

DREYFUS HIGH YIELD STRATEGIES FUND
Form N-CSR
November 29, 2006

**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 811-8703

Dreyfus High Yield Strategies Fund
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation
200 Park Avenue
New York, New York 10166
(Address of principal executive offices) (Zip code)

Mark N. Jacobs, Esq.
200 Park Avenue
New York, New York 10166
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6000

Date of fiscal year end: 03/31

Date of reporting period: 09/30/2006

FORM N-CSR

Item 1. Reports to Stockholders.

**Dreyfus
High Yield
Strategies Fund**

SEMIANNUAL REPORT September 30, 2006

Dreyfus High Yield Strategies Fund

Protecting Your Privacy

Our Pledge to You

THE FUND IS COMMITTED TO YOUR PRIVACY. On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding "nonpublic personal information," which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

YOUR ACCOUNT IS PROVIDED IN A SECURE ENVIRONMENT. The Fund maintains physical, electronic and procedural safeguards that comply with federal regulations to guard nonpublic personal information. The Fund's agents and service providers have limited access to customer information based on their role in servicing your account.

THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.

The Fund collects a variety of nonpublic personal information, which may include:

- Information we receive from you, such as your name, address, and social security number.
- Information about your transactions with us, such as the purchase or sale of Fund shares.
- Information we receive from agents and service providers, such as proxy voting information.

THE FUND DOES NOT SHARE NONPUBLIC

PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.

Thank you for this opportunity to serve you.

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured □ Not Bank-Guaranteed □ May Lose Value

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THE FUND

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**Dreyfus High Yield
Strategies Fund**

The Fund

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus High Yield Strategies Fund, covering the six-month period from April 1, 2006, through September 30, 2006.

After more than two years of steady and gradual increases, the Federal Reserve Board (the "Fed") has left short-term interest rates unchanged since its June 30 meeting. From that point on, the Fed has indicated that the U.S. economy has moved to a slower-growth phase of its cycle, as evidenced by softening housing markets in many regions of the United States. In addition, energy prices have generally moderated from record highs reached during the summer months, calming fears that the economy may fall into a full-blown recession.

Many sectors of the U.S. fixed-income market rallied over the last few months, sustained by subtle inflation readings, a slowing housing market and relatively benign employment numbers. Furthermore, concerns about an inverted Treasury yield curve have dissipated significantly since the reporting period began, as many investors attributed this effect to supply-and-demand factors and low inflation concerns. While the Fed is expected to remain vigilant in its attempts to forestall the acceleration of inflation, many fixed-income investors appear to be optimistic regarding inflation risk, and are perhaps more mindful of the risks and effects of a slowing U.S. economy. One thing is certain — the Fed and investors will be monitoring upcoming economic data closely with hopes of better understanding the state of the economy. With this in mind, we encourage you to talk with your financial advisor about these and other developments to help manage your portfolio and your current and future financial needs.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's portfolio manager.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
October 16, 2006

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DISCUSSION OF FUND PERFORMANCE

David Bowser, Portfolio Manager

Note to Shareholders: On October 25, 2006, David Bowser replaced Jon Uhrig as the fund's primary portfolio manager. Mr. Bowser has been a portfolio manager of the fund since July 2006.

How did Dreyfus High Yield Strategies Fund perform relative to its benchmark?

For the six-month period ended September 30, 2006, the fund achieved a total return of 4.08% (on a net asset value basis) and produced aggregate income dividends of \$0.20 per share.¹ In comparison, the Merrill Lynch U.S. High Yield Master II Constrained Index (the "Index"), the fund's benchmark, achieved a total return of 3.69% for the same period.²

High yield bonds generally fared well over the reporting period as strong credit conditions and stabilizing interest rates more than offset the adverse effects of intensifying inflationary pressures and slower economic growth. Despite the negative effect that rising short-term interest rates had on the portfolio's leveraging strategy, the fund produced a higher return than its benchmark, which we attribute to our focus on higher-quality issues and the success of our security selection during the reporting period.

What is the fund's investment approach?

The fund primarily seeks high current income. The fund also seeks capital growth as a secondary objective, to the extent consistent with its objective of seeking high current income. The fund invests primarily in fixed-income securities of below investment-grade credit quality. Issuers of below investment-grade securities may include companies in early stages of development and companies with a highly leveraged financial structure. To compensate investors for taking on greater risk, such companies typically must offer higher yields than those offered by more established or conservatively financed companies.

The Fund **3**

DISCUSSION OF FUND PERFORMANCE *(continued)*

What other factors influenced the fund's performance?

In the spring of 2006, an increase in the supply of newly issued bonds put pressure on existing bonds, leading to a modest decline in high yield bond prices. In addition, surging energy prices and a softening housing market led to renewed inflation and economic concerns among investors, who worried that credit conditions might deteriorate. The fund weathered this bout of market weakness relatively well, primarily due to our emphasis on bonds with credit ratings toward the higher end of the high yield range.

Investors' concerns eased over the summer, as the economy slowed and analysts began to anticipate an end to the Federal Reserve Board's (the "Fed") tightening campaign. Indeed, the Fed held rates steady at its meetings in July and August, and high yield bonds generally rallied, enabling them to post relatively attractive returns for the reporting period overall. However, the fund's return was undermined somewhat by rising short-term interest rates, which resulted in higher borrowing costs associated with the fund's leveraging strategy.

The automotive sector represented the reporting period's top-performing sector as investors continued to flock to the bonds of Ford Motor Company and General Motors. Although the fund held bonds backed by the major automakers' financing subsidiaries, it did not own debt securities issued by their holding companies, limiting its participation in the automotive sector's rally. In addition, results from the fund's holdings of construction-related companies, such as building materials provider Owens-Corning, proved to be disappointing when U.S. housing markets softened. The health services sector also underperformed for the reporting period, mostly due to investors' negative reaction to the announcement of a leveraged buyout ("LBO") of hospitals operator HCA.

These detractors were balanced by above-average performance in other areas. Throughout the reporting period, the fund benefited from its tilt toward higher-quality securities, which fared better than lower-rated bonds as investors grew more risk averse in the slower-growth economic environment. Bonds from tobacco companies rebounded from relatively depressed levels as litigation concerns eased and financial results improved.

Relatively interest-rate-sensitive issuers, such as members of the insurance and office equipment industries, also fared well when the Fed refrained from raising interest rates.

A number of new issues purchased during the reporting period contributed positively to the fund's relative returns, including bonds from telecommunications service providers Windstream Communications and Intelsat. Bonds issued by technology company Freescale Semiconductor gained value in anticipation of redemption when the company agreed to be acquired by a private equity consortium.

What is the fund's current strategy?

Although the supply of newly issued high yield bonds recently has been lighter than many analysts expected, we anticipate a higher volume of new issuance during the fourth quarter of 2006, partly due to the financing needs of recently announced LBOs. Therefore, as of the end of the reporting period, we have maintained a relatively large short-term position that we may redeploy as new investment opportunities meeting our investment criteria arise. Otherwise, high yield market conditions remain sound, in our judgment. Yield differences between high yield bonds and U.S. Treasury securities remain tight compared to historical norms, but these levels seem to be warranted by positive credit fundamentals and robust investor demand for income-oriented securities.

October 26, 2006

¹ Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation and the fund's shareholder servicing agent pursuant to an agreement in effect through April 4, 2007, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.

² SOURCE: BLOOMBERG, L.P. Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Merrill Lynch U.S. High Yield Master II Constrained Index is an unmanaged performance benchmark composed of U.S. dollar-denominated domestic and Yankee bonds rated below investment grade with at least \$100 million par amount outstanding and at least one year remaining to maturity. Bonds are capitalization-weighted. Total allocations to an issuer are capped at 2%.

