

EVERGREEN INCOME ADVANTAGE FUND
Form N-CSR
July 06, 2006

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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 811-21269

Evergreen Income Advantage 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: April 30, 2006

Date of reporting period: April 30, 2006

Item 1 - Reports to Stockholders.

Evergreen Income Advantage 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:

	MAY	
	LOSE	NOT BANK
NOT FDIC INSURED	VALUE	GUARANTEED

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LETTER TO SHAREHOLDERS

June 2006

Dennis H. Ferro
President and Chief
Executive Officer

Dear Shareholder,

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We are pleased to provide the annual report for Evergreen Income Advantage Fund, covering the twelve-month period ended April 30, 2006.

Yield-oriented investors encountered a variety of opportunities and challenges over the past twelve months. In the domestic fixed-income market, the greatest rewards came to those who took on the greatest credit risks in high-yield bonds. Higher-quality securities were more affected by the continued flattening of the yield curve, with short-term rates climbing steadily as the Federal Reserve (the "Fed") continued to raise its target for the federal funds rate. Rapidly rising energy prices and the prospect of increased government spending helped renew inflation fears and encouraged the Fed to act. The resulting uncertainties were exacerbated by hurricanes and highly visible credit downgrades in the auto sector. Internationally, results were affected by surging global growth, which drove equity prices dramatically higher. At the same time, the strengthening of the U.S. dollar tended to erode results realized by U.S. investors in high-quality foreign fixed income securities.

Uncertainty persisted during the period in the domestic high-yield market, as investors closely followed reports of deterioration in the financial health of automotive giants

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LETTER TO SHAREHOLDERS continued

General Motors and Ford and worried about the impacts of feared credit downgradings of both companies. While the downgrades to below-investment grade occurred, the high-yield market was able to absorb the bonds of both companies successfully, as investors saw value in the securities, especially against a backdrop of continued vitality in the overall economy. For the year, high-yield bonds outperformed the overall bond market, as the economy's persistent, if moderating, expansion, contributed to continued improvement in corporate profitability.

Internationally, the dynamism of the global economy, most visibly led by the explosive growth in China and India, drove equities to deliver positive returns, with emerging markets outperforming developed nations. However, rising short-term interest rates in the United States made domestic government securities more attractive than the sovereign debt of foreign nations, contributing to the dollar's strength against most major foreign currencies and eroding returns from investments in bonds of non-U.S. developed nations.

Throughout this period, the managers of Evergreen Income Advantage Fund maintained their strategy of focusing on higher quality issuers within the high-yield universe. While the fund performed well in absolute terms and delivered a strong dividend, the Fund did not fully participate in the high-yield rally because of its restricted allocation to lower-quality, CCC-rated issues, which produced the greatest returns. However, managers continued to believe that over a full credit cycle, a more conservative approach to high-yield investing can produce superior results on both an absolute and risk-adjusted basis.

As always, we continue to encourage investors to maintain well diversified

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LETTER TO SHAREHOLDERS continued

personal portfolios, including exposure to Evergreen's closed-end funds.

Please visit our Web site, **EvergreenInvestments.com**, for more information about our funds and other investment products available to you. From the Web site, you may also access details about daily fund prices, yields, dividend rates and fund facts about Evergreen closed-end funds. 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 Web site 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.

3**FINANCIAL HIGHLIGHTS**

(For a common share outstanding throughout each period)

	Year Ended April 30,			
	2006	2005	2004	2003 ¹
Net asset value, beginning of period	\$ 14.41	\$ 15.62	\$ 14.92	\$ 14.33 ²
Income from investment operations				
Net investment income (loss)	1.59 ³	1.56	1.76	0.17
Net realized and unrealized gains or losses on investments	0.03	(0.65)	0.68	0.67
Distributions to preferred shareholders from ⁴				
Net investment income	(0.26)	(0.14)	(0.09)	0 ⁵
Net realized gains	(0.02)	(0.01)	0	0
Total from investment operations	1.34	0.76	2.35	0.84
Distributions to common shareholders from				
Net investment income	(1.54)	(1.64)	(1.65)	(0.14)
Net realized gains	(0.15)	(0.33)	0	0
Total distributions to common shareholders	(1.69)	(1.97)	(1.65)	(0.14)
Offering costs charged to capital for				
Common shares	0	0	0	(0.03)
Preferred shares	0	0	0	(0.08)
Total offering costs	0	0	0	(0.11)
Net asset value, end of period	\$ 14.06	\$ 14.41	\$ 15.62	\$ 14.92
Market value, end of period	\$ 14.17	\$ 14.24	\$ 14.44	\$ 15.11

