

EVERGREEN UTILITIES & HIGH INCOME FUND
Form N-CSR
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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

Evergreen 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: Registrant is making an annual filing for 1 of its series Evergreen Utilities and High Income Fund, for the year ended August 31, 20004. This 1 series has a August 31 fiscal year end.

Date of reporting period: August 31, 20004

Item 1 - Reports to Stockholders.

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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 website 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 1.800. SEC.0330.

A description of the Fund's proxy voting policies and procedures is available without charge, upon request, by calling 1.800.343.2898, by visiting our website at EvergreenInvestments.com or by visiting the SEC's website at <http://www.sec.gov>.

Information relating to how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available by visiting our website at EvergreenInvestments.com or by visiting the SEC's website at <http://www.sec.gov>.

Mutual Funds:

NOT FDIC INSURED

MAY LOSE VALUE

NOT BANK GUARANTEED

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LETTER TO SHAREHOLDERS

October 2004

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 fiscal period ended August 31, 2004.

As they prepared for the inception of the Utilities and High Income Fund (ERH) in late April, our portfolio managers had a variety of issues to navigate when making portfolio decisions. Interest rates were apparently headed higher, at least according to the Federal Reserve, and the economy appeared to be slowing. Were profits next? In addition to these fundamental concerns, the geopolitical situation remained tense, as the markets feared a terrorist attack during either the Olympics or the national political party conventions. Fortunately, the worst of

these fears were not met, yet the combination of these fundamental and psychological issues would result in a very interesting first four months for ERH.

The period began with positive momentum on the economic front. First quarter GDP had grown in excess of 4%, and supporting data initially pointed to a continuation of solid growth. Yet data in the second quarter began to show a moderation in economic growth for the period ending in June, in what has now been famously coined as the "soft patch" by Fed Chairman Alan Greenspan. Personal consumption growth slowed and business investment moderated from its strong growth over the prior four quarters. While jobs were still being created, they weren't as plentiful as they had been during the first four months of the year. Inflation gauges had also picked up, led by oil prices, adding another layer of concern for the financial markets.

It was our opinion, and remains so, that the U.S. economy has been experiencing a classic transition from the spectacular growth of the

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LETTER TO SHAREHOLDERS continued

recovery phase of the economic cycle to the more normalized rates of growth associated with the expansion, or mid-cycle phase. In previous cycles, this transition had been characterized by mixed economic data. This historically subtle transition, though, was abundantly clear during the summer months as mixed reports on the economy were accompanied by geopolitical tensions and rising oil prices. As if this wasn't enough, the Federal Reserve had been preparing Wall Street for higher interest rates. Monetary policymakers began the second quarter with a new "spin" on their message to the public, stating that they would remain "measured" in their removal of policy accommodation. Despite these attempts at improved clarity from the Fed, market interest rates alternately plunged, then soared, only to recover again by the middle of the summer. Indeed, the advent of the Fed's gradual tightening cycle proved to be the tonic that the markets needed, with the yield curve flattening slightly by the end of the investment period.

ERH's emphasis on utility and income generating vehicles proved worthwhile during the first four months of trading. After having been under severe pressure early in the second quarter, utilities rebounded throughout the summer months. Despite the rate hikes from the Federal Reserve, long-term interest rates declined, renewing the market's appetite for yield. In addition to the attractiveness of income, utilities also benefited from the increases in energy prices during the period, enhancing prospect for total return. The fund's exposure to the telecommunications industry also helped performance, as a favorable court ruling limited competition for the regional bell operating companies, which also offer attractive yields.

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LETTER TO SHAREHOLDERS continued

As always, we continue to recommend that our investors remain fully diversified in order to participate in market gains while limiting potential for losses in their long-term investment portfolios.

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

Dennis H. Ferro

President and Chief Executive Officer
Evergreen Investment Company, Inc.

Special Notice to Shareholders:

Please visit our website at **EvergreenInvestments.com** for statements from President and Chief Executive Officer, Dennis Ferro, and Chairman of the Board of the Evergreen Funds, Michael S. Scofield, addressing recent SEC actions involving the Evergreen Funds.