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STATEMENT OF INVESTMENTS

September 30, 2006 (Unaudited)

| Bonds and Notes | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------------|
| Bonds and Notes 136.6% | | | | |
| Advertising .6% | | | | |
| Lamar Media, Gtd. Notes | 6.63 | 8/15/15 | 675,000 | 650,531 |
| R.H. Donnelley, Gtd. Notes | 10.88 | 12/15/12 | 690,000 | 762,450 |
| R.H. Donnelley Finance I, Gtd. Notes | 10.88 | 12/15/12 | 551,000 ^{a,b} | 608,855 |
| | | | | 2,021,836 |
| Aerospace & Defense 2.1% | | | | |
| Alliant Techsystems, | | | | |

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| | | | | |
|---|-------|----------|--------------------------|------------------|
| Gtd. Notes | 6.75 | 4/1/16 | 915,000 | 903,563 |
| Argo-Tech, Sr. Notes | 9.25 | 6/1/11 | 1,182,000 ^b | 1,235,190 |
| B/E Aerospace, Sr. Sub. Notes, Ser. B | 8.88 | 5/1/11 | 1,239,000 ^b | 1,294,755 |
| DRS Technologies, Sr. Sub. Notes | 6.88 | 11/1/13 | 438,000 | 434,715 |
| L-3 Communications, Bonds | 3.00 | 8/1/35 | 550,000 ^a | 562,375 |
| L-3 Communications, Sr. Sub. Notes, Ser. B | 6.38 | 10/15/15 | 1,400,000 ^b | 1,368,500 |
| L-3 Communications, Gtd. Notes | 7.63 | 6/15/12 | 1,050,000 ^b | 1,086,750 |
| | | | | 6,885,848 |
| Agricultural 4.4% | | | | |
| Alliance One International, Gtd. Notes | 11.00 | 5/15/12 | 1,430,000 ^b | 1,465,750 |
| Airlines 4.4% | | | | |
| United AirLines, Pass-Through Ctfs., Ser. 00-2 | 7.81 | 4/1/11 | 1,153,705 ^{b,c} | 1,235,186 |
| Automotive, Trucks & Parts 9.9% | | | | |
| Cooper-Standard Automotive, Gtd. Notes | 8.38 | 12/15/14 | 525,000 | 388,500 |
| Goodyear Tire & Rubber, Sr. Notes | 9.00 | 7/1/15 | 2,000,000 ^b | 2,040,000 |
| United Components, Sr. Sub. Notes | 9.38 | 6/15/13 | 675,000 ^b | 671,625 |
| | | | | 3,100,125 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------------|
| Banks 1.8% | | | | |
| Chevy Chase Bank, Sub. Notes | 6.88 | 12/1/13 | 3,620,000 ^b | 3,638,100 |
| Colonial Bank N.A./Montgomery, AL, Sub. Notes | 8.00 | 3/15/09 | 750,000 | 785,048 |
| Colonial Bank N.A./Montgomery, AL, Sub. Notes | 9.38 | 6/1/11 | 1,000,000 | 1,134,305 |
| Shinsei Finance Cayman, Bonds | 6.42 | 1/29/49 | 325,000 ^{a,d} | 323,356 |
| | | | | 5,880,809 |
| Building & Construction 3.7% | | | | |
| Beazer Homes USA, Gtd. Notes | 6.88 | 7/15/15 | 2,000,000 ^b | 1,820,000 |
| D.R. Horton, | | | | |

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| | | | | |
|---|-------|----------|--------------------------|-------------------|
| Gtd. Notes | 8.50 | 4/15/12 | 2,600,000 ^b | 2,726,087 |
| Goodman Global Holdings, Sr. Sub. Notes | 7.88 | 12/15/12 | 438,000 | 419,385 |
| Goodman Global Holdings, Sr. Notes, Ser. B | 8.33 | 6/15/12 | 1,596,000 ^{b,d} | 1,621,935 |
| Nortek, Sr. Sub. Notes | 8.50 | 9/1/14 | 1,319,000 ^b | 1,253,050 |
| Owens Corning, Bonds | 7.50 | 8/1/18 | 2,026,000 ^{b,c} | 1,048,455 |
| Scranton Products, Sr. Notes | 10.50 | 7/1/13 | 1,325,000 ^b | 1,354,812 |
| Standard-Pacific, Sr. Notes | 6.50 | 8/15/10 | 1,600,000 | 1,512,000 |
| Texas Industries, Sr. Unscd. Notes | 7.25 | 7/15/13 | 250,000 | 251,250 |
| | | | | 12,006,974 |
| Chemicals 7.8% | | | | |
| Airgas, Sr. Sub. Notes | 6.25 | 7/15/14 | 1,300,000 ^b | 1,218,750 |
| Airgas, Gtd. Notes | 9.13 | 10/1/11 | 202,000 | 212,227 |
| Equistar Chemicals/Funding, Gtd. Notes | 10.13 | 9/1/08 | 1,460,000 ^b | 1,553,075 |

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| Chemicals (continued) | | | | |
| Huntsman, Gtd. Notes | 11.63 | 10/15/10 | 909,000 ^b | 1,008,990 |
| Huntsman International, Gtd. Notes | 9.88 | 3/1/09 | 270,000 | 282,825 |
| Huntsman International, Gtd. Notes | 10.13 | 7/1/09 | 3,516,000 ^b | 3,586,320 |
| Ineos Group Holdings, Sr. Sub. Notes | 8.50 | 2/15/16 | 2,900,000 ^a | 2,776,750 |
| Lyondell Chemical, Gtd. Notes | 8.00 | 9/15/14 | 1,615,000 | 1,643,262 |
| Mosaic Global Holdings, Gtd. Notes, Ser. B | 10.88 | 6/1/08 | 1,000,000 | 1,071,250 |
| Nalco, Sr. Sub. Notes | 8.88 | 11/15/13 | 4,508,000 ^b | 4,722,130 |

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|---|-------|----------|------------------------|-------------------|
| Nova Chemicals, Sr. Notes | 6.50 | 1/15/12 | 1,170,000 ^b | 1,105,650 |
| Nova Chemicals, Sr. Unscd. Notes | 8.41 | 11/15/13 | 1,200,000 ^d | 1,230,000 |
| PQ, Gtd. Notes | 7.50 | 2/15/13 | 250,000 | 238,750 |
| Rhodia, Sr. Notes | 10.25 | 6/1/10 | 2,895,000 ^b | 3,256,875 |
| Rockwood Specialties Group, Sr. Sub. Notes | 10.63 | 5/15/11 | 1,006,000 ^b | 1,081,450 |
| Westlake Chemical, Gtd. Notes | 6.63 | 1/15/16 | 675,000 | 644,625 |
| | | | | 25,632,929 |

Commercial & Professional Services 2.9%

| | | | | |
|---|-------|----------|--------------------------|-----------|
| Brickman Group, Gtd. Notes, Ser. B | 11.75 | 12/15/09 | 888,000 ^b | 952,380 |
| Corrections Corp. of America, Gtd. Notes | 6.25 | 3/15/13 | 2,475,000 ^b | 2,437,875 |
| Education Management, Sr. Notes | 8.75 | 6/1/14 | 1,100,000 ^a | 1,116,500 |
| Education Management, Sr. Sub. Notes | 10.25 | 6/1/16 | 1,600,000 ^{a,b} | 1,644,000 |
| Hertz, Sr. Notes | 8.88 | 1/1/14 | 1,085,000 ^a | 1,141,962 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------------|
| Commercial & Professional Services (continued) | | | | |
| Hertz, Sr. Sub. Notes | 10.50 | 1/1/16 | 500,000 ^a | 552,500 |
| Service Corp. International, Sr. Notes | 8.00 | 6/15/17 | 660,000 ^a | 635,250 |
| Williams Scotsman, Gtd. Notes | 8.50 | 10/1/15 | 1,080,000 ^b | 1,109,700 |
| | | | | 9,590,167 |
| Commercial Mortgage Pass-Through Ctfs 1.4% | | | | |
| Global Signal Trust, Ser. 2006-1, Cl. F | 7.04 | 2/15/36 | 1,210,000 ^a | 1,236,240 |
| Consumer Products 1.2% | | | | |
| Chattem, Sr. Sub. Notes | 7.00 | 3/1/14 | 1,455,000 | 1,413,169 |

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| | | | | | |
|---|-----|------|----------|--------------------------|------------------|
| Playtex Products, Gtd. Notes | | 9.38 | 6/1/11 | 2,264,000 ^b | 2,377,200 |
| | | | | | 3,790,369 |
| Diversified Financial Services 11.0% | | | | | |
| Basell, Gtd. Notes | | 8.38 | 8/15/15 | 1,280,000 ^{a,b} | 1,276,800 |
| BCP Crystal US Holdings, Sr. Sub. Notes | | 9.63 | 6/15/14 | 2,280,000 ^b | 2,485,200 |
| C & M Finance, Gtd. Notes | | 8.10 | 2/1/16 | 350,000 ^a | 343,662 |
| CCM Merger, Notes | | 8.00 | 8/1/13 | 1,325,000 ^a | 1,278,625 |
| Consolidated Communications Illinois/Texas Holdings, Sr. Notes | | 9.75 | 4/1/12 | 747,000 ^b | 791,820 |
| E*TRADE Financial, Sr. Notes | | 8.00 | 6/15/11 | 400,000 | 416,000 |
| FCE Bank, Notes | EUR | 4.38 | 9/30/09 | 3,615,000 ^{d,e} | 4,364,503 |
| FINOVA Group, Notes | | 7.50 | 11/15/09 | 2,035,920 ^b | 580,237 |
| Ford Motor Credit, Notes | | 5.63 | 10/1/08 | 1,650,000 ^b | 1,583,619 |