Total return based on market value⁶	11.91%	12.07%	6.55%	1.66%
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Ratios and supplemental data

Net assets of common shareholders, end of period (thousands)	\$953,102	\$966,835	\$1,035,766	\$979,903
Liquidation value of preferred shares, end of period (thousands)	\$490,000	\$490,000	\$ 490,000	\$490,000
Asset coverage ratio, end of period	294%	297%	311%	300%

Ratios to average net assets applicable to common shareholders

Expenses including waivers/reimbursements but excluding expense reductions	1.19%	1.15%	1.15%	0.77% ⁷
Expenses excluding waivers/reimbursements and expense reductions	1.19%	1.15%	1.15%	0.77% ⁷
Net investment income (loss) ⁸	9.17%	10.03%	10.56%	6.66% ⁷
Portfolio turnover rate	49%	63%	49%	2%

¹ For the period from February 28, 2003 (commencement of class operations), to April 30, 2003.

² Initial public offering price of \$15.00 per share less underwriting discount of \$0.67 per share.

³ Net investment income (loss) per share is based on average shares outstanding during the period.

⁴ Distributions to preferred shareholders per common share are based on average common shares outstanding during the period.

⁵ Amount represents less than \$0.005 per share.

⁶ 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.

⁷ Annualized

⁸ The net investment income (loss) ratio reflects income and realized gain distributions to preferred shareholders . See Notes to Financial Statements

SCHEDULE OF INVESTMENTS

April 30, 2006

	Principal Amount	Value
<hr/>		
CORPORATE BONDS 140.6%		
CONSUMER DISCRETIONARY 42.8%		
Auto Components 3.9%		
Accuride Corp., 8.50%, 02/01/2015	\$ 7,250,000	\$ 7,195,625
Goodyear Tire & Rubber Co., 9.00%, 07/01/2015 (p)	7,000,000	7,245,000

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Tenneco Automotive, Inc., 8.625%, 11/15/2014 (p)	14,350,000	14,601,125
TRW Automotive, Inc., 11.00%, 02/15/2013 (p)	7,000,000	7,770,000
		36,811,750
Automobiles 0.8%		
General Motors Corp., 8.375%, 07/15/2033 (p)	10,000,000	7,500,000
Diversified Consumer Services 0.8%		
Carriage Services, Inc., 7.875%, 01/15/2015 (p)	3,600,000	3,663,000
Service Corporation International, 7.50%, 06/15/2017 144A	3,700,000	3,644,500
		7,307,500
Hotels, Restaurants & Leisure 7.2%		
Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010 (p)	7,000,000	7,612,500
Isle of Capri Casinos, Inc., 7.00%, 03/01/2014	7,500,000	7,406,250
Mandalay Resort Group, Ser. B, 10.25%, 08/01/2007	15,000,000	15,787,500
MGM MIRAGE, Inc., 9.75%, 06/01/2007	13,000,000	13,552,500
Seneca Gaming Corp., Ser. B, 7.25%, 05/01/2012	3,500,000	3,500,000
Town Sports International, Inc., 9.625%, 04/15/2011	6,325,000	6,688,688
Universal City Development Partners, Ltd., 11.75%, 04/01/2010 (p)	12,750,000	14,104,687
		68,652,125
Household Durables 2.7%		
Hovnanian Enterprises, Inc., 7.75%, 05/15/2013 (p)	7,000,000	6,973,750
Jarden Corp., 9.75%, 05/01/2012 (p)	6,475,000	6,766,375
Standard Pacific Corp., 9.25%, 04/15/2012 (p)	7,000,000	7,245,000
Technical Olympic USA, Inc., 10.375%, 07/01/2012	4,800,000	4,944,000
		25,929,125
Media 17.0%		
AMC Entertainment, Inc.:		
9.875%, 02/01/2012 (p)	5,000,000	5,075,000
Ser. B, 8.625%, 08/15/2012 (p)	11,430,000	12,001,500
American Media Operations, Inc., Ser. B, 10.25%, 05/01/2009	7,000,000	6,597,500
Cablevision Systems Corp., Ser. B, 8.00%, 04/15/2012 (p)	14,510,000	14,546,275
Cinemark USA, Inc., 9.00%, 02/01/2013	12,000,000	12,900,000
Dex Media East, LLC:		
9.875%, 11/15/2009	11,500,000	12,305,000
12.125%, 11/15/2012 (p)	7,000,000	7,953,750
Houghton Mifflin Co., 8.25%, 02/01/2011	14,125,000	14,690,000
Mediacom Communications Corp., 9.50%, 01/15/2013 (p)	21,250,000	21,834,375
Paxson Communications Corp., FRN, 11.32%, 01/15/2013 144A	9,000,000	9,135,000
R.H. Donnelley Corp., 10.875%, 12/15/2012	12,000,000	13,380,000

