHOLDERS

October 2005

Dennis H. Ferro

President and Chief Executive Officer

Dear Shareholder,

We are pleased to provide the annual report for the Evergreen Utilities and High Income Fund, which covers the twelve-month period ended August 31, 2005.

Investors in the financial markets have had to contend with a variety of conflicting issues over the past year. U.S. Gross Domestic Product (GDP) growth moderated from the rampant pace associated with recovery to the more normalized pace of economic expansion. Despite this trend, the Federal Reserve (Fed) continued to raise its target for the federal funds rate. Also, higher energy prices and the prospect of increased government spending helped renew inflation fears. And if all that wasn't enough, hurricanes, terrorist activity, and credit downgrades in the auto sector combined to further increase the uncertainty prevalent in the financial markets. It is in times such as these when yield investors should seek diversified sources of income and we believe investors with exposure to Evergreen's Utilities and High Income Fund had the opportunity to benefit from these diversification strategies.

The investment period began with a trend for slower growth in the U.S. economy. While the pace of output growth was still good, it was no longer considered great, and market interest rates initially declined on the perceived weakness. Yet despite this moderating trend in GDP, the Fed continued its measured removal of policy accommodation, raising the target for the federal funds rate by 1/4 point at each monetary policy meeting. Throughout this paradox of moderating economic growth and tighter monetary policy, Evergreen's Investment Strategy Committee maintained its belief that the economy had simply experienced a normal transition in the economic cycle, from recovery to expansion. A consequence of this change, though, was a variety of mixed economic data and as a result, market interest rates fluctuated on seemingly every

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LETTER TO SHAREHOLDERS continued

economic release. Historically, the maturation of the economic cycle had experienced similarly erratic behavior, and since the Fed had been accommodative for such an extended period, we believed that monetary policy was on the path of less stimulation, rather than more restriction, for the U.S. economy.

Despite rising energy prices and gradually higher short-term interest rates, long-term bond yields persisted lower as the investment period progressed. The debate therefore intensified as to the yield curve's message. Some felt that long-term inflation was under control, while others believed it signaled the end of the expansion. Considering moderating global economic growth, mild wage growth and solid domestic productivity, we concluded that long-term pricing pressures were insufficient to halt the expansion. In addition, excess global savings and increased demand from under-funded pensions likely pushed prices higher for the 10-year Treasury, helping to drive market yields lower.

The low market yields increased the attractiveness of the utilities sector as investors sought higher income potential. Moreover, profits for the utilities sector enjoyed healthy, low double-digit percentage growth over the past year after enduring flat to negative earnings growth over the prior two years. This powerful combination of earnings and income growth propelled the sector higher, enabling the portfolio managers of Evergreen's Utilities and High Income Fund to select domestic and foreign utility stocks with solid balance sheets, attractive yields, and good earnings potential for the portfolio. Within the high yield component of the fund, lower rated bonds tended to track the performance of equities, while near-investment grade bonds traded more closely to the overall bond market. Though lower-rated issues outperformed during the investment period, our portfolio managers maintained their long-term emphasis on quality within the high yield market, underweighting the auto sector while adding exposure to food and drug retailers.

LETTER TO SHAREHOLDERS continued

As always, we continue to recommend a diversified strategy, and we believe exposure to Evergreen's Utilities and High Income Fund will help investors achieve their long-term goals.

Please visit our Web site, **EvergreenInvestments.com**, for more information about our funds and other investment products available to you. Thank you for your continued support of Evergreen Investments.

Sincerely,

Dennis H. Ferro

President and Chief Executive Officer
Evergreen Investment Company, Inc.

Special Notice to Shareholders:

Please visit our website at **EvergreenInvestments.com** for a statement from President and Chief Executive Officer, Dennis Ferro, addressing NASD actions involving Evergreen Investment Services, Inc. (EIS), Evergreen's mutual fund broker-dealer or statements from Dennis Ferro and Chairman of the Board of the Evergreen Funds, Michael S. Scofield, addressing SEC actions involving the Evergreen Funds.

FINANCIAL HIGHLIGHTS

(For a common share outstanding throughout each period)

	Year Ended August 31,	
	2005	2004¹
Net asset value, beginning of period	\$ 19.76	\$ 19.10 ²
Income from investment operations		
Net investment income (loss)	1.80	0.77
Net realized and unrealized gains or losses on investments	5.64	0.34
Distributions to preferred shareholders from ³		
Net investment income	(0.15)	(0.02)
Net realized gains	(0.04)	0
Total from investment operations	7.25	1.09
Distributions to common shareholders from net investment income	(1.58)	(0.30)

Offering costs charged to capital for		
Common shares	0	(0.04)
Preferred shares	0	(0.09)
Total offering costs	0	(0.13)
Net asset value, end of period	\$ 25.43	\$ 19.76
Market value, end of period	\$ 22.21	\$ 18.29
Total return⁴		
Based on market value	31.00%	(7.05%)
Ratios and supplemental data		
Net assets of common shareholders, end of period (thousands)	\$250,826	\$227,328
Liquidation value of preferred shares, end of period (thousands)	\$ 80,000	\$ 80,000
Asset coverage ratio, end of period	406%	284%
Ratios to average net assets applicable to common shareholders		
Expenses including waivers/reimbursements but excluding expense reductions ⁵	1.49%	1.31% ⁶
Expenses excluding waivers/reimbursements and expense reductions ⁵	1.54%	1.31% ⁶
Interest expense	0.30%	0.29% ⁶
Net investment income (loss) ⁷	8.50%	12.05% ⁶
Portfolio turnover rate	126%	55%

¹ For the period from April 30, 2004 (commencement of operations), to August 31, 2004.

² Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.

³ Distributions to preferred shareholders per common share are based on average common shares outstanding during the period.

⁴ Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.

⁵ The expense ratio includes interest expense.

⁶ Annualized

⁷ The net investment income (loss) ratio reflects distributions to preferred shareholders.