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FINANCIAL HIGHLIGHTS

(For a common share outstanding throughout the period)

	Year Ended August 31, 2004 (a)
Net asset value, beginning of period	\$ 19.10 (b)
Income from investment operations	
Net investment income	0.77
Net realized and unrealized gains or losses on securities and foreign currency related transactions	0.32
Total from investment operations	1.09
Distributions to common shareholders from net investment income	(0.30)
Offering costs charged to capital for:	
Common shares	(0.04)
Preferred shares	(0.09)
Total offering costs	(0.13)
Net asset value, end of period	\$ 19.76
Market value, end of period	\$ 18.29
Total return (c)	
Based on market value	(7.05 %)
Ratios and supplemental data	
Net assets of common shareholders, end of period (thousands)	\$ 227,328
Liquidation value of preferred shares, end of period (thousands)	\$ 80,000
Asset coverage ratio, end of period	284 %
Ratios to average net assets applicable to common shareholders	
Expenses excluding interest expense (d)	1.02 %(f)
Expenses including interest expense (e)	1.31 %(f)
Net investment income	12.05 %(f)
Portfolio turnover rate	55 %

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- (a) For the period from April 30, 2004 (commencement of operations), to August 31, 2004.
- (b) Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.
- (c) Total return is calculated assuming a purchase of common stock on the first day and a sale of common stock 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.
- (d) The ratio of expenses to average net assets excludes interest expense and expense reductions.
- (e) The ratio of expenses to average net assets excludes expense reductions.
- (f) Annualized

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS

August 31, 2004

	Principal Amount	Value
CORPORATE BONDS 41.8%		
CONSUMER DISCRETIONARY 12.1%		
Auto Components 0.9%		
Dura Operating Corp., Ser. B, 8.625%, 04/15/2012	\$ 1,000,000	\$ 1,042,500
HLI Operating, Inc., 10.50%, 06/15/2010	1,000,000	1,145,000
		<hr/> 2,187,500
Hotels, Restaurants & Leisure 2.9%		
Friendly Ice Cream Corp., 8.375%, 06/15/2012	1,000,000	970,000
John Q. Hammons Hotels LP, Ser. B, 8.875%, 05/15/2012	1,000,000	1,117,500
La Quinta Properties, Inc., 7.00%, 08/15/2012 144A	200,000	207,250
MTR Gaming Group, Inc., 9.75%, 04/01/2010	1,000,000	1,095,000
Prime Hospitality Corp., Ser. B, 8.375%, 05/01/2012	1,000,000	1,155,000
Seneca Gaming Corp., 7.25%, 05/01/2012 144A	1,000,000	1,023,750
Town Sports International, Inc., 9.625%, 04/15/2011	1,000,000	1,017,500
		<hr/> 6,586,000
Household Durables 1.4%		
Meritage Corp., 9.75%, 06/01/2011	1,000,000	1,120,000
Standard Pacific Corp., 7.75%, 03/15/2013	1,000,000	1,057,500

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WCI Communities, Inc., 9.125%, 05/01/2012	1,000,000	1,110,000
		<hr/>
		3,287,500
		<hr/>

Media 3.4%

CSC Holdings, Inc., 7.625%, 04/01/2011	1,000,000	1,042,500
Dex Media West LLC, 8.50%, 08/15/2010	1,000,000	1,131,250
Emmis Operating Co., 6.875%, 05/15/2012	1,000,000	1,007,850
Houghton Mifflin Co., 8.25%, 02/01/2011	1,000,000	1,036,250
LIN TV Corp., 6.50%, 05/15/2013	260,000	257,400
Mediacom LLC, 9.50%, 01/15/2013	1,000,000	985,000
MediaNews Group, Inc., 6.875%, 10/01/2013	1,000,000	1,012,500
R.H. Donnelley Finance Corp., 10.875%, 12/15/2012	1,000,000	1,187,500
		<hr/>
		7,660,250
		<hr/>