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Sinclair Broadcast Group, Inc., 8.00%, 03/15/2012 (p) 12,500,000 12,781,250

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2006

	Principal Amount	Value
CORPORATE BONDS continued		
CONSUMER DISCRETIONARY continued		
Media continued		
Sirius Satellite Radio, Inc., 9.625%, 08/01/2013 (p)	\$ 11,200,000	\$ 11,004,000
Visant Corp., 7.625%, 10/01/2012	7,465,000	7,446,338
		161,649,988
Multi-line Retail 1.6%		
Neiman Marcus Group, Inc.:		
9.00%, 10/15/2015 144A	7,000,000	7,472,500
10.375%, 10/15/2015 144A (p)	7,000,000	7,525,000
		14,997,500
Specialty Retail 4.5%		
American Achievement Corp., 8.25%, 04/01/2012	6,155,000	6,278,100
Central Garden & Pet Co., 9.125%, 02/01/2013	7,000,000	7,472,500
Linens 'n Things, Inc., 10.70%, 01/15/2014 144A(p)	4,250,000	4,324,375
PETCO Animal Supplies, Inc., 10.75%, 11/01/2011	10,000,000	10,725,000
United Auto Group, Inc., 9.625%, 03/15/2012	13,500,000	14,428,125
		43,228,100
Textiles, Apparel & Luxury Goods 4.3%		
Levi Strauss & Co.:		
9.75%, 01/15/2015 (p)	14,025,000	14,866,500
12.25%, 12/15/2012	6,500,000	7,377,500
Norcross Safety Products, LLC, Ser. B, 9.875%, 08/15/2011	2,750,000	2,894,375
Oxford Industries, Inc., 8.875%, 06/01/2011	12,000,000	12,450,000
Warnaco Group, Inc., 8.875%, 06/15/2013	3,200,000	3,384,000
		40,972,375

CONSUMER STAPLES 5.0%**Food & Staples Retailing 2.2%**

Ingles Markets, Inc., 8.875%, 12/01/2011 (p)	7,000,000	7,350,000
Rite Aid Corp., 12.50%, 09/15/2006	13,675,000	14,051,062
		21,401,062

Food Products 1.5%

Del Monte Foods Co., 8.625%, 12/15/2012	13,220,000	13,947,100
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Personal Products 1.3%

Playtex Products, Inc., 8.00%, 03/01/2011	12,100,000	12,826,000
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ENERGY 15.5%**Energy Equipment & Services 4.3%**

Dresser, Inc., 9.375%, 04/15/2011	14,000,000	14,630,000
GulfMark Offshore, Inc., 7.75%, 07/15/2014 (p)	4,100,000	4,161,500
Hanover Compressor Co., 8.75%, 09/01/2011	7,000,000	7,332,500
Parker Drilling Co., 9.625%, 10/01/2013 (p)	11,955,000	13,270,050
SESI, LLC, 8.875%, 05/15/2011 (h)	2,000,000	2,100,000
		41,494,050