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS

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August 31, 2005

	Principal Amount	Value
CORPORATE BONDS 37.5%		
CONSUMER DISCRETIONARY		
11.3%		
Diversified Consumer Services		
0.8%		
Alderwoods Group, Inc., 7.75%, 09/15/2012	\$ 1,000,000	\$ 1,057,500
Service Corporation International, 7.00%, 06/15/2017 144A	1,000,000	1,017,500
		<hr/> 2,075,000 <hr/>
Hotels, Restaurants & Leisure		
3.4%		
Ameristar Casinos, Inc., 10.75%, 02/15/2009	1,000,000	1,085,000
Isle of Capri Casinos, Inc., 7.00%, 03/01/2014	1,000,000	987,500
Las Vegas Sands Corp., 6.375%, 02/15/2015	1,000,000	970,000
MGM MIRAGE, Inc., 5.875%, 02/27/2014	1,000,000	970,000
Seneca Gaming Corp., 7.25%, 05/01/2012	1,000,000	1,045,000
Starwood Hotels & Resorts, Inc., 7.375%, 05/01/2007	1,000,000	1,041,250
Station Casinos, Inc., 6.50%, 02/01/2014	1,350,000	1,377,000
Town Sports International, Inc., 9.625%, 04/15/2011	1,000,000	1,065,000
		<hr/> 8,540,750 <hr/>
Household Durables 1.3%		
M/I Homes, Inc., 6.875%, 04/01/2012 144A	1,250,000	1,200,000
Meritage Homes Corp., 6.25%, 03/15/2015	325,000	305,906
Technical Olympic USA, Inc., 7.50%, 01/15/2015	1,000,000	932,500
WCI Communities, Inc., 9.125%, 05/01/2012	820,000	865,100
		<hr/> 3,303,506 <hr/>
Media 2.9%		
CSC Holdings, Inc., 7.625%, 04/01/2011	1,000,000	1,007,500

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Dex Media West, LLC, 5.875%, 11/15/2011	1,000,000	987,500
Emmis Communications Corp., 6.875%, 05/15/2012	1,000,000	1,005,000
LIN TV Corp., 6.50%, 05/15/2013	1,000,000	956,250
Mediacom Communications Corp., 9.50%, 01/15/2013	1,000,000	1,022,500
MediaNews Group, Inc., 6.375%, 04/01/2014	1,000,000	965,000
R.H. Donnelley Corp., 10.875%, 12/15/2012	1,000,000	1,161,250
		7,105,000

Multi-line Retail 0.4%

J.C. Penney Co., Inc., 7.375%, 08/15/2008	1,000,000	1,065,000
		1,065,000

Specialty Retail 1.6%

Central Garden & Pet Co., 9.125%, 02/01/2013	1,500,000	1,627,500
Group 1 Automotive, Inc., 8.25%, 08/15/2013	1,000,000	1,035,000
Payless ShoeSource, Inc., 8.25%, 08/01/2013	300,000	316,500
United Auto Group, Inc., 9.625%, 03/15/2012	1,000,000	1,078,750
		4,057,750

**Textiles, Apparel & Luxury Goods
0.9%**

Oxford Industries, Inc., 8.875%, 06/01/2011	1,000,000	1,077,500
Warnaco Group, Inc., 8.875%, 06/15/2013	1,000,000	1,100,000
		2,177,500

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Principal Amount	Value
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CORPORATE BONDS

continued

CONSUMER STAPLES**3.1%****Food & Staples****Retailing 1.7%**

Ingles Markets, Inc., 8.875%, 12/01/2011	\$ 1,000,000	\$ 1,047,500
NeighborCare, Inc., 6.875%, 11/15/2013	1,000,000	1,101,850
Rite Aid Corp., 8.125%, 05/01/2010	1,000,000	1,022,500
Roundys, Inc., Ser. B, 8.875%, 06/15/2012	1,000,000	1,070,000
		<hr/>
		4,241,850
		<hr/>

Food Products 1.0%

B&G Foods Holdings Corp., 8.00%, 10/01/2011	1,000,000	1,021,250
Del Monte Foods Co., 6.75%, 02/15/2015 144A	1,500,000	1,526,250
		<hr/>
		2,547,500
		<hr/>

Household Products**0.4%**

Church & Dwight Co., Inc., 6.00%, 12/15/2012	1,000,000	1,000,000
		<hr/>

ENERGY 4.0%**Energy Equipment &****Services 1.2%**

Dresser, Inc., 9.375%, 04/15/2011	1,500,000	1,590,000
Hornbeck Offshore Services, Inc., Ser. B, 6.125%, 12/01/2014	150,000	150,937
Offshore Logistics, Inc., 6.125%, 06/15/2013	1,000,000	980,000
Parker Drilling Co., 9.625%, 10/01/2013	315,000	359,494
		<hr/>
		3,080,431
		<hr/>

Oil, Gas & Consumable**Fuels 2.8%**

Chesapeake Energy Corp., 6.875%, 01/15/2016	1,000,000	1,041,250
Exco Resources, Inc., 7.25%, 01/15/2011	1,500,000	1,552,500
Ferrelgas Partners LP, 6.75%, 05/01/2014	1,000,000	997,500

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Frontier Oil Corp., 6.625%, 10/01/2011	125,000	130,000
Peabody Energy Corp., 6.875%, 03/15/2013	1,000,000	1,046,250
Plains Exploration & Production Co., 8.75%, 07/01/2012	1,000,000	1,095,000
Williams Companies, Inc., 7.125%, 09/01/2011	1,000,000	1,070,000
		6,932,500

FINANCIALS 3.2%

Consumer Finance

0.4%

General Motors Acceptance Corp., 5.625%, 05/15/2009	1,000,000	952,249
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Diversified Financial

Services 0.2%

Arch Western Finance, LLC, 6.75%, 07/01/2013	435,000	445,875
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Insurance 0.7%

Crum & Forster Holdings Corp., 10.375%, 06/15/2013	1,500,000	1,665,000
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Real Estate 1.9%