Specialty Retail 3.0%

Adesa, Inc., 7.625%, 06/15/2012	1,000,000	1,015,000
Central Garden & Pet Co., 9.125%, 02/01/2013	1,000,000	1,095,000
CSK Auto, Inc., 7.00%, 01/15/2014	1,000,000	960,000
Group 1 Automotive, Inc., 8.25%, 08/15/2013	1,000,000	1,060,000
PETCO Animal Supplies, Inc., 10.75%, 11/01/2011	395,000	448,325
United Auto Group, Inc., 9.625%, 03/15/2012	1,000,000	1,115,000
Warnaco Group, Inc., 8.875%, 06/15/2013	1,000,000	1,110,000
		<hr/>
		6,803,325
		<hr/>

Textiles, Apparel & Luxury Goods 0.5%

Oxford Industries, Inc., 8.875%, 06/01/2011 144A	1,000,000	1,075,000
		<hr/>

CONSUMER STAPLES 1.4%

Food & Staples Retailing 0.9%

Rite Aid Corp., 8.125%, 05/01/2010	1,000,000	1,055,000
Roundy's, Inc., Ser. B, 8.875%, 06/15/2012	1,000,000	1,067,500
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		2,122,500
		<hr/>

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

August 31, 2004

	Principal Amount	Value
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CORPORATE BONDS continued**CONSUMER STAPLES continued****Food Products 0.5%**

Del Monte Foods Co., 8.625%, 12/15/2012	\$ 96,000	\$ 107,280
Dole Food Co., Inc., 7.25%, 06/15/2010	1,000,000	1,010,000
		<u>1,117,280</u>

ENERGY 4.4%**Energy Equipment & Services 1.0%**

Dresser, Inc., 9.375%, 04/15/2011	1,000,000	1,080,000
Parker Drilling Co., Ser. B, 10.125%, 11/15/2009	1,000,000	1,067,500
		<u>2,147,500</u>

Oil & Gas 3.4%

Chesapeake Energy Corp., 6.875%, 01/15/2016	1,000,000	1,017,500
Evergreen Resources, Inc., 5.875%, 03/15/2012	1,000,000	1,025,000
Exco Resources, Inc., 7.25%, 01/15/2011	1,000,000	1,055,000
Ferrellgas LP, 6.75%, 05/01/2014	1,000,000	1,000,000
Forest Oil Corp., 7.75%, 05/01/2014	1,000,000	1,065,000
Plains Exploration & Production Co., 8.75%, 07/01/2012	1,000,000	1,120,000
Premcor Refining Group, Inc., 6.75%, 05/01/2014	675,000	686,812
Stone Energy Corp., 8.25%, 12/15/2011	1,000,000	1,067,500
		<u>8,036,812</u>

FINANCIALS 3.9%**Diversified Financial Services 0.5%**

Arch Western Finance LLC, 6.75%, 07/01/2013 144A	1,000,000	1,040,000
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Insurance 1.0%

Couche Tard LP, 7.50%, 12/15/2013	1,000,000	1,060,000
Crum & Forster Holdings Corp., 10.375%, 06/15/2013	1,000,000	1,100,000
		<u>2,160,000</u>

Real Estate 2.4%

CB Richard Ellis Services, Inc., 9.75%, 05/15/2010 REIT	1,300,000	1,449,500
Host Marriott LP, Ser. J, 7.125%, 11/01/2013 REIT	1,000,000	1,022,500
LNR Property Corp., 7.625%, 07/15/2013 REIT	1,000,000	1,065,000
Omega Healthcare Investors, Inc., 7.00%, 04/01/2014 REIT 144A	1,000,000	985,000
Thornburg Mortgage, Inc., 8.00%, 05/15/2013 REIT	1,000,000	1,025,000

5,547,000

HEALTH CARE 1.9%**Health Care Equipment & Supplies 0.5%**

NeighborCare, Inc., 6.875%, 11/15/2013	1,000,000	1,050,000
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Health Care Providers & Services 0.4%