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|-----|--------------------|------------------|--------------------------|------------|
| Diversified Financial Services (continued) | | | | | |
| Ford Motor Credit, Sr. Unscd. Notes | | 9.75 | 9/15/10 | 3,936,000 ^{a,b} | 4,067,112 |
| General Motors Acceptance International Finance, Gtd. Notes | EUR | 4.38 | 10/31/07 | 2,000,000 ^e | 2,525,647 |
| GMAC, Sr. Unsub. Notes | EUR | 5.38 | 6/6/11 | 1,140,000 ^e | 1,423,876 |
| GMAC, Notes | | 6.13 | 1/22/08 | 1,515,000 ^b | 1,505,439 |
| GMAC, Notes | | 7.75 | 1/19/10 | 3,435,000 ^b | 3,522,184 |
| K & F Acquisition, Gtd. Notes | | 7.75 | 11/15/14 | 560,000 | 564,200 |

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|---|------|---------|------------------------|-------------------|
| Kansas City Southern Railway, Gtd. Notes | 7.50 | 6/15/09 | 790,000 | 793,950 |
| Kaupthing Bank, Notes | 7.13 | 5/19/16 | 5,175,000 ^a | 5,449,347 |
| Leucadia National, Sr. Notes | 7.00 | 8/15/13 | 1,725,000 ^b | 1,750,875 |
| Stena, Sr. Notes | 7.50 | 11/1/13 | 1,170,000 ^b | 1,155,375 |
| | | | | 35,878,471 |

**Diversified Metals
& Mining 2.6%**

| | | | | |
|---|-------|---------|--------------------------|------------------|
| Consol Energy, Gtd. Notes | 7.88 | 3/1/12 | 3,182,000 ^b | 3,293,370 |
| CSN Islands IX, Gtd. Notes | 10.50 | 1/15/15 | 1,315,000 ^{a,b} | 1,531,975 |
| Freeport-McMoRan Copper & Gold, Sr. Notes | 6.88 | 2/1/14 | 975,000 | 967,688 |
| Freeport-McMoRan Copper & Gold, Sr. Notes | 10.13 | 2/1/10 | 1,000,000 | 1,065,000 |
| Gibraltar Industries, Gtd. Notes, Ser. B | 8.00 | 12/1/15 | 900,000 | 895,500 |
| Southern Copper, Sr. Notes | 6.38 | 7/27/15 | 650,000 | 651,530 |
| | | | | 8,405,063 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Electric Utilities 14.8% | | | | |
| AES, Sr. Notes | 8.88 | 2/15/11 | 2,375,000 ^b | 2,553,125 |
| AES, Sr. Notes | 9.38 | 9/15/10 | 7,610,000 ^b | 8,256,850 |
| Allegheny Energy Supply, Sr. Unscd. Bonds | 8.25 | 4/15/12 | 5,650,000 ^{a,b} | 6,186,750 |
| CMS Energy, Sr. Notes | 9.88 | 10/15/07 | 1,601,000 ^b | 1,671,044 |
| Edison Mission Energy, Sr. Notes | 7.50 | 6/15/13 | 1,465,000 ^a | 1,486,975 |
| FPL Energy National Wind, Scd. Bonds | 6.13 | 3/25/19 | 4,106,063 ^{a,b} | 4,002,327 |
| Mirant Americas Generation, Sr. Notes | 8.30 | 5/1/11 | 2,975,000 ^b | 2,993,594 |

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|--|-------|----------|------------------------|-------------------|
| Mirant North America, Gtd. Notes | 7.38 | 12/31/13 | 4,335,000 ^b | 4,362,094 |
| MSW Energy Holdings/Finance, Scd. Notes | 8.50 | 9/1/10 | 1,450,000 ^b | 1,500,750 |
| MSW Energy Holdings II/Finance II, Gtd. Notes, Ser. B | 7.38 | 9/1/10 | 450,000 | 452,250 |
| Nevada Power, Mortgage Notes | 6.50 | 4/15/12 | 478,000 ^b | 495,129 |
| Nevada Power, Mortgage Notes, Ser. A | 8.25 | 6/1/11 | 1,216,000 | 1,344,784 |
| NRG Energy, Gtd. Notes | 7.25 | 2/1/14 | 1,175,000 | 1,169,125 |
| PSEG Energy Holdings, Sr. Notes | 10.00 | 10/1/09 | 350,000 | 384,125 |
| Reliant Energy, Scd. Notes | 9.25 | 7/15/10 | 2,758,000 ^b | 2,875,215 |
| Reliant Energy, Scd. Notes | 9.50 | 7/15/13 | 3,630,000 ^b | 3,784,275 |
| Sierra Pacific Power, Mortgage Notes | 6.25 | 4/15/12 | 425,000 | 435,269 |
| Sierra Pacific Resources, Sr. Notes | 8.63 | 3/15/14 | 3,467,000 ^b | 3,760,714 |
| TECO Energy, Sr. Notes | 6.75 | 5/1/15 | 525,000 | 540,750 |
| | | | | 48,255,145 |

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------------|
| Environmental Control 2.3% | | | | |
| Allied Waste North America, Sr. Notes, Ser. B | 8.50 | 12/1/08 | 4,509,000 ^b | 4,745,722 |
| Allied Waste North America, Gtd. Notes, Ser. B | 9.25 | 9/1/12 | 1,215,000 ^b | 1,301,569 |
| Geo Sub, Sr. Notes | 11.00 | 5/15/12 | 840,000 ^b | 869,400 |
| WCA Waste, Sr. Notes | 9.25 | 6/15/14 | 415,000 ^a | 432,638 |
| | | | | 7,349,329 |
| Food & Beverages 3.6% | | | | |
| Agrilink Foods, Gtd. Notes | 11.88 | 11/1/08 | 225,000 ^b | 226,406 |

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|--|------|----------|--------------------------|-------------------|
| Dean Foods, Gtd. Notes | 7.00 | 6/1/16 | 2,340,000 ^b | 2,351,700 |
| Del Monte, Sr. Sub. Notes | 8.63 | 12/15/12 | 1,879,000 ^b | 1,979,996 |
| Dole Food, Sr. Notes | 8.63 | 5/1/09 | 702,000 ^b | 689,715 |
| Dole Food, Debs | 8.75 | 7/15/13 | 665,000 ^b | 625,100 |
| Dole Food, Sr. Notes | 8.88 | 3/15/11 | 475,000 ^b | 457,187 |
| Ingles Markets, Gtd. Notes | 8.88 | 12/1/11 | 395,000 | 413,762 |
| Smithfield Foods, Sr. Notes | 7.00 | 8/1/11 | 1,500,000 ^b | 1,518,750 |
| Stater Brothers Holdings, Sr. Notes | 8.13 | 6/15/12 | 2,375,000 ^b | 2,398,750 |
| Stater Brothers Holdings, Sr. Notes | 8.89 | 6/15/10 | 1,115,000 ^{b,d} | 1,131,725 |
| | | | | 11,793,091 |

Health Care 5.5%

| | | | | |
|--|------|---------|------------------------|-----------|
| Angiotech Pharmaceuticals, Sr. Sub. Notes | 7.75 | 4/1/14 | 325,000 ^a | 310,375 |
| Coventry Health Care, Sr. Notes | 8.13 | 2/15/12 | 505,000 | 530,250 |
| DaVita, Gtd. Notes | 7.25 | 3/15/15 | 1,720,000 ^b | 1,698,500 |
| Extendicare Health Services, Gtd. Notes | 9.50 | 7/1/10 | 791,000 ^b | 833,516 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--------------------------------------|--------------------|------------------|--------------------------|------------|
| Health Care (continued) | | | | |
| Fresenius Finance, Gtd. Notes EUR | 5.00 | 1/31/13 | 195,000 ^{a,e} | 249,995 |
| HCA, Sr. Notes | 6.95 | 5/1/12 | 1,735,000 | 1,524,631 |
| HCA, Notes | 8.75 | 9/1/10 | 1,835,000 ^b | 1,857,937 |
| Psychiatric Solutions, Gtd. Notes | 7.75 | 7/15/15 | 800,000 | 784,000 |
| Tenet Healthcare, Sr. Notes | 9.88 | 7/1/14 | 7,346,000 ^b | 7,355,183 |
| Triad Hospitals, Sr. Sub. Notes | 7.00 | 11/15/13 | 2,918,000 ^b | 2,848,697 |