CB Richard Ellis Group, Inc., 9.75%, 05/15/2010	650,000	721,500
Host Marriott Corp., Ser. J, REIT, 7.125%, 11/01/2013	1,000,000	1,050,000
La Quinta Properties, Inc., REIT, 7.00%, 08/15/2012	1,000,000	1,042,500
Omega Healthcare Investors, Inc., REIT, 7.00%, 04/01/2014	1,000,000	1,017,500
Thornburg Mortgage, Inc., REIT, 8.00%, 05/15/2013	1,000,000	1,025,000
		4,856,500

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Principal Amount	Value
CORPORATE BONDS continued		
HEALTH CARE 1.5%		
Health Care Providers & Services 1.5%		
Extendicare Health Services, Inc., 6.875%, 05/01/2014	\$ 1,000,000	\$ 993,750
HCA, Inc., 6.375%, 01/15/2015	1,000,000	1,031,678
Omnicare, Inc., 6.125%, 06/01/2013	675,000	669,938
Triad Hospitals, Inc., 7.00%, 11/15/2013	1,000,000	1,031,250
		3,726,616
INDUSTRIALS 4.9%		
Aerospace & Defense 1.0%		
Aviall, Inc., 7.625%, 07/01/2011	1,000,000	1,055,000
DRS Technologies, Inc., 6.875%, 11/01/2013	1,500,000	1,526,250
		2,581,250
Commercial Services & Supplies 1.8%		
Adesa, Inc., 7.625%, 06/15/2012	1,000,000	1,022,500
Allied Waste North America, Inc., 6.375%, 04/15/2011	250,000	242,187
Corrections Corporation of America, 6.25%, 03/15/2013	1,050,000	1,036,875
Geo Group, Inc., 8.25%, 07/15/2013	1,000,000	987,500
NationsRent Companies, Inc., 9.50%, 10/15/2010	1,000,000	1,100,000
		4,389,062
Machinery 1.6%		
Case New Holland, Inc., 9.25%, 08/01/2011	1,000,000	1,070,000
Manitowoc Co., Inc., 7.125%, 11/01/2013	1,000,000	1,050,000
Navistar International Corp., 6.25%, 03/01/2012	1,000,000	965,000
Terex Corp., 7.375%, 01/15/2014	1,000,000	1,045,000
		4,130,000
Road & Rail 0.5%		
Progress Rail Services Corp., 7.75%, 04/01/2012 144A	1,250,000	1,276,563
INFORMATION TECHNOLOGY 0.4%		
IT Services 0.4%		
Unisys Corp., 6.875%, 03/15/2010	1,000,000	975,000
MATERIALS 5.9%		
Chemicals 2.1%		
Equistar Chemicals, LP, 10.625%, 05/01/2011	1,000,000	1,115,000

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Huntsman Advanced Materials, LLC:

11.00%, 07/15/2010	1,000,000	1,140,000
11.625%, 10/15/2010	650,000	764,562
Lyondell Chemical Co., 10.50%, 06/01/2013	1,000,000	1,157,500
Scotts Co., 6.625%, 11/15/2013	1,000,000	1,035,000
		5,212,062

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Principal Amount	Value
CORPORATE BONDS		
continued		
MATERIALS continued		
Containers & Packaging		
1.0%		
Jefferson Smurfit Corp., 7.50%, 06/01/2013	\$ 450,000	\$ 430,875
Owens-Brockway Glass Containers, Inc., 6.75%, 12/01/2014	1,000,000	1,010,000
Plastipak Holdings, Inc., 10.75%, 09/01/2011	1,000,000	1,105,000
		2,545,875
Metals & Mining 1.7%		
Alaska Steel Corp., 7.75%, 06/15/2012	1,000,000	932,500
Century Aluminum Co., 7.50%, 08/15/2014	1,000,000	1,040,000
Foundation Pennsylvania Coal Co., 7.25%, 08/01/2014	1,000,000	1,056,250
United States Steel Corp., 10.75%, 08/01/2008	1,000,000	1,130,000
		4,158,750
Paper & Forest Products		
1.1%		
Boise Cascade, LLC, 7.125%, 10/15/2014	1,250,000	1,221,875

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Bowater, Inc., 6.50%, 06/15/2013	500,000	481,250
Georgia Pacific Corp., 8.125%, 05/15/2011	1,000,000	1,115,000
		<hr/>
		2,818,125
		<hr/>

TELECOMMUNICATION

SERVICES 1.6%

**Diversified
Telecommunication**

Services 1.2%

Citizens Communications Co., 6.25%, 01/15/2013	1,000,000	971,250
Insight Midwest LP, 10.50%, 11/01/2010	1,000,000	1,062,500
Qwest Corp., 7.875%, 09/01/2011	1,010,000	1,055,450
		<hr/>
		3,089,200
		<hr/>

Wireless

Telecommunication

Services 0.4%

Rural Cellular Corp., 8.25%, 03/15/2012	1,000,000	1,055,000
		<hr/>

UTILITIES 1.6%

Electric Utilities 0.4%

Reliant Energy, Inc., 6.75%, 12/15/2014	1,000,000	990,000
		<hr/>

Independent Power Producers

& Energy Traders 1.2%

NRG Energy, Inc., 8.00%, 12/15/2013	782,000	846,515
Tenaska, Inc., 7.00%, 06/30/2021 144A	1,000,000	1,048,190
Texas Genco, Inc., 6.875%, 12/15/2014 144A	1,000,000	1,042,500
		<hr/>
		2,937,205
		<hr/>

*Total Corporate Bonds (cost
\$94,465,047)*

93,931,119

CONVERTIBLE DEBENTURES

1.9%

UTILITIES 1.9%

Independent Power Producers

& Energy Traders 1.9%

Calpine Corp., 7.75%, 06/01/2015 (cost	5,000,000	4,806,250
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\$5,000,000)

