

Van Kampen
Harbor Fund

ANNUAL REPORT

December 31, 2004



Enjoy Life's True Wealth

Privacy Notice information on the back.



Fund Report

For the 12-month period ended December 31, 2004

Van Kampen Harbor Fund is managed by the Adviser's Equity Income team.¹ Current members include Ellen Gold, Executive Director of the Adviser, and David McLaughlin, Vice President of the Adviser.

Market Conditions

The 12-month period was a challenging but ultimately rewarding one for many investors. The litany of obstacles in 2004 included a sharp spike in oil prices, rising interest rates, a falling dollar, the ongoing insurgency in Iraq and the uncertainty associated with the U.S. presidential election.

In March, the addition of more than 300,000 jobs removed the final impediment to Federal Reserve Board (the "Fed") interest rate increases and led to a sharp fall in bond prices. The Fed indeed raised short-term rates by a quarter point at its June meeting, while noting reassuringly that the pace of future tightening would be "measured." Following its spring decline, the bond market subsequently settled down as the U.S. economy hit a "soft patch" in the summer. With the Fed then widely viewed as even more inclined to take a measured approach to increasing rates, investors grew more optimistic and the bond market recovered from its mid-June lows. By year-end, following five quarter-point increases, the federal funds rate had been increased to 2.25 percent from 1 percent one year earlier. Yields and prices on 10-year bonds, however, ended the year about where they had started, resulting in positive returns for investors.

Equities performed well in 2004, as the market remained supported by solid fundamentals. The economy continued to grow at a steady pace, but, as noted, not so fast that the Fed felt the need to speed up its pace of rate increases. As a result, corporate earnings remained robust, finishing the year at a higher level than generally anticipated coming into 2004. Strong earnings, in turn, translated into rising dividend payouts and continued improvement in corporate balance sheets. These factors, taken together, helped the stock market climb the "wall of worry" to stay in positive territory. As the year drew to a close, a post-election rally helped the stock market post a double-digit gain for 2004.

In this environment, convertible issues, which share some of the characteristics of both equity and fixed-income securities, generally provided strong positive returns. This was driven mostly by the upward movement in equity prices over the year, as equity-sensitive convertibles benefited from appreciation in the underlying common stock.

¹Team members may change at any time without notice.

Performance Analysis

For the fiscal year ended December 31, 2004, the fund's total return was 9.73% (Class A shares, assuming no front-end sales charge was paid). The fund outperformed the 8.49% return of its benchmark, the Merrill Lynch All Convertibles Index, as well as the 8.78% return of the Lipper Convertible Securities Fund Index.

The fund is composed primarily of convertible issues, while also typically holding a modest common stock position. The fund's convertible holdings include a mix of issues with both equity and fixed-income characteristics. The fund's positive performance over the period was driven primarily by its exposure to the equity market.

The fund's sector weightings have generally been more or less in line with those for the overall convertible market. However, performance was aided by the fund's slightly overweight exposure to consumer, energy and industrial issues relative to the benchmark. All of these sectors were helped by an improving economic backdrop as well. The fund held a slightly underweighted position in financial issues, which also helped performance, as a rising interest rate environment served as a drag on this sector.

Among the leading positive contributors to the fund's performance was top ten holding Cummins Capital Trust. As a leading supplier to the trucking market, the company's earnings benefited from increased activity as a result of the strengthening economy. Providian Financial, another top ten holding, also contributed strongly to performance. A major issuer of credit cards, Providian benefited from continued strength in consumer spending, as well as the continued ability of consumers to pay their bills. Another fund holding, satellite radio company Sirius, experienced a sharp stock price increase thanks to a wave of new subscribers.

Total return for the 12-month period ended December 31, 2004

Class A	Class B	Class C	Merrill Lynch All Convertibles Index	Lipper Convertible Securities Fund Index
9.73%	8.93%	8.85%	8.49%	8.78%

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit vankampen.com or speak with your financial advisor. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost. See Performance Summary for additional performance information.

The performance for the three share classes varies because each has different expenses. The fund's total return figures assume the reinvestment of all distributions, but do not reflect the deduction of any applicable sales charges. Such costs would lower performance.

While the fund's performance was positive on both an absolute and relative basis, as always there were those holdings that detracted from returns for the period. One such holding was semiconductor chip maker LSI Logic. The company sells its chips to consumer electronics manufacturers such as Sony, and was hurt by weakness in the market for those products. Tower Automotive was another laggard. As a leading provider of components to the automobile manufacturing industry, the company suffered from a slow sales environment for new cars. After the close of the reporting period, the company's financial position took an even greater turn for the worse and we disposed of the position from the portfolio. Finally, the stock of Teva Pharmaceutical was adversely impacted over the period by a soft pricing environment for generic drugs.

The fund continues to hold a blend of bond-like and equity-sensitive securities, with the mix adjusted to reflect our view of economic and market conditions. In general, we continue to emphasize convertible issues where we believe the underlying common stock has the potential to benefit from a strengthening economy. Throughout the current recovery, the environment with respect to inflation and interest rates has been reasonably benign. Nonetheless, we will be closely monitoring the economy for any signs that rising inflation and interest rates are poised to drive a shift in market leadership from cyclicals to more growth-oriented issues. We believe the fund may continue to be appropriate for conservative investors seeking to maintain exposure to the upside of the stock market, with lower risk than through a pure equity vehicle.

There is no guarantee that any securities will continue to perform well or be held by the fund in the future.