17,993,084**Lodging & Entertainment** 11.7%

| | | | | |
|--|------|----------|--------------------------|-----------|
| AMC Entertainment, Sr. Sub. Notes | 9.88 | 2/1/12 | 750,000 ^b | 774,375 |
| Cinemark, Sr. Discount Notes | 9.75 | 3/15/14 | 3,915,000 ^{b,f} | 3,141,787 |
| Cinemark USA, Sr. Sub. Notes | 9.00 | 2/1/13 | 90,000 | 93,825 |
| Gaylord Entertainment, Gtd. Notes | 6.75 | 11/15/14 | 775,000 | 744,969 |
| Gaylord Entertainment, Sr. Notes | 8.00 | 11/15/13 | 200,000 | 204,500 |
| Isle of Capri Casinos, Gtd. Notes | 9.00 | 3/15/12 | 1,878,000 ^b | 1,969,552 |
| Leslie's Poolmart, Sr. Notes | 7.75 | 2/1/13 | 970,000 | 960,300 |
| Mandalay Resort Group, Sr. Notes | 6.50 | 7/31/09 | 1,825,000 ^b | 1,836,406 |
| Mandalay Resort Group, Sr. Sub. Notes | 9.38 | 2/15/10 | 2,000,000 ^b | 2,147,500 |
| Mashantucket Western Pequot Tribe, Bonds | 5.91 | 9/1/21 | 2,850,000 ^{a,b} | 2,747,523 |
| MGM Mirage, Gtd. Notes | 8.50 | 9/15/10 | 2,858,000 ^b | 3,054,487 |
| Mohegan Tribal Gaming Authority, Sr. Notes | 6.13 | 2/15/13 | 2,225,000 ^b | 2,186,062 |
| Mohegan Tribal Gaming Authority, Sr. Sub. Notes | 6.38 | 7/15/09 | 1,800,000 ^b | 1,795,500 |

The Fund **13**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Lodging & Entertainment (continued) | | | | |
| Mohegan Tribal Gaming Authority, Sr. Sub. Notes | 7.13 | 8/15/14 | 1,220,000 | 1,220,000 |
| Park Place Entertainment, Sr. Sub. Notes | 7.88 | 3/15/10 | 1,140,000 ^b | 1,191,300 |
| Penn National Gaming, Sr. Sub. Notes | 6.75 | 3/1/15 | 540,000 | 528,525 |
| Pokagon Gaming Authority, Sr. Notes | 10.38 | 6/15/14 | 3,495,000 ^{a,b} | 3,744,019 |
| Resorts International Hotel and | | | | |

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| | | | | |
|---|-------|----------|--------------------------|-------------------|
| Casino, Gtd. Notes | 11.50 | 3/15/09 | 470,000 ^b | 488,800 |
| Royal Caribbean Cruises, Sr. Notes | 8.75 | 2/2/11 | 1,575,000 ^b | 1,723,546 |
| Scientific Games, Gtd. Notes | 6.25 | 12/15/12 | 2,375,000 ^b | 2,297,812 |
| Seneca Gaming, Sr. Unscd. Notes, Ser. B | 7.25 | 5/1/12 | 875,000 | 879,375 |
| Speedway Motorsports, Sr. Sub. Notes | 6.75 | 6/1/13 | 2,100,000 ^b | 2,089,500 |
| Wheeling Island Gaming, Gtd. Notes | 10.13 | 12/15/09 | 1,000,000 | 1,030,000 |
| Wynn Las Vegas/Capital, First Mortgage Notes | 6.63 | 12/1/14 | 1,331,000 ^b | 1,297,725 |
| | | | | 38,147,388 |
| Machinery 3.3% | | | | |
| Case New Holland, Gtd. Notes | 9.25 | 8/1/11 | 3,270,000 ^b | 3,482,550 |
| Columbus McKinnon, Sr. Sub. Notes | 8.88 | 11/1/13 | 615,000 | 631,913 |
| Douglas Dynamics, Gtd. Notes | 7.75 | 1/15/12 | 3,500,000 ^{a,b} | 3,325,000 |
| Terex, Gtd. Notes | 7.38 | 1/15/14 | 3,415,000 ^b | 3,449,150 |
| | | | | 10,888,613 |
| Manufacturing 1.7% | | | | |
| Bombardier, Notes | 6.30 | 5/1/14 | 1,275,000 ^{a,b} | 1,150,687 |
| J.B. Poindexter & Co., Gtd. Notes | 8.75 | 3/15/14 | 2,259,000 ^b | 1,874,970 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------------|
| Manufacturing (continued) | | | | |
| Polypore International, Sr. Discount Notes | 10.50 | 10/1/12 | 2,003,000 ^f | 1,452,175 |
| RBS Global/Rexnord, Sr. Sub. Notes | 11.75 | 8/1/16 | 1,050,000 ^a | 1,086,750 |
| | | | | 5,564,582 |
| Media 7.2% | | | | |
| Adelphia Communications, Sr. Notes, Ser. B | 7.75 | 1/15/09 | 1,550,000 ^c | 964,875 |
| Cablevision Systems, Sr. Notes, Ser. B | 9.62 | 4/1/09 | 850,000 ^d | 908,437 |
| CBD Media, | | | | |

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| | | | | |
|-----------------------------|-------|----------|--------------------------|-----------|
| Gtd. Notes | 8.63 | 6/1/11 | 200,000 | 198,000 |
| CCO Holdings/Capital, | | | | |
| Sr. Notes | 8.75 | 11/15/13 | 2,466,000 ^b | 2,493,742 |
| CSC Holdings, | | | | |
| Sr. Notes | 7.25 | 4/15/12 | 2,855,000 ^{a,b} | 2,858,569 |
| CSC Holdings, | | | | |
| Sr. Notes, Ser. B | 8.13 | 7/15/09 | 1,150,000 ^b | 1,196,000 |
| Dex Media East/Finance, | | | | |
| Gtd. Notes | 9.88 | 11/15/09 | 178,000 | 188,457 |
| Dex Media East/Finance, | | | | |
| Gtd. Notes | 12.13 | 11/15/12 | 2,060,000 ^b | 2,309,775 |
| Dex Media West/Finance, | | | | |
| Sr. Sub. Notes, Ser. B | 9.88 | 8/15/13 | 4,165,000 ^b | 4,519,025 |
| DirecTV Holdings/Financing, | | | | |
| Sr. Notes | 8.38 | 3/15/13 | 750,000 | 780,937 |
| Entercom Radio/Capital, | | | | |
| Gtd. Notes | 7.63 | 3/1/14 | 425,000 | 417,031 |
| Kabel Deutschland, | | | | |
| Gtd. Notes | 10.63 | 7/1/14 | 1,268,000 ^a | 1,366,270 |
| LBI Media, | | | | |
| Sr. Discount Notes | 11.00 | 10/15/13 | 1,392,000 ^{b,f} | 1,183,200 |
| Lodgenet Entertainment, | | | | |
| Sr. Sub. Debs | 9.50 | 6/15/13 | 419,000 ^b | 450,425 |
| Nexstar Finance Holdings, | | | | |
| Sr. Discount Notes | 11.38 | 4/1/13 | 2,245,000 ^{b,f} | 1,885,800 |
| Pegasus Communications, | | | | |
| Sr. Notes, Ser. B | 12.50 | 8/1/07 | 1,657,592 ^{b,c} | 190,623 |

The Fund **15**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|------------------------------------|--------------------|------------------|--------------------------|-------------------|
| Media (continued) | | | | |
| Radio One, | | | | |
| Gtd. Notes, Ser. B | 8.88 | 7/1/11 | 1,555,000 ^b | 1,595,819 |
| | | | | 23,506,985 |
| Oil & Gas 11.6% | | | | |
| ANR Pipeline, | | | | |
| Sr. Notes | 7.00 | 6/1/25 | 95,000 ^b | 94,818 |
| ANR Pipeline, | | | | |
| Debs | 7.38 | 2/15/24 | 50,000 ^b | 51,775 |
| ANR Pipeline, | | | | |
| Notes | 8.88 | 3/15/10 | 2,230,000 ^b | 2,349,673 |