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Shares	Value
CONVERTIBLE PREFERRED STOCKS		
2.1%		
ENERGY 2.1%		
Oil, Gas & Consumable Fuels 2.1%		
El Paso Corp., 4.99%, 12/31/2049 144A (cost \$5,115,625)	5,000	\$ 5,385,625
<hr/>		
COMMON STOCKS 83.4%		
ENERGY 13.2%		
Oil, Gas & Consumable Fuels		
13.2%		
Crosstex Energy, Inc.	100,000	6,380,000
Enterprise GP Holdings LP *	25,000	797,500
Gaz de France	150,000	5,010,928
Inergy Holdings LP	24,000	743,040
Southwestern Energy Co. *	350,000	20,265,000
		<hr/>
		33,196,468
<hr/>		
FINANCIALS 3.1%		
Real Estate 3.1%		
Global Signal, Inc. REIT	185,000	7,720,050
		<hr/>
INFORMATION TECHNOLOGY 0.2%		
Computers & Peripherals 0.2%		
Inmarsat plc	100,000	609,512
		<hr/>
TELECOMMUNICATION SERVICES		
17.9%		
Diversified Telecommunication		
Services 13.9%		
Alltel Corp.	100,000	6,199,000
AT&T Corp.	287,500	5,658,000
BellSouth Corp.	150,000	3,943,500
eircom Group plc	2,788,421	6,474,864

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SBC Communications, Inc.	125,000	3,010,000
Shenandoah Telecommunications Co.	155,000	6,170,550
Verizon Communications, Inc.	100,000	3,271,000

34,726,914

Wireless Telecommunication Services 4.0%

Bouygues SA	50,000	2,235,916
Sprint Nextel Corp.	300,000	7,779,000
UbiquiTel, Inc.	5,500	47,685

10,062,601

UTILITIES 49.0%

Electric Utilities 27.5%

American Electric Power Co., Inc.	10,000	371,800
Central Vermont Public Service Corp.	10,500	200,550
Cinergy Corp.	75,000	3,303,000
Cleco Corp.	95,000	2,185,000
DPL, Inc.	400,000	10,796,000
E.ON AG	300,000	9,570,000
Edison International	5,000	225,150
Entergy Corp.	150,000	11,236,500

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Shares	Value
COMMON STOCKS continued		
UTILITIES continued		
Electric Utilities continued		
Exelon Corp.	240,000	\$ 12,933,600
FirstEnergy Corp.	150,000	7,654,500
Hawaiian Electric Industries, Inc.	100,000	2,651,000
ITC Holdings Corp.	125,000	3,407,500
Maine & Maritimes Corp.	3,200	71,456
MGE Energy, Inc.	70,100	2,607,019
Progress Energy, Inc.	1,000	43,590
Scottish and Southern Energy plc	50,000	888,854
Southern Co.	3,000	103,200

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TERNA SpA	200,000	531,294
Westar Energy, Inc.	5,000	120,100
		68,900,113
		68,900,113
Gas Utilities 1.4%		
Atmos Energy Corp.	100,000	2,959,000
ONEOK, Inc.	5,000	170,000
UGI Corp.	12,000	331,800
		3,460,800
		3,460,800
Independent Power Producers & Energy Traders 5.8%		
Constellation Energy Group, Inc.	1,000	58,750
Duke Energy Corp.	100,000	2,899,000
TXU Corp.	120,000	11,642,400
		14,600,150
		14,600,150
Multi-Utilities 9.8%		
Energy East Corp.	15,000	393,300
NiSource, Inc.	50,000	1,207,000
RWE AG	100,000	6,708,085
SCANA Corp.	240,000	10,173,600
TECO Energy, Inc.	1,000	17,410
Vectren Corp.	150,000	4,200,000
Wisconsin Energy Corp.	1,500	58,755
Xcel Energy, Inc.	100,000	1,924,000
		24,682,150
		24,682,150
Water Utilities 4.5%		
Kelda Group plc	100,000	1,225,742
Northumbrian Water Group plc	1,900,000	7,767,553
Pennichuck Corp.	100,000	2,150,000
		11,143,295
		11,143,295
<i>Total Common Stocks (cost \$169,274,028)</i>		209,102,053
		209,102,053

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

August 31, 2005

	Shares	Value
PREFERRED STOCKS 3.0%		
UTILITIES 3.0%		
Electric Utilities 3.0%		
Carolina Power & Light Co. (h)	8,000	\$ 704,000
Connecticut Light & Power Co., Ser. 1947	15,500	591,423
Dayton Power & Light Co., Ser. A	9,416	729,446
Dayton Power & Light Co., Ser. B	5,120	400,640
Louisville Gas & Electric Co.	26,973	606,893
Ohio Edison Co.	14,000	1,219,750
PECO Energy Co., Ser. C	29,590	2,470,765
Southern California Edison Co.	45,900	872,329
		<hr/>
<i>Total Preferred Stocks (cost \$7,488,333)</i>		7,595,246
		<hr/>
UNIT INVESTMENT TRUSTS 0.2%		
Kayne Anderson MLP Investment Co.	15,000	414,000
Tortoise Energy Capital Corp.	5,000	125,600
		<hr/>
<i>Total Unit Investment Trusts (cost \$498,900)</i>		539,600
		<hr/>
SHORT-TERM INVESTMENTS 9.3%		
MUTUAL FUND SHARES 9.3%		
Evergreen Institutional Money Market Fund \emptyset μ (cost \$23,335,825)	23,335,825	23,335,825
		<hr/>
Total Investments (cost \$305,177,758) 137.4%		344,695,718
Other Assets and Liabilities and Preferred Shares (37.4%)		(93,870,120)
		<hr/>
Net Assets Applicable to Common Shareholders 100.0%		\$ 250,825,598
		<hr/>

144A Security that may be sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. This security has been determined to be liquid under guidelines established by the Board of Trustees, unless otherwise noted.

* Non-income producing security

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- Security is valued at fair value as determined by the investment advisor in good faith, according to procedures approved by the Board of Trustees.
- Ø Evergreen Investment Management Company, LLC is the investment advisor to both the Fund and the money market fund.
- μ All or a portion of this security has been segregated as collateral for reverse repurchase agreements.