See Notes to Financial Statements

6**SCHEDULE OF INVESTMENTS** continued

April 30, 2006

	Principal Amount	Value
CORPORATE BONDS continued		
ENERGY continued		
Oil, Gas & Consumable Fuels 11.2%		
ANR Pipeline Co., 8.875%, 03/15/2010	\$ 2,735,000	\$ 2,916,878
Chesapeake Energy Corp.:		
6.875%, 01/15/2016	6,860,000	6,791,400
7.50%, 09/15/2013	7,000,000	7,227,500
7.75%, 01/15/2015 (p)	10,000,000	10,375,000
El Paso Corp., 7.875%, 06/15/2012 (p)	7,000,000	7,280,000
El Paso Production Holding Co., 7.75%, 06/01/2013	10,500,000	10,880,625
Exco Resources, Inc., 7.25%, 01/15/2011	2,245,000	2,228,163
Overseas Shipholding Group, Inc., 8.25%, 03/15/2013	12,050,000	12,833,250

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Plains Exploration & Production Co., 8.75%, 07/01/2012 (p)	12,999,000	13,811,437
Premcor Refining Group, Inc., 9.50%, 02/01/2013	6,500,000	7,161,693
Targa Resources, Inc., 8.50%, 11/01/2013 144A	7,250,000	7,376,875
Williams Cos.:		
7.50%, 01/15/2031	6,750,000	6,918,750
8.125%, 03/15/2012	9,750,000	10,517,812
		106,319,383

FINANCIALS 9.3%

Consumer Finance 6.0%

CCH II Capital Corp., 10.25%, 09/15/2010	9,275,000	9,390,937
General Motors Acceptance Corp., 5.625%, 05/15/2009 (p)	8,000,000	7,498,768
Indalex Holding Corp., 11.50%, 02/01/2014 144A	16,000,000	15,720,000
Northern Telecom Capital Corp., 7.875%, 06/15/2026	9,000,000	8,887,500
Terra Capital, Inc., 11.50%, 06/01/2010 (h)	8,550,000	9,490,500
Triad Financial Corp., Ser. B, 11.125%, 05/01/2013	6,500,000	6,467,500
		57,455,205

Insurance 1.0%

Crum & Forster Holdings Corp., 10.375%, 06/15/2013 (p)	8,750,000	9,143,750
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Real Estate 2.3%

Crescent Real Estate Equities Co., REIT, 9.25%, 04/15/2009 ##	7,425,000	7,768,406
Omega Healthcare Investors, Inc., REIT, 7.00%, 04/01/2014	1,400,000	1,379,000
Saxon Capital, Inc., REIT, 12.00%, 05/01/2014 144A #	5,000,000	5,225,000
Thornburg Mortgage, Inc., REIT, 8.00%, 05/15/2013	7,825,000	7,805,438
		22,177,844

HEALTH CARE 6.9%

Health Care Equipment & Supplies 1.6%

Universal Hospital Services, Inc., 10.125%, 11/01/2011	14,715,000	15,266,813
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Health Care Providers & Services 5.3%

Extendicare Health Services, Inc., 9.50%, 07/01/2010	13,000,000	13,731,250
HCA, Inc., 8.75%, 09/01/2010	16,950,000	18,442,939
IASIS Healthcare Corp., 8.75%, 06/15/2014 (p)	10,600,000	10,759,000
Select Medical Corp., 7.625%, 02/01/2015	8,150,000	7,396,125
		50,329,314