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| | | | | |
|--|------|----------|------------------------|-----------|
| Chesapeake Energy, Gtd. Notes | 7.63 | 7/15/13 | 600,000 | 615,750 |
| Colorado Interstate Gas, Sr. Notes | 5.95 | 3/15/15 | 460,000 | 442,208 |
| Dynegey Holdings, Sr. Unscd. Notes | 8.38 | 5/1/16 | 3,230,000 ^b | 3,302,675 |
| El Paso, Sr. Notes | 7.63 | 9/1/08 | 3,893,000 ^b | 4,004,924 |
| El Paso, Sr. Notes | 7.75 | 6/15/10 | 3,942,000 ^b | 4,099,680 |
| El Paso Production Holding, Gtd. Notes | 7.75 | 6/1/13 | 2,321,000 ^b | 2,384,827 |
| Hanover Compressor, Gtd. Notes | 8.63 | 12/15/10 | 921,000 ^b | 962,445 |
| Hanover Compressor, Sr. Notes | 9.00 | 6/1/14 | 1,263,000 ^b | 1,345,095 |
| Hanover Equipment Trust, Scd. Notes, Ser. B | 8.75 | 9/1/11 | 1,452,000 ^b | 1,517,340 |
| McMoRan Exploration, Sr. Notes | 5.25 | 10/6/11 | 891,000 ^a | 1,094,816 |
| Northwest Pipeline, Gtd. Notes | 8.13 | 3/1/10 | 2,200,000 ^b | 2,299,000 |
| Pogo Producing, Sr. Sub. Notes | 6.63 | 3/15/15 | 1,875,000 ^b | 1,800,000 |
| Southern Natural Gas, Unsub. Notes | 8.88 | 3/15/10 | 1,795,000 ^b | 1,891,329 |
| Whiting Petroleum, Sr. Sub. Notes | 7.25 | 5/1/13 | 2,225,000 ^b | 2,191,625 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|----------------------------|-------------------|
| Oil & Gas (continued) | | | | |
| Williams Cos., Notes | 7.13 | 9/1/11 | 1,925,000 ^b | 1,982,750 |
| Williams Cos., Notes | 7.51 | 10/1/10 | 3,000,000 ^{a,b,d} | 3,067,500 |
| Williams Cos., Sr. Notes | 7.63 | 7/15/19 | 500,000 | 522,500 |
| Williams Cos., Notes | 7.88 | 9/1/21 | 1,900,000 ^b | 1,995,000 |
| | | | | 38,015,730 |
| Packaging & Containers 8.3% | | | | |
| Ball, Gtd. Notes | 6.88 | 12/15/12 | 2,250,000 ^b | 2,278,125 |

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| | | | | |
|---|------|----------|--------------------------|-----------|
| Berry Plastics Holding, Scd. Notes | 8.88 | 9/15/14 | 710,000 ^a | 717,100 |
| Berry Plastics Holding, Scd. Notes | 9.27 | 9/15/14 | 275,000 ^{a,d} | 277,750 |
| Crown Americas/Capital, Gtd. Notes | 7.63 | 11/15/13 | 7,225,000 ^b | 7,351,438 |
| Crown Americas/Capital, Sr. Notes | 7.75 | 11/15/15 | 4,125,000 ^b | 4,197,188 |
| Norampac, Sr. Notes | 6.75 | 6/1/13 | 1,500,000 | 1,425,000 |
| Owens Brockway Glass Container, Gtd. Notes | 6.75 | 12/1/14 | 445,000 | 424,975 |
| Owens Brockway Glass Container, Gtd. Notes | 7.75 | 5/15/11 | 900,000 ^b | 929,250 |
| Owens Brockway Glass Container, Gtd. Notes | 8.25 | 5/15/13 | 450,000 ^b | 463,500 |
| Owens Brockway Glass Container, Scd. Notes | 8.75 | 11/15/12 | 133,000 | 140,980 |
| Owens Brockway Glass Container, Gtd. Notes | 8.88 | 2/15/09 | 879,000 ^b | 907,568 |
| Owens-Illinois, Debs | 7.50 | 5/15/10 | 900,000 | 904,500 |
| Owens-Illinois, Debs | 7.80 | 5/15/18 | 1,815,000 ^b | 1,733,325 |
| Plastipak Holdings, Sr. Notes | 8.50 | 12/15/15 | 2,400,000 ^{a,b} | 2,436,000 |

The Fund **17**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|-------------------|
| Packaging & Containers (continued) | | | | |
| Smurfit-Stone Container Enterprises, Sr. Notes | 9.75 | 2/1/11 | 2,170,000 ^b | 2,245,950 |
| Solo Cup, Sr. Sub. Notes | 8.50 | 2/15/14 | 800,000 | 695,000 |
| | | | | 27,127,649 |
| Paper & Forest Products 2.3% | | | | |
| Appleton Papers, Sr. Sub. Notes, Ser. B | 9.75 | 6/15/14 | 2,709,000 ^b | 2,688,683 |
| Buckeye Technologies, Sr. Notes | 8.50 | 10/1/13 | 1,150,000 ^b | 1,158,625 |
| Buckeye Technologies, | | | | |

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| | | | | |
|--|-------|----------|------------------------|------------------|
| Sr. Sub. Notes Georgia-Pacific, | 9.25 | 9/15/08 | 651,000 ^b | 654,255 |
| Sr. Notes Temple-Inland, Bonds | 8.00 | 1/15/24 | 805,000 | 796,950 |
| | 6.63 | 1/15/18 | 1,975,000 ^b | 2,069,417 |
| | | | | 7,367,930 |
| Property & Casualty Insurance 1.1% | | | | |
| Hanover Insurance Group, Debs | 7.63 | 10/15/25 | 3,300,000 ^b | 3,522,116 |
| Real Estate Investment Trusts 1.4% | | | | |
| B.F. Saul Reit, Scd. Notes | 7.50 | 3/1/14 | 2,210,000 ^b | 2,254,200 |
| Host Marriott, Sr. Notes, Ser. M | 7.00 | 8/15/12 | 2,150,000 ^b | 2,184,938 |
| Host Marriott, Gtd. Notes, Ser. I | 9.50 | 1/15/07 | 90,000 | 91,238 |
| | | | | 4,530,376 |
| Retail 1.4% | | | | |
| Amerigas Partners, Sr. Unscd. Notes | 7.25 | 5/20/15 | 1,100,000 ^b | 1,101,375 |
| Central European Distribution, Scd. Bonds EUR | 8.00 | 7/25/12 | 650,000 ^{a,e} | 892,267 |
| Neiman-Marcus Group Gtd. Notes | 9.00 | 10/15/15 | 525,000 | 560,438 |
| Rite Aid, Scd. Notes | 8.13 | 5/1/10 | 1,035,000 ^b | 1,042,763 |
| VICORP Restaurants, Sr. Notes | 10.50 | 4/15/11 | 966,000 ^b | 920,115 |
| | | | | 4,516,958 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------------|
| State/Government | | | | |
| General Obligations 2.0% | | | | |
| Erie Tobacco Asset Securitization/NY, Tobacco Settlement Asset-Backed Bonds | 6.00 | 6/1/28 | 750,000 | 751,433 |
| Michigan Tobacco Settlement Finance Authority, Tobacco Settlement Asset-Backed Bonds | 7.31 | 6/1/34 | 2,375,000 ^b | 2,388,300 |
| Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds | 6.50 | 6/1/23 | 3,485,000 ^b | 3,465,658 |
| | | | | 6,605,391 |

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Structured Index 2.3%

Dow Jones CDX,

| | | | | |
|--------------------------------|------|---------|----------------------------|------------------|
| Credit Linked Notes, Ser. 4-T1 | 8.25 | 6/29/10 | 7,493,760 ^{a,b,g} | 7,634,268 |
|--------------------------------|------|---------|----------------------------|------------------|

Technology 3.5%

Dresser,

| | | | | |
|------------|-------|---------|------------------------|-----------|
| Gtd. Notes | 10.13 | 4/15/11 | 1,950,000 ^b | 2,049,938 |
|------------|-------|---------|------------------------|-----------|

Fisher Scientific International,

| | | | | |
|----------------|------|--------|------------------------|-----------|
| Sr. Sub. Notes | 6.13 | 7/1/15 | 1,350,000 ^b | 1,346,625 |
|----------------|------|--------|------------------------|-----------|

Freescale Semiconductor,

| | | | | |
|-----------|------|---------|------------------------|-----------|
| Sr. Notes | 6.88 | 7/15/11 | 3,190,000 ^b | 3,373,425 |
|-----------|------|---------|------------------------|-----------|

Freescale Semiconductor,

| | | | | |
|-----------|------|---------|-----------|-----------|
| Sr. Notes | 7.13 | 7/15/14 | 1,425,000 | 1,535,438 |
|-----------|------|---------|-----------|-----------|

IMAX,

| | | | | |
|------------|------|---------|----------------------|---------|
| Gtd. Notes | 9.63 | 12/1/10 | 919,000 ^b | 879,943 |
|------------|------|---------|----------------------|---------|

Sensata Technologies,

| | | | | |
|--------------------|------|--------|--------------------------|-----------|
| Sr. Sub. Notes EUR | 9.00 | 5/1/16 | 1,450,000 ^{f,e} | 1,846,413 |
|--------------------|------|--------|--------------------------|-----------|

Sungard Data Systems

| | | | | |
|------------|------|---------|----------------------|---------|
| Gtd. Notes | 9.97 | 8/15/13 | 300,000 ^d | 312,750 |
|------------|------|---------|----------------------|---------|