Summary of Abbreviations

REIT Real Estate Investment Trust

The following table shows the percent of total investments (excluding equity positions) by credit quality based on Moody's and Standard & Poor's ratings as of August 31, 2005 (unaudited):

AAA	4.3%
BBB	1.1%
BB	34.0%
B	60.6%
	<hr/>
	100.0%
	<hr/>

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SCHEDULE OF INVESTMENTS continued

August 31, 2005

The following table shows the percent of total investments (excluding equity positions) by maturity as of August 31, 2005 (unaudited):

Less than 1 year	4.3%
1 to 3 year(s)	3.3%
3 to 5 years	6.4%
5 to 10 years	82.8%
10 to 20 years	3.2%
	<hr/>
	100.0%
	<hr/>

The following table shows the percent of total long-term investments by geographic location as of August 31, 2005:

United States	87.2%
Germany	5.1%
United Kingdom	3.3%
France	2.2%
Ireland	2.0%

Italy	0.2%
	<hr/>
	100.0%
	<hr/>

See Notes to Financial Statements

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STATEMENT OF ASSETS AND LIABILITIES

August 31, 2005

Assets

Investments in securities, at value (cost \$281,841,933)	\$ 321,359,893
Investments in affiliated money market fund, at value (cost \$23,335,825)	23,335,825
<hr/>	
Total investments	344,695,718
Receivable for securities sold	13,354
Dividends and interest receivable	4,192,549
Unrealized gains on interest rate swap transactions	325,689
Prepaid expenses and other assets	122,876
<hr/>	
Total assets	349,350,186

Liabilities

Dividends payable	1,068,578
Payable for securities purchased	1,744,024
Payable for reverse repurchase agreements	15,244,787
Due to custodian bank (cost \$164,823)	165,673
Advisory fee payable	5,642
Due to other related parties	470
Accrued expenses and other liabilities	181,348
<hr/>	
Total liabilities	18,410,522

Preferred shares at redemption value

\$25,000 liquidation value per share applicable to 3,200 shares, including dividends payable of \$114,066	80,114,066
---	------------

Net assets applicable to common shareholders	\$ 250,825,598
---	-----------------------

Net assets applicable to common shareholders represented by

Paid-in capital	\$ 180,402,113
Undistributed net investment income	7,913,403
Accumulated net realized gains on investments	22,668,325
Net unrealized gains on investments	39,841,757

Net assets applicable to common shareholders	\$ 250,825,598
---	----------------

Net asset value per share applicable to common shareholders

Based on \$250,825,598 divided by 9,864,100 common shares issued and outstanding
(unlimited number of common shares authorized)

\$	25.43
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See Notes to Financial Statements

13**STATEMENT OF OPERATIONS**

Year Ended August 31, 2005

Investment income

Dividends (net of foreign withholding taxes of \$1,084,406)	\$ 17,687,164
Interest	6,684,922
Income from affiliate	272,888

Total investment income	24,644,974
-------------------------	------------

Expenses

Advisory fee	2,112,848
Administrative services fee	176,070
Transfer agent fees	70,312
Trustees' fees and expenses	66,210
Printing and postage expenses	132,430
Custodian and accounting fees	129,894
Professional fees	141,647
Interest expense	730,723
Auction agent fees	200,002
Other	40,981

Total expenses	3,801,117
----------------	-----------

Less: Expense reductions	(6,303)
--------------------------	---------

Fee waivers and expense reimbursements	(129,126)
--	-----------

Net expenses	3,665,688
--------------	-----------

Net investment income	20,979,286
------------------------------	-------------------

Net realized and unrealized gains or losses on investments

Net realized gains on:

Securities	27,589,328
Foreign currency related transactions	26,159

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Interest rate swap transactions	151,489
<hr/>	
Net realized gains on investments	27,766,976
Net change in unrealized gains or losses on investments	32,209,625
<hr/>	
Net realized and unrealized gains or losses on investments	59,976,601
Distributions to preferred shareholders from	
Net investment income	(1,688,241)
Net realized gains	(434,995)
<hr/>	
Net increase in net assets resulting from operations	\$ 78,832,651
<hr/>	

See Notes to Financial Statements

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended August 31,	
	2005	2004¹
<hr/>		
Operations		
Net investment income	\$ 20,979,286	\$ 8,938,283
Net realized gains or losses on investments	27,766,976	(3,857,129)
Net change in unrealized gains or losses on investments	32,209,625	7,633,295
Distributions to preferred shareholders from		
Net investment income	(1,688,241)	(237,018)
Net realized gains	(434,995)	0
<hr/>		
Net increase in net assets applicable to common shareholders resulting from operations	78,832,651	12,477,431
<hr/>		
Distributions to common shareholders from net investment income	(17,443,274)	(3,451,500)
<hr/>		
Capital share transactions		
Net proceeds from the issuance of common shares	0	219,650,000
Common share offering expenses charged to paid-in capital	0	(460,000)
Preferred share offering expenses charged to paid-in capital	0	(988,136)
Cost of shares tendered	(37,891,574)	0
<hr/>		
Net increase (decrease) in net assets resulting from capital share transactions	(37,891,574)	218,201,864

Total increase in net assets applicable to common shareholders	23,497,803	227,227,795
Net assets applicable to common shareholders		
Beginning of period	227,327,795	100,000
End of period	\$ 250,825,598	\$ 227,327,795
Undistributed net investment income	\$ 7,913,403	\$ 5,375,615

¹ For the period from April 30, 2004 (commencement of operations), to August 31, 2004.