Triad Hospitals, Inc., 7.00%, 11/15/2013	1,000,000	1,011,250
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See Notes to Financial Statements

6**SCHEDULE OF INVESTMENTS** continued

August 31, 2004

	Principal Amount	Value
CORPORATE BONDS continued		
HEALTH CARE continued		
Pharmaceuticals 1.0%		
Alpharma, Inc., 8.625%, 05/01/2011 144A	\$ 725,000	\$ 730,437
Extendicare Health Services, Inc., 6.875%, 05/01/2014	1,000,000	995,000
Jean Coutu Group, Inc., 8.50%, 08/01/2014 144A	475,000	480,938
		<hr/>
		2,206,375
		<hr/>
INDUSTRIALS 7.2%		
Aerospace & Defense 0.5%		
DRS Technologies, Inc., 6.875%, 11/01/2013	1,000,000	1,035,000
		<hr/>
Commercial Services & Supplies 3.2%		
Alderwoods Group, Inc., 7.75%, 09/15/2012 144A	250,000	261,250
Allied Waste North America, Inc., 6.50%, 11/15/2010	1,000,000	1,005,000
Cenveo Corp., 7.875%, 12/01/2013	1,000,000	957,500
Geo Group, Inc., 8.25%, 07/15/2013	1,000,000	1,017,500
Manitowoc Co., Inc., 7.125%, 11/01/2013	1,000,000	1,037,500
NationsRent, Inc., 9.50%, 10/15/2010 144A	1,000,000	1,075,000
Newpark Resource, Inc., 8.625%, 12/15/2007	1,000,000	1,025,000
Service Corp. International, 6.75%, 04/01/2016 144A	1,000,000	967,500
		<hr/>
		7,346,250

Machinery 2.3%

Case New Holland, Inc., 9.25%, 08/01/2011 144A	1,000,000	1,110,000
Cummins, Inc., 9.50%, 12/01/2010	1,000,000	1,160,000
Navistar International Corp., 7.50%, 06/15/2011	1,000,000	1,055,000
Terex Corp., 7.375%, 01/15/2014	1,000,000	1,025,000
Wolverine Tube, Inc., 7.375%, 08/01/2008 144A	1,000,000	990,000
		<hr/>
		5,340,000
		<hr/>

Transportation Infrastructure 1.2%

Aviall, Inc., 7.625%, 07/01/2011	1,520,000	1,630,200
Offshore Logistics, Inc., 6.125%, 06/15/2013	1,000,000	995,000
		<hr/>
		2,625,200
		<hr/>

INFORMATION TECHNOLOGY 1.8%

Electronic Equipment & Instruments 0.5%

Da Lite Screen Co., Inc., 9.50%, 05/15/2011 144A	1,000,000	1,055,000
		<hr/>

IT Services 1.2%

Iron Mountain, Inc., 6.625%, 01/01/2016	1,000,000	945,000
Stratus Technologies, Inc., 10.375%, 12/01/2008 144A	855,000	773,775
Unisys Corp., 6.875%, 03/15/2010	1,000,000	1,037,500
		<hr/>
		2,756,275
		<hr/>