11,344,532

Telecommunications 11.6%

American Tower,

| | | | | |
|-----------|------|----------|------------------------|-----------|
| Sr. Notes | 7.13 | 10/15/12 | 1,329,000 ^b | 1,368,870 |
|-----------|------|----------|------------------------|-----------|

American Towers,

| | | | | |
|------------|------|---------|------------------------|-----------|
| Gtd. Notes | 7.25 | 12/1/11 | 1,100,000 ^b | 1,138,500 |
|------------|------|---------|------------------------|-----------|

Hawaiian Telcom Communications,

| | | | | |
|--------------------|-------|--------|------------------------|-----------|
| Gtd. Notes, Ser. B | 10.79 | 5/1/13 | 1,050,000 ^d | 1,078,875 |
|--------------------|-------|--------|------------------------|-----------|

Intelsat Bermuda,

| | | | | |
|-----------|-------|---------|------------------------|-----------|
| Sr. Notes | 11.25 | 6/15/16 | 2,705,000 ^a | 2,887,588 |
|-----------|-------|---------|------------------------|-----------|

Intelsat Bermuda,

| | | | | |
|-----------|-------|---------|--------------------------|-----------|
| Sr. Notes | 11.64 | 6/15/13 | 2,000,000 ^{a,d} | 2,110,000 |
|-----------|-------|---------|--------------------------|-----------|

The Fund **19**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Telecommunications (continued) | | | | |
| Intelsat Subsidiary Holding, Sr. Notes | 8.25 | 1/15/13 | 1,370,000 | 1,393,975 |
| Intelsat Subsidiary Holding, Gtd. Notes | 10.48 | 1/15/12 | 1,250,000 ^d | 1,273,438 |
| Nordic Telephone Holdings, Sr. Notes | EUR 8.25 | 5/1/16 | 1,450,000 ^{a,e} | 1,995,038 |
| Nortel Networks, | | | | |

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| | | | | |
|--|-------|----------|--------------------------|-------------------|
| Gtd. Notes PanAmSat, | 10.75 | 7/15/16 | 350,000 ^a | 376,250 |
| Gtd. Notes Pegasus Satellite Communications, | 9.00 | 6/15/16 | 360,000 ^a | 372,600 |
| Sr. Notes Qwest, | 12.38 | 8/1/06 | 387,346 ^c | 44,545 |
| Bank Note, Ser. B Qwest, | 6.95 | 6/30/10 | 500,000 ^d | 507,500 |
| Sr. Notes Qwest, | 7.88 | 9/1/11 | 200,000 | 211,000 |
| Sr. Notes Rogers Wireless, | 8.64 | 6/15/13 | 2,650,000 ^{b,d} | 2,848,750 |
| Scd. Notes Rogers Wireless, | 7.25 | 12/15/12 | 2,000,000 ^b | 2,102,500 |
| Scd. Notes Rogers Wireless, | 9.63 | 5/1/11 | 1,136,000 ^b | 1,289,360 |
| Debs Rural Cellular, | 9.75 | 6/1/16 | 1,750,000 ^b | 2,205,000 |
| Sr. Notes UbiquiTel Operating, | 9.88 | 2/1/10 | 610,000 | 638,975 |
| Sr. Notes US Unwired, | 9.88 | 3/1/11 | 1,330,000 ^b | 1,449,700 |
| Scd. Notes, Ser. B Wind Acquisition Finance, | 10.00 | 6/15/12 | 2,172,000 ^b | 2,400,060 |
| Gtd. Bonds Windstream, | 10.75 | 12/1/15 | 575,000 ^a | 637,531 |
| Sr. Notes Windstream, | 8.13 | 8/1/13 | 4,420,000 ^a | 4,712,825 |
| Sr. Notes | 8.63 | 8/1/16 | 4,475,000 ^{a,b} | 4,810,625 |
| | | | | 37,853,505 |
| Textiles & Apparel 2.2% | | | | |
| Invista, Notes | 9.25 | 5/1/12 | 4,405,000 ^{a,b} | 4,680,313 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------------|
| Textiles & Apparel (continued) | | | | |
| Levi Strauss & Co., Sr. Notes | 12.25 | 12/15/12 | 2,166,000 ^b | 2,425,920 |
| | | | | 7,106,233 |
| Transportation 3.0% | | | | |
| CHC Helicopter, Sr. Sub. Notes | 7.38 | 5/1/14 | 1,476,000 ^b | 1,398,510 |

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| | | | | |
|--|-------|---------|------------------------|--------------------|
| Greenbrier Cos., Gtd. Notes | 8.38 | 5/15/15 | 1,375,000 ^b | 1,402,500 |
| TFM, Gtd. Notes | 10.25 | 6/15/07 | 5,000,000 ^b | 5,137,500 |
| Gulfmark Offshore, Gtd. Notes | 7.75 | 7/15/14 | 1,745,000 ^b | 1,762,450 |
| | | | | 9,700,960 |
| Total Bonds and Notes (cost \$442,549,180) | | | | 445,953,632 |

Preferred Stocks 2.7%

| | | | Shares | Value (\$) |
|---|--|--|------------------|------------------|
| Banks 1.3% | | | | |
| Sovereign Capital Trust IV, Conv., Cum. \$2.1875 | | | 92,250 | 4,301,156 |
| Media 1.4% | | | | |
| ION Media Networks, Cum. \$1,425 | | | 4 | 34,544 |
| ION Media Networks, Conv., Cum. \$975 | | | 310 ^a | 2,171,435 |
| Spanish Broadcasting System, Cum. \$107.515 | | | 2,125 | 2,364,296 |
| | | | | 4,570,275 |
| Total Preferred Stocks (cost \$9,866,314) | | | | 8,871,431 |

Common Stocks 4%

| | | | | |
|--|--|--|---------------------|------------------|
| Chemicals 1% | | | | |
| Huntsman | | | 8,533 ^h | 155,301 |
| Electric Utilities 2% | | | | |
| Williams Cos | | | 30,528 | 728,703 |
| Machinery 1% | | | | |
| Terex | | | 10,490 ^h | 474,358 |
| Total Common Stocks (cost \$1,451,050) | | | | 1,358,362 |

The Fund **21**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Other Investment 3.8% | | | Shares | Value (\$) |
|------------------------------|--|--|--------|------------|
|------------------------------|--|--|--------|------------|

Registered Investment Company;

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Dreyfus Institutional Preferred
Plus Money Market Fund

| | | |
|---|-------------------------|----------------------|
| (cost \$12,460,000) | 12,460,000 ⁱ | 12,460,000 |
| Total Investments (cost \$466,326,544) | 143.5% | 468,643,425 |
| Liabilities, Less Cash and Receivables | (43.5%) | (142,104,041) |
| Net Assets | 100.0% | 326,539,384 |

^a Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, these securities amounted to \$96,213,506 or 29.5% of net assets.

^b Collateral for Revolving Credit and Security Agreement.

^c Non-income producing security in default.

^d Variable rate security interest rate subject to periodic change.

^e Principal amount stated in U.S. Dollars unless otherwise noted. EUR Euro

^f Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.

^g Security linked to a portfolio of debt securities.

^h Non-income producing security.

ⁱ Investment in affiliated money market mutual fund.

Portfolio Summary (Unaudited) □

| | Value (%) | | Value (%) |
|-------------------------|-----------|---------------------------|--------------|
| Corporate Bonds | 131.9 | Common Stocks | .4 |
| Money Market Investment | 3.8 | Asset/Mortgage-Backed | .4 |
| Preferred Stocks | 2.7 | Forward Currency Exchange | |
| Structured Index | 2.3 | Contracts/Swaps | (.1) |
| State/Government | | | |
| General Obligations | 2.0 | | 143.4 |

□ Based on net assets.