See Notes to Financial Statements

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STATEMENT OF CASH FLOWS

Year Ended August 31, 2005

Decrease in Cash

Cash Flows from Operating Activities:

Net increase in net assets from operations	\$ 78,832,651
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities including amortization of premium and accretion of discount on long-term securities	(425,407,004)
Proceeds from disposition of investment securities	488,040,476
Purchase of short-term investment securities, net	(14,797,014)
Decrease in dividends and interest receivable	920,724
Decrease in receivable for securities sold	9,581,133
Increase in other assets	(122,876)
Decrease in payable for securities purchased	(876,764)
Decrease in accrued expenses	(47,086)
Unrealized appreciation on investments	(32,205,972)
Net realized gains from investments	(27,589,328)

Net cash provided by operating activities	76,328,940
---	------------

Cash Flows from Financing Activities:

Payment for shares tendered	(37,891,574)
Cash distributions paid on common shares	(17,525,196)
Reduction of reverse repurchase agreements	(21,809,611)
Increase in dividends payable on preferred shares	58,403

Net cash used in financing activities	(77,167,978)
---------------------------------------	--------------

Net decrease in cash	\$	(839,038)
Cash (including foreign currency):		
Beginning of year	\$	673,365
End of year	\$	(165,673)

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Evergreen Utilities and High Income Fund (the "Fund") was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004 and is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from these estimates.

a. Valuation of investments

Listed equity securities are usually valued at the last sales price or official closing price on the national securities exchange where the securities are principally traded.

Foreign securities traded on an established exchange are valued at the last sales price on the exchange where the security is primarily traded. If there has been no sale, the securities are valued at the mean between bid and asked prices. Foreign securities may be valued at fair value according to procedures approved by the Board of Trustees if the closing price is not reflective of current market values due to trading or events occurring in the foreign markets between the close of the established exchange and the valuation time of the Fund. In addition, substantial changes in values in the U.S. markets subsequent to the close of a foreign market may also affect the values of securities traded in the foreign market. The value of foreign securities may be adjusted if such movements in the U.S. market exceed a specified threshold.

Portfolio debt securities acquired with more than 60 days to maturity are fair valued using matrix pricing methods determined by an independent pricing service which takes into consideration such factors as similar security prices, yields, maturities, liquidity and ratings. Securities for which valuations are not readily available from an independent pricing service may be valued by brokers which use prices provided by market makers or estimates of market value obtained from yield data relating to investments or securities with similar characteristics.

Short-term securities with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates market value.

Investments in other mutual funds are valued at net asset value. Securities for which market quotations are not readily available or not reflective of current market value are valued at fair value as determined by the investment advisor in good faith, according to procedures approved by the Board of Trustees.

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NOTES TO FINANCIAL STATEMENTS continued

b. Reverse repurchase agreements

To obtain short-term financing, the Fund may enter into reverse repurchase agreements with banks and other financial institutions, which are deemed by the investment advisor to be credit-worthy. At the time the Fund enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing qualified assets having a value not less than the repurchase price, including accrued interest. If the counterparty to the transaction is rendered insolvent, the Fund may be delayed or limited in the repurchase of the collateral securities.

c. Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for that portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses on investments.

d. Interest rate swaps

The Fund may enter into interest rate swap agreements to manage the Fund's exposure to interest rates. A swap agreement is an exchange of cash payments between the Fund and another party based on a notional principal amount. Cash payments or receipts are recorded as realized gains or losses. The value of the swap agreements is marked-to-market daily based upon quotations from market makers and any change in value is recorded as an unrealized gain or loss. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform or if there are unfavorable changes in the fluctuation of interest rates.

e. Security transactions and investment income

Security transactions are recorded on trade date. Realized gains and losses are computed using the specific cost of the security sold. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. Dividend income is recorded on the ex-dividend date or in the case of some foreign securities, on the date when the Fund is made aware of the dividend. Foreign income and capital gains realized on some securities may be subject to foreign taxes, which are accrued as applicable.

f. Federal taxes

The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income, including any net capital gains (which have already been offset by available capital loss carryovers). Accordingly, no provision for federal taxes is required.

g. Distributions

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

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NOTES TO FINANCIAL STATEMENTS continued

Reclassifications have been made to the Fund's components of net assets to reflect income and gains available for distribution (or available capital loss carryovers, as applicable) under income tax regulations. The primary permanent differences causing such reclassifications are due to consent fees on tendered bonds, dividend redesignations, net realized gains and losses from interest rate swap agreements and premium amortization. During the year ended August 31, 2005, the following amounts were reclassified:

Paid-in capital	\$ (8,177)
Undistributed net investment income	836,427
Accumulated net realized gains on investments	(828,250)

3. ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Evergreen Investment Management Company, LLC (EIMC), an indirect, wholly-owned subsidiary of Wachovia Corporation (Wachovia), is the investment advisor to the Fund and is paid an annual fee of 0.60% of the Fund's average daily total assets applicable to common shareholders. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets. The advisory fee would be equivalent to 0.92% of the Fund's average daily net assets applicable to common shareholders if the Fund was fully leveraged through the issuance of preferred shares and/or other borrowings. For the year ended August 31, 2005, the Fund had preferred shares issued and outstanding.

From time to time, EIMC may voluntarily or contractually waive its fee and/or reimburse expenses in order to limit operating expenses. During the year ended August 31, 2005, EIMC waived its advisory fee in the amount of \$129,078 and reimbursed other expenses in the amount of \$48.

Evergreen Investment Services, Inc. (EIS), an indirect, wholly-owned subsidiary of Wachovia, is the administrator to the Fund. As administrator, EIS provides the Fund with facilities, equipment and personnel and is paid an annual administrative fee of 0.05% of the Fund's average daily total assets.

The Fund has placed a portion of its portfolio transactions with brokerage firms that are affiliates of Wachovia. During the year ended August 31, 2005, the Fund paid brokerage commissions of \$51,943 to Wachovia Securities, LLC.

4. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of common shares with no par value. For the year ended August 31, 2005 and for the period from April 30, 2004 (commencement of operations), to August 31, 2004, the Fund issued 0 and 11,505,000 common shares, respectively.