Semiconductors & Semiconductor Equipment 0.1%

Amkor Technology, Inc., 7.75%, 05/15/2013	250,000	211,250
		<hr/>

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2004

	Principal Amount	Value
		<hr/>

CORPORATE BONDS continued

MATERIALS 6.6%

Chemicals 3.2%

Equistar Chemicals LP, 10.625%, 05/01/2011	\$ 1,000,000	\$ 1,130,000
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Ethyl Corp., 8.875%, 05/01/2010	1,000,000	1,077,500
Huntsman Advanced Materials LLC:		
11.00%, 07/15/2010 144A	1,000,000	1,145,000
11.625%, 10/15/2010	1,000,000	1,125,000
Lyondell Chemical Co., 9.50%, 12/15/2008	1,000,000	1,073,750
Millennium America, Inc., 9.25%, 06/15/2008	600,000	657,000
Nalco Co., 7.75%, 11/15/2011 144A	1,000,000	1,070,000
		<hr/>
		7,278,250
		<hr/>
Containers & Packaging 1.4%		
Crown Cork & Seal Co., Inc., 7.375%, 12/15/2026	1,000,000	885,000
Owens-Brockway Glass Container, Inc., 8.875%, 02/15/2009	1,000,000	1,092,500
Stone Container Corp., 9.75%, 02/01/2011	1,000,000	1,125,000
		<hr/>
		3,102,500
		<hr/>
Metals & Mining 1.1%		
Century Aluminum Co., 7.50%, 08/15/2014 144A	105,000	108,412
Foundation Pennsylvania Coal Co., 7.25%, 08/01/2014 144A	250,000	264,375
Peabody Energy Corp., 5.875%, 04/15/2016	1,000,000	960,000
United States Steel Corp., 10.75%, 08/01/2008	1,000,000	1,176,127
		<hr/>
		2,508,914
		<hr/>
Paper & Forest Products 0.9%		
Millar Western Forest Products, Ltd., 7.75%, 11/15/2013	1,000,000	1,045,000
Scotts Co., 6.625%, 11/15/2013	1,000,000	1,050,000
		<hr/>
		2,095,000
		<hr/>
TELECOMMUNICATION SERVICES 1.5%		
Diversified Telecommunication Services 0.6%		
Insight Midwest LP, 10.50%, 11/01/2010	1,000,000	1,087,500
Qwest Corp., 7.875%, 09/01/2011 144A	285,000	289,988
		<hr/>
		1,377,488
		<hr/>
Wireless Telecommunications Services 0.9%		
Nextel Communications, Inc., 5.95%, 03/15/2014	1,000,000	955,000
Rural Cellular Corp., 8.25%, 03/15/2012 144A	1,000,000	1,022,500
		<hr/>
		1,977,500
		<hr/>
UTILITIES 1.0%		
Multi-Utilities & Unregulated Power 1.0%		
NRG Energy, Inc., 8.00%, 12/15/2013 144A	1,000,000	1,055,000

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Reliant Resources, Inc., 9.50%, 07/15/2013	1,000,000	1,110,000
		<hr/>
		2,165,000
		<hr/>
<i>Total Corporate Bonds (cost \$94,248,931)</i>		94,911,919
		<hr/>

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2004

	Principal Amount	Value
<hr/>		
YANKEE OBLIGATIONS-CORPORATE 0.4%		
TELECOMMUNICATION SERVICES 0.4%		
Wireless Telecommunications Services 0.4%		
Rogers Wireless, Inc., 6.375%, 03/01/2014 (cost \$931,539)	\$ 1,000,000	\$ 962,500
		<hr/>
<hr/>		
	Shares	Value
<hr/>		

COMMON STOCKS 95.6%

ENERGY 1.6%

Oil & Gas 1.6%

Crosstex Energy, Inc	45,000	1,676,250
Western Gas Resources, Inc	70,332	1,963,670
		<hr/>
		3,639,920
		<hr/>

FINANCIALS 2.7%

Real Estate 2.7%

Global Signal, Inc. REIT	275,000	6,050,000
		<hr/>

INDUSTRIALS 7.9%

Construction & Engineering 3.0%

Bouygues SA *	200,000	6,893,426
		<hr/>

Industrial Conglomerates 4.9%

Allele, Inc	350,000	9,471,000
Severn Trent, Inc	100,000	1,561,269

11,032,269

TELECOMMUNICATION SERVICES 16.0%

Diversified Telecommunication Services 13.0%

BellSouth Corp	400,000	10,704,000
SBC Communications, Inc	250,000	6,447,500
Verizon Communications, Inc	320,000	12,560,000

29,711,500

Wireless Telecommunications Services 3.0%

Leap Wireless International, Inc. *	125,000	3,456,250
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