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2006

	Principal Amount	Value
CORPORATE BONDS continued		
INDUSTRIALS 5.5%		
Commercial Services & Supplies 1.9%		
Allied Waste North America, Inc., 9.25%, 09/01/2012	\$16,500,000	\$ 17,861,250
Machinery 3.6%		
Case New Holland, Inc., 9.25%, 08/01/2011	23,250,000	24,819,375
Commercial Vehicle Group, Inc., 8.00%, 07/01/2013	3,950,000	3,969,750
Dresser Rand Group, Inc., 7.375%, 11/01/2014 144A	5,616,000	5,770,440
		<u>34,559,565</u>
INFORMATION TECHNOLOGY 5.5%		
Electronic Equipment & Instruments 1.0%		
Da-Lite Screen Co., Inc., 9.50%, 05/15/2011	8,850,000	9,447,375
IT Services 2.9%		
SunGard Data Systems, Inc.:		
9.125%, 08/15/2013 144A	21,350,000	22,897,875
10.25%, 08/15/2015 144A	4,150,000	4,482,000
		<u>27,379,875</u>
Software 1.6%		
UGS Corp., 10.00%, 06/01/2012	14,060,000	15,430,850
MATERIALS 26.7%		
Chemicals 9.6%		
Equistar Chemicals, LP, 10.625%, 05/01/2011 (p)	14,000,000	15,330,000
Ethyl Corp., 8.875%, 05/01/2010	12,000,000	12,600,000
Huntsman Advanced Materials, LLC, 11.625%, 10/15/2010	7,000,000	7,910,000
Huntsman International, LLC, 11.50%, 07/15/2012	15,085,000	17,347,750
Lyondell Chemical Co.:		
9.50%, 12/15/2008 (p)	1,178,000	1,233,955
10.50%, 06/01/2013	11,565,000	12,996,169
11.125%, 07/15/2012 (p)	4,435,000	4,922,850
PQ Corp., 7.75%, 02/15/2013 144A	5,980,000	5,710,900
Tronox, Inc., 9.50%, 12/01/2012 144A	12,750,000	13,451,250

		91,502,874
<hr/>		
Containers & Packaging 6.9%		
Crown Holdings, Inc., 7.75%, 11/15/2015 144A (p)	12,500,000	12,906,250
Graham Packaging Co., 9.875%, 10/15/2014 (p)	7,250,000	7,485,625
Graphic Packaging International, Inc., 9.50%, 08/15/2013 (p)	15,000,000	14,625,000
Owens-Brockway Glass Containers, Inc.:		
8.25%, 05/15/2013	10,525,000	10,867,063
8.75%, 11/15/2012	12,150,000	13,030,875
Smurfit-Stone Container Corp., 8.375%, 07/01/2012	7,500,000	7,350,000
		<hr/>
		66,264,813
		<hr/>

See Notes to Financial Statements

8**SCHEDULE OF INVESTMENTS** continued

April 30, 2006

	Principal Amount	Value
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CORPORATE BONDS continued		
MATERIALS continued		
Metals & Mining 6.3%		
Foundation Pennsylvania Coal Co., 7.25%, 08/01/2014	\$ 8,800,000	\$ 8,866,000
Freeport-McMoRan Copper & Gold, Inc.:		
6.875%, 02/01/2014 (p)	4,750,000	4,738,125
10.125%, 02/01/2010	9,680,000	10,430,200
Oregon Steel Mills, Inc., 10.00%, 07/15/2009	10,500,000	11,156,250
United States Steel Corp., 10.75%, 08/01/2008	22,675,000	24,885,812
		<hr/>
		60,076,387
		<hr/>
Paper & Forest Products 3.9%		
Boise Cascade, LLC, 7.125%, 10/15/2014 (p)	2,330,000	2,225,150
Bowater, Inc., 9.375%, 12/15/2021	7,000,000	7,210,000
Buckeye Technologies, Inc., 8.50%, 10/01/2013	7,500,000	7,556,250
Georgia Pacific Corp.:		
8.00%, 01/15/2024 (p)	4,170,000	4,180,425
8.125%, 05/15/2011	15,000,000	15,637,500
		<hr/>
		36,809,325
		<hr/>

TELECOMMUNICATION SERVICES 13.8%

Diversified Telecommunication Services 5.3%

Consolidated Communications, Inc., 9.75%, 04/01/2012	7,800,000	8,346,000
Insight Midwest, LP:		
9.75%, 10/01/2009 (p)	8,000,000	8,260,000
10.50%, 11/01/2010	8,000,000	8,450,000
Qwest Communications International, Inc.:		
7.875%, 09/01/2011	7,300,000	7,692,375
8.875%, 03/15/2012	13,000,000	14,300,000
Time Warner Telecom, Inc., 9.25%, 02/15/2014	3,250,000	3,477,500
		<hr/>
		50,525,875
		<hr/>

Wireless Telecommunication Services 8.5%

Alamosa Holdings, Inc.:		
8.50%, 01/31/2012	3,500,000	