The Board of Trustees has committed to consider making tender offers for the Fund's common shares on a quarterly basis in the event that the common shares trade at a discount to net asset value of greater than 5% for fifteen of twenty days during a measurement period, as defined in the Fund's prospectus. These tender offers will be to purchase up to 5% of the Fund's outstanding

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NOTES TO FINANCIAL STATEMENTS continued

common shares at their net asset value. For the year ended August 31, 2005, the Board of Trustees considered and approved three separate tender offers with a total of 1,640,900 common shares tendered and repurchased by the Fund. The Board of Trustees will continue to consider tender offers for the following five quarters if a discount exists.

5. SECURITIES TRANSACTIONS

Cost of purchases and proceeds from sales of investment securities (excluding short-term securities) were \$426,799,169 and \$471,991,168, respectively, for the year ended August 31, 2005.

During the year ended August 31, 2005, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$25,199,626 with an average interest rate of 3.08% and paid interest of \$730,723 representing 0.30% of the Fund's average daily net assets. The maximum amount outstanding under reverse repurchase agreements during the year ended August 31, 2005 was \$37,106,410 (including accrued interest). At August 31, 2005, reverse repurchase agreements outstanding were as follows:

Principal Amount	Counterparty	Interest Rate	Maturity Date
\$15,244,787	Lehman Brothers	4.12%	10/17/2005

At August 31, 2005, the Fund had the following open interest rate swap agreements:

Expiration	Notional Amount	Counterparty	Cash Flows Paid by the Fund	Cash Flows Received by the Fund	Unrealized Gain
11/16/2007	\$43,000,000	Royal Bank of Scotland Greenwich Capital	Fixed-3.525%	Floating-3.41%	\$325,689

On August 31, 2005, the aggregate cost of securities for federal income tax purposes was \$305,657,885. The gross unrealized appreciation and depreciation on securities based on tax cost was \$84,006,553 and \$44,968,720, respectively, with a net unrealized appreciation of \$39,037,833.

6. AUCTION MARKET PREFERRED SHARES

The Fund has issued 3,200 shares of Auction Market Preferred Shares ("Preferred Shares"), with a liquidation value of \$25,000 plus accumulated but unpaid dividends (whether or not earned or declared). Dividends on the Preferred Shares are cumulative at a rate, which is reset based on the result of an auction. The annualized dividend rate was 2.65% during the year ended August 31, 2005. The Fund will not declare, pay or set apart for payment any dividend to its common shareholders unless the Fund has declared and paid or contemporaneously declares and pays full cumulative dividends on the Preferred Shares through its most recent dividend payment date.

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NOTES TO FINANCIAL STATEMENTS continued

The Preferred Shares are redeemable, in whole or in part, at the option of the Fund on any dividend payment date at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared). The Preferred Shares are also subject to mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared) if the requirement relating to the asset coverage with respect to the outstanding Preferred Shares would be less than 200%.

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The holders of Preferred Shares have voting rights equal to the holders of the Fund's common shares and will vote together with holders of common shares as a single class. Holders of Preferred Shares, voting as a separate class, are entitled to elect two of the Fund's Trustees.

7. DISTRIBUTIONS TO SHAREHOLDERS

As of August 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-term Capital Gain	Unrealized Appreciation
\$22,302,158	\$9,083,494	\$39,037,833

The differences between the components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales and premium amortization. Additionally, short-term capital gains are considered ordinary income for income tax purposes.

The tax character of distributions paid was as follows:

	Year Ended August 31,	
	2005	2004(a)
Ordinary Income	\$ 19,131,515	\$ 3,688,518
Long-term Capital Gain	434,995	0

(a) For the period from April 30, 2004 (commencement of operations), to August 31, 2004.

8. EXPENSE REDUCTIONS

Through expense offset arrangements with the Fund's custodian, a portion of fund expenses has been reduced.

9. DEFERRED TRUSTEES' FEES

Each Trustee of the Fund may defer any or all compensation related to performance of their duties as Trustees. The Trustees' deferred balances are allocated to deferral accounts, which are included in the accrued expenses for the Fund. The investment performance of the deferral accounts is based on the investment performance of certain Evergreen funds. Any gains earned or losses incurred in the deferral accounts are reported in the Fund's Trustees' fees and expenses. At the election of the Trustees, the deferral account will be paid either in one lump sum or in quarterly installments for up to ten years.

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NOTES TO FINANCIAL STATEMENTS continued

10. CONCENTRATION OF RISK

The Fund may invest a substantial portion of its assets in an industry or sector and, therefore, may be more affected by changes in that industry or sector than would be a comparable mutual fund that is not heavily

weighted in any industry or sector.

11. REGULATORY MATTERS AND LEGAL PROCEEDINGS

Since September 2003, governmental and self-regulatory authorities have instituted numerous ongoing investigations of various practices in the mutual fund industry, including investigations relating to revenue sharing, market-timing, late trading and record retention, among other things. The investigations cover investment advisors, distributors and transfer agents to mutual funds, as well as other firms. EIMC, EIS and Evergreen Services Company, LLC (collectively, "Evergreen") have received subpoenas and other requests for documents and testimony relating to these investigations, are endeavoring to comply with those requests, and are cooperating with the investigations. Evergreen is continuing its own internal review of policies, practices, procedures and personnel, and is taking remedial action where appropriate.

In connection with one of these investigations, on July 28, 2004, the staff of the Securities and Exchange Commission ("SEC") informed Evergreen that the staff intends to recommend to the SEC that it institute an enforcement action against Evergreen. The SEC staff's proposed allegations relate to (i) an arrangement pursuant to which a broker at one of EIMC's affiliated broker-dealers had been authorized, apparently by an EIMC officer (no longer with EIMC), to engage in short-term trading, on behalf of a client, in Evergreen Mid Cap Growth Fund (formerly Evergreen Emerging Growth Fund and prior to that, known as Evergreen Small Company Growth Fund) during the period from December 2000 through April 2003, in excess of the limitations set forth in the fund's prospectus, (ii) short-term trading from September 2001 through January 2003, by a former Evergreen portfolio manager, of Evergreen Precious Metals Fund, a fund he managed at the time, (iii) the sufficiency of systems for monitoring exchanges and enforcing exchange limitations as stated in the fund's prospectuses, and (iv) the adequacy of e-mail retention practices. In connection with the activity in Evergreen Mid Cap Growth Fund, EIMC reimbursed the fund \$378,905, plus an additional \$25,242, representing what EIMC calculated at that time to be the client's net gain and the fees earned by EIMC and the expenses incurred by this fund on the client's account. In connection with the activity in Evergreen Precious Metals Fund, EIMC reimbursed the fund \$70,878, plus an additional \$3,075, representing what EIMC calculated at that time to be the portfolio manager's net gain and the fees earned by EIMC and expenses incurred by the fund on the portfolio manager's account. Evergreen is currently engaged in discussions with the staff of the SEC concerning its recommendation.