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

September 30, 2006 (Unaudited)

| | Cost | Value |
|---|-------------|-------------|
| Assets (\$): | | |
| Investments in securities □ See Statement of Investments: | | |
| Unaffiliated issuers | 453,866,544 | 456,183,425 |
| Affiliated issuers | 12,460,000 | 12,460,000 |
| Cash denominated in foreign currencies | 117,675 | 118,154 |
| Dividends and interest receivable | | 9,250,557 |
| Swaps premium paid | | 150,477 |
| Unrealized appreciation on swaps □ Note 4 | | 61,279 |
| Receivable from broker for swap transaction | | 4,666 |
| Prepaid expenses | | 31,107 |

| | |
|---|--------------------|
| | 478,259,665 |
| <hr/> | |
| Liabilities (\$): | |
| Due to The Dreyfus Corporation and affiliates□Note 3(b) | 267,695 |
| Due to Shareholder Servicing Agent□Note 3(b) | 19,307 |
| Cash overdraft due to Custodian | 39,904 |
| Loan Payable□Note 2 | 150,000,000 |
| Interest and loan fees payable□Note 2 | 723,194 |
| Unrealized depreciation on swaps□Note 4 | 300,022 |
| Payable for investment securities purchased | 159,906 |
| Unrealized depreciation on forward currency exchange contracts□Note 4 | 25,382 |
| Accrued expenses | 184,871 |
| | 151,720,281 |
| <hr/> | |
| Net Assets (\$) | 326,539,384 |
| <hr/> | |
| Composition of Net Assets (\$): | |
| Paid-in capital | 992,497,112 |
| Accumulated distributions in excess of investment income□net | (3,321,087) |
| Accumulated net realized gain (loss) on investments | (664,691,255) |
| Accumulated net unrealized appreciation (depreciation) on investments, swap transactions and foreign currency transactions | 2,054,614 |
| | 326,539,384 |
| <hr/> | |
| Net Assets (\$) | 326,539,384 |
| <hr/> | |
| Shares Outstanding | |
| (unlimited number of \$.001 par value shares of Beneficial Interest authorized) | 71,487,233 |
| Net Asset Value, per share (\$) | 4.57 |

See notes to financial statements.

The Fund **23**

STATEMENT OF OPERATIONS

Six Months Ended September 30, 2006 (Unaudited)

Investment Income (\$):

Income:

| | |
|----------------------|-------------------|
| Interest | 17,311,097 |
| Dividends: | |
| Unaffiliated issuers | 322,748 |
| Affiliated issuers | 200,611 |
| Total Income | 17,834,456 |

Expenses:

| | |
|---|-----------|
| Management fee□Note 3(a) | 2,120,559 |
| Interest expense□Note 2 | 4,169,493 |
| Shareholder servicing costs□Note 3(a,b) | 249,592 |

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| | |
|--|-------------------|
| Trustees' fees and expenses>Note 3(c) | 97,917 |
| Shareholders' reports | 52,810 |
| Professional fees | 47,282 |
| Registration fees | 31,580 |
| Custodian fees>Note 3(a) | 18,121 |
| Miscellaneous | 23,834 |
| Total Expenses | 6,811,188 |
| Less:reduction in management fee and shareholder servicing fees due to undertaking>Note 3(a,b) | (706,853) |
| Less:reduction in custody fees due to earnings credits>Note 1(c) | (9,751) |
| Net Expenses | 6,094,584 |
| Investment Income | 11,739,872 |
| <hr/> | |
| Realized and Unrealized Gain (Loss) on Investments Note 4 (\$): | |
| Net realized gain (loss) on investments and foreign currency transactions | 2,323,688 |
| Net realized gain (loss) on forward currency exchange contracts | (121,792) |
| Net realized gain (loss) on swap transactions | 4,451 |
| Net Realized Gain (Loss) | 2,206,347 |
| Net unrealized appreciation (depreciation) on investments, swap transactions and foreign currency transactions | (2,093,980) |
| Net Realized and Unrealized Gain (Loss) on Investments | 112,367 |
| Net Increase in Net Assets Resulting from Operations | 11,852,239 |

See notes to financial statements.

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STATEMENT OF CASH FLOWS

Six Months Ended March 31, 2006 (Unaudited)

Cash Flows from Operating Activities (\$):

| | | |
|---------------------------------|-------------|-------------------|
| Interest Received | 17,095,784 | |
| Dividends Received | 404,769 | |
| Interest and loan fees paid | (4,087,077) | |
| Operating expenses paid | (633,346) | |
| Paid to The Dreyfus Corporation | (1,420,234) | 11,359,896 |

Cash Flows from Investing Activities (\$):

| | | |
|--|--------------|--------------------|
| Purchases of portfolio securities | (72,760,583) | |
| Net purchases of short-term portfolio securities | (9,598,000) | |
| Proceeds from sales of portfolio securities | 79,427,465 | |
| Foreign exchange contracts transactions | (121,792) | |
| Swap transactions | 4,451 | (3,048,459) |

Cash Flows from Financing Activities (\$):

| | | |
|------------------------------|--------------|--------------------|
| Dividends paid | (16,263,347) | |
| Proceeds from loan increased | 8,000,000 | (8,263,347) |

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| | |
|---|-------------------|
| Increase in cash | 48,090 |
| Cash at beginning of period | 30,160 |
| <hr/> | <hr/> |
| Cash at end of period | 78,250 |
| <hr/> | <hr/> |
| Reconciliation of Net Increase in Net Assets Resulting from Operations to Net Cash Provided by Operating Activities (\$): | |
| Net Increase in Net Assets Resulting From Operations | 11,852,239 |
| <hr/> | <hr/> |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used by operating activities (\$): | |
| Increase in interest receivable | (525,003) |
| Increase in interest and loan commitment fees | 82,416 |
| Decrease in accrued operating expenses | (157,099) |
| Decrease in prepaid expenses | 35,138 |
| Decrease in due to The Dreyfus Corporation | (6,528) |
| Net realized gains on investments | (2,206,347) |
| Net unrealized depreciation on investments | 2,093,980 |
| Noncash dividends | (102,114) |
| Increase in dividends receivable | (16,476) |
| Net amortization of premiums on investments | 309,690 |
| Net Cash Provided by Operating Activities | 11,359,896 |
| <hr/> | <hr/> |
| Supplementary disclosure noncash financing activities (\$): | |
| Reinvestment of dividends which increases paid-in capital | □ |

See notes to financial statements.

The Fund 25

STATEMENT OF CHANGES IN NET ASSETS

| | Six Months Ended September 30, 2006 (Unaudited) | Year Ended March 31, 2006 |
|--|---|------------------------------|
| <hr/> | <hr/> | <hr/> |
| Operations (\$): | | |
| Investment income [□] net | 11,739,872 | 26,292,478 |
| Net realized gain (loss) on investments | 2,206,347 | 1,251,846 |
| Net unrealized appreciation (depreciation) on investments | (2,093,980) | (3,830,896) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | 11,852,239 | 23,713,428 |
| <hr/> | <hr/> | <hr/> |
| Dividends to Shareholders from (\$): | | |
| Investment income [□] net | (13,940,199) | (28,952,331) |

| | | |
|--|--------------------|--------------------|
| Total Increase (Decrease) in Net Assets | (2,087,960) | (5,238,903) |
| Net Assets (\$): | | |
| Beginning of Period | 328,627,344 | 333,866,247 |
| End of Period | 326,539,384 | 328,627,344 |

See notes to financial statements.

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FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements and market price data for the fund's shares.

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FINANCIAL HIGHLIGHTS (continued)

| September 30, 2006 | Six Months Ended | | Year Ended March 31, | | | |
|---|------------------|---------|----------------------|-------------------|---------|---------|
| | (Unaudited) | 2006 | 2005 | 2004 ^a | 2003 | 2002 |
| Ratios/Supplemental Data (%) | | | | | | |
| (continued): | | | | | | |
| Average borrowings outstanding (\$ x 1,000) | 146,525 | 135,205 | 138,099 | 137,123 | 126,350 | 174,415 |
| Weighted average number of fund shares outstanding (\$ x 1,000) | 71,487 | 71,487 | 71,294 | 70,406 | 68,538 | 66,400 |
| Average amount of debt per share (\$) | 2.05 | 1.89 | 1.94 | 1.95 | 1.84 | 2.63 |

^a As of April 1, 2003, the fund has adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. These interim payments are reflected within net realized and unrealized gain (loss) on swap contracts, however, prior to April 1, 2003, these interim payments were reflected within interest income/expense in the Statement of Operations. The effect of this change for the period ended March 31, 2004, was to increase net investment income per share by \$.01, decrease net realized and unrealized gain (loss) on investments per share by \$.01 and increase the ratio of net investment income to average net assets from 12.05% to 12.35%. Per share data and ratios/supplemental data for periods prior to April 1, 2003 have not been restated to reflect this change in presentation.

^b Based on average shares outstanding at each month end.

^c Calculated based on market value.

^d Not annualized.

^e Annualized.