Any resolution of these matters with regulatory authorities may include, but not be limited to, sanctions, penalties or injunctions regarding Evergreen, restitution to mutual fund shareholders and/or other financial penalties and structural changes in the governance or management of Evergreen's mutual fund business. Any penalties or restitution will be paid by Evergreen and not by the Evergreen funds.

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NOTES TO FINANCIAL STATEMENTS continued

From time to time, EIMC is involved in various legal actions in the normal course of business. In EIMC's opinion, it is not involved in any legal actions that will have a material effect on its ability to provide services to the Fund.

Although Evergreen believes that neither the foregoing investigations nor any pending or threatened legal actions will have a material adverse impact on the Evergreen funds, there can be no assurance that these matters and any publicity surrounding or resulting from them will not result in reduced sales or increased redemptions of Evergreen fund shares, which could increase Evergreen fund transaction costs or operating expenses, or have other adverse consequences on the Evergreen funds.

12. SUBSEQUENT DISTRIBUTIONS

On September 22, 2005, the Fund declared distributions from net investment income of \$0.125 per common share and from long-term capital gains of \$0.95 per common share, both payable on November 1, 2005 to shareholders of record on October 17, 2005.

On October 21, 2005, the Fund declared distributions from net investment income of \$0.125 per common share payable on December 1, 2005 to shareholders of record on November 14, 2005.

These distributions are not reflected in the accompanying financial statements.

13. SUBSEQUENT EVENTS

At a meeting held on September 20-22, 2005, the Board of Trustees considered and approved a tender offer to repurchase up to 5% of the Fund's outstanding common shares at net asset value. The repurchase offer period will commence on or about September 26, 2005, when the notification of the repurchase offer is sent to shareholders.

On October 18, 2005, EIS received written notification from the staff of the National Association of Securities Dealers (NASD) that the staff has made a preliminary determination to recommend that disciplinary action be brought against EIS for certain violations of the NASD's rules. The recommendation relates principally to allegations that EIS (i) arranged for fund portfolio trades to be directed to broker-dealers (including Wachovia Securities, LLC, an affiliate of EIS) that sold Evergreen fund shares during the period of January 2001 to December 2003 and (ii) provided non-cash compensation by sponsoring offsite meetings attended by Wachovia Securities, LLC brokers during that period. EIS is cooperating with the NASD staff in its review of these matters.

Although Evergreen believes that the foregoing review will not have a material adverse impact on the Evergreen funds, there can be no assurance that this matter and any publicity surrounding or resulting from it will not result in reduced sales or increased redemptions of Evergreen fund shares, which could increase Evergreen fund transaction costs or operating expenses, or have other adverse consequences on the Evergreen funds.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Trustees and Shareholders
Evergreen Utilities and High Income Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Evergreen Utilities and High Income Fund as of August 31, 2005, and the related statement of operations for the year then ended and statements of changes in net assets and the financial highlights for the year then ended and the period from April 30, 2004 (commencement of operations), to August 31, 2004. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2005 by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Evergreen Utilities and High Income Fund as of August 31, 2005, the results of its operations, changes in its net assets and financial highlights for each of the years or periods described above in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
October 21, 2005

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AUTOMATIC DIVIDEND REINVESTMENT PLAN (unaudited)

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan (the Plan). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by EquiServe Trust Company, N.A., as agent for shareholders in administering the Plan (Plan Agent), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends) payable either in shares or in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of common shares. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open market (open-market purchases) on the American Stock Exchange or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (market premium), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant's account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium (market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 43010, Providence, Rhode Island 02940-3010 or by calling 1-800-730-6001.

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ADDITIONAL INFORMATION (unaudited)

FEDERAL TAX DISTRIBUTIONS

Pursuant to Section 852 of the Internal Revenue Code, the Fund has designated aggregate capital gain distributions of \$434,995 for the fiscal year ended August 31, 2005.

For corporate shareholders, 20.23% of ordinary income dividends paid during the fiscal year ended August 31, 2005 qualified for the dividends received deduction.

With respect to dividends paid from investment company taxable income during the fiscal year ended August 31, 2005, the Fund designates 70.97% of ordinary income and any short-term capital gain distributions as Qualified Dividend Income in accordance with the Internal Revenue Code. Complete 2005 year-end tax information will be reported to you on your 2005 Form 1099-DIV, which shall be provided to you in early 2006.

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TRUSTEES AND OFFICERS

TRUSTEES1

Charles A. Austin III Principal occupations: Investment Counselor, Anchor Capital Advisors, Inc. (investment advice);
Trustee Director, The Andover Companies (insurance); Trustee, Arthritis Foundation of New England;
DOB: 10/23/1934 Director, The Francis Ouimet Society; Former Director, Health Development Corp.
Term of office since: 1991 (fitness-wellness centers); Former Director, Mentor Income Fund, Inc.; Former Trustee,
Other directorships: None Mentor Funds and Cash Resource Trust; Former Investment Counselor, Appleton Partners, Inc.
(investment advice); Former Director, Executive Vice President and Treasurer, State Street
Research & Management Company (investment advice)

Shirley L. Fulton Principal occupations: Partner, Tin, Fulton, Greene & Owen, PLLC (law firm); Former Partner,
Trustee