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1 Significant Accounting Policies:

Dreyfus High Yield Strategies Fund (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act") as a non-diversified, closed-end management investment company. The fund's primary investment objective is to seek high current income by investing at least 65% of its total assets in income securities rated below investment grade. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the fund's investment manager and administrator. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

The fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities (excluding short-term investments (other than U.S. Treasury Bills), financial futures, options, swaps and forward currency exchange contracts) are valued each business day by an independent pricing service (the "Service") approved by the Board of Trustees. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are valued as determined by the Service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees. Restricted securities, as well as securities or other assets for which recent market quotations are not readily available, that are not valued by a pricing service approved by the Board of Trustees, or are determined by the

The Fund 29

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

fund not to reflect accurately fair value (such as when an event occurs after the close of the exchange on which the security is principally traded and that is determined by the fund to have changed the value of the security), are valued at fair value as determined in good faith under the direction of the Board of Trustees. The factors that may be considered when fair valuing a security include fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers. Short-term investments, excluding U.S. Treasury Bills, are carried at amortized cost, which approximates value. Investments in registered investment companies are valued at their net asset value. Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange. Forward currency exchange contracts are valued at the forward rate. Investments in swap transactions are valued each business day by a pricing service approved by the Board of Trustees. Swaps are valued by the service by using a swap pricing model which incorporates among other factors, default probabilities, recovery rates, credit curves of the underlying issuer and swap spreads on interest rates.

(b) Foreign currency transactions: The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market

prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, currency gains or losses realized on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities, resulting from changes in exchange rates. Such gains and losses are included with net realized and unrealized gain or loss on investments.

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(c) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premiums on investments is recognized on a scientific basis.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

(d) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(e) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gain, if any, are normally declared and paid annually. To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain.

For Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) based on the record date's respective prices. If the net asset value per share on the record date is lower than the market price per share, shares will be issued by the fund at the record date's net asset value on the payable date of the distribution. If the net asset value per share is less than 95% of the market value, shares will be issued by the fund at 95% of the market value. If the market price is lower than the net asset value per share on the record date, Mellon will purchase fund shares in the open market commencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

The Fund 31

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

On September 28, 2006, the Board of Trustees declared a cash dividend of \$.0325 per share from investment income-net, payable on October 27, 2006 to shareholders of record as of the close of business on October 13, 2006.

(f) Concentration of risk: The fund invests primarily in debt securities. Failure of an issuer of the debt securities to make timely interest or principal payments, or a decline or the perception of a decline in the credit quality of a debt security, can cause the debt security's price to fall, potentially lowering the fund's share price. High yield ("junk") bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. In addition, the value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline because of factors that affect a particular industry.

The fund is permitted to invest up to 5% of its assets directly in the common stock of high yield bond issuers. This percentage will be in addition to any other common stock holdings acquired as part of warrants or [units], so that the fund's total common stock holdings could exceed 5% at a particular time. However, the fund currently intends to invest directly in common stocks (including those offered in a IPO) to gain sector exposure and when suitable high yield bonds are not available for sale, and expects to sell the common stock promptly when suitable high yield bonds are subsequently acquired.

(g) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Internal Revenue Code of 1986, as amended, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

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On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 [Accounting for Uncertainty in Income Taxes] (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the fund's tax returns to determine whether the tax positions are [more-likely-than-not] of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

The fund has an unused capital loss carryover of \$663,775,130 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to March 31, 2006. If not applied, \$28,648,395 of the carryover expires in fiscal 2007, \$32,334,001 expires in fiscal 2008, \$136,674,723 expires in fiscal 2009, \$283,731,643 expires in fiscal 2010, \$105,470,700 expires in fiscal 2011, \$56,969,403 expires in fiscal 2012 and \$19,946,265 expires in fiscal 2014.

The tax character of distributions paid to shareholders during the fiscal year ended March 31, 2006, was as follows: ordinary income \$28,952,331. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2 [Borrowings]:

The fund has entered into a \$175,000,000 Revolving Credit and Security Agreement (the [Agreement]), which expires on November

8, 2007. Under the terms of the Agreement, the fund may borrow Advances (including Eurodollar Advances), on a collateralized basis with certain fund assets used as collateral which amounted to \$317,389,831 as of September 30, 2006; the yield to be paid by the

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NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

fund on such Advances is determined with reference to the principal amount of each Advance (and/or Eurodollar Advance) outstanding from time to time. The fund pays certain other fees associated with the Agreement. During the period ended September 30, 2006, \$299,884 applicable to those fees was included in interest expense.

The average daily amount of borrowing outstanding during the period ended September 30, 2006, under the Agreement, was approximately \$146,524,600, with a related weighted average annualized interest rate of 5.68%

..

NOTE 3 [Management Fee and Other Transactions With Affiliates]:

(a) Pursuant to a management and administration agreement with the Manager, the management and administration fee is computed at the annual rate of .90% of the value of the fund's average weekly total assets minus the sum of accrued liabilities (other than the aggregate indebtedness constituting financial leverage) (the "Managed Assets") and is payable monthly.

For the period from April 1, 2006 through April 4, 2007, the Manager agreed to waive receipt of a portion of the fund's management fee in the amount of .25% of the Managed Assets. The reduction in management fee, pursuant to the undertaking, amounted to \$589,044 during the period ended September 30, 2006.

The fund compensates Mellon Investor Services, L.L.C., an affiliate of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended September 30, 2006, the fund was charged \$7,000 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended September 30, 2006, the fund was charged \$18,121 pursuant to the custody agreement.

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(b) In accordance with the Shareholder Servicing Agreement, UBS Warburg LLC Inc. provides certain shareholder services for which the fund pays a fee computed at the annual rate of .10% of the value of the fund's average weekly Managed Assets. During the period ended September 30, 2006, the fund was charged \$235,618 pursuant to the Shareholder Servicing Agreement.

For the period from April 1, 2006 through April 4, 2007, UBS Warburg LLC agreed to waive receipt of a portion of the fund's shareholder services fee in the amount of .05% of the Managed Assets. The reduction in shareholder services fee, pursuant to the undertaking, amounted to \$117,809 during the period ended September 30, 2006.

During the period ended September 30, 2006, the fund was charged \$2,274 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: management fees \$347,518, custodian fees \$12,435, compliance officer fees \$2,274 and transfer agency per account fees \$2,000, which are offset against an expense reimbursement currently in effect in the amount of \$96,533.

(c) Each Trustee who is not an "interested person" (as defined in the 1940 Act) of the fund receives \$15,000 per year plus \$1,000 for each Board meeting attended, and \$2,000 for separate in-person committee meetings attended which are not held in conjunction with a regularly scheduled Board meeting and \$500 for Board meetings and separate committee meetings attended that are conducted by telephone. The fund also reimburses each Trustee who is not an "interested person" (as defined in the 1940 Act) of the fund for travel and out-of-pocket expenses. With respect to compensation committee meetings, the Chair of the compensation committee receives \$100 per meeting and, with respect to audit committee meetings, the Chair of the audit committee receives \$150 per meeting. In the event that there is an in-person joint committee meeting of the Dreyfus/Laurel Funds, Inc., The

The Fund **35**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

Dreyfus/Laurel Tax-Free Municipal Funds and The Dreyfus/Laurel Funds Trust (collectively, the "Dreyfus/Laurel Funds") and the fund, the \$2,000 fee will be allocated between the Dreyfus/Laurel Funds and the fund. In the event that there is a joint telephone meeting of The Dreyfus/Laurel Funds and the fund, each Trustee attending who is not an "interested person" (as defined in the 1940 Act) receives \$150 from the fund.

(d) Pursuant to an exemptive order from the Securities and Exchange Commission, the fund may invest its available cash balances in affiliated money market mutual funds. Management fees of the underlying money market mutual funds have been waived by the Manager.

NOTE 4 Securities Transactions:

The aggregate amount of purchases and sales (including paydowns) of investment securities, excluding short-term securities, financial futures, options, swaps and forward currency exchange contracts, during the period ended September 30, 2006, amounted to \$69,248,978 and \$77,398,860, respectively.

The fund may use various derivatives, including options, futures contracts, forward currency exchange contracts, mortgage-related securities, asset-backed securities and swaps. The fund may invest in, or enter into, these financial instruments for a variety of reasons, including to hedge certain market trends, to provide a substitute for purchasing or selling particular securities or to increase potential income gain.

The fund may enter into swap agreements to exchange the interest rate on, or return generated by, one nominal instrument for the return generated by another nominal instrument.

The fund accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation (depreciation) of swap contracts in the Statement of Assets and Liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain (loss) on swaps, in addition to real-

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ized gain (loss) recorded upon the termination of swaps contracts in the Statement of Operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation (depreciation) on investments.

Credit default swaps involve commitments to pay a fixed interest rate in exchange for payment if a credit event affecting a third party (the referenced company) occurs. For those credit default swaps in which the fund is receiving a fixed rate, the fund is providing credit protection on the underlying instrument. The maximum payouts for these contracts are limited to the notional amount of each swap. Credit events may include a failure to pay interest or principal, bankruptcy, or restructuring. The following summarizes open credit default swaps entered into by the fund at September 30, 2006:

The Fund **37**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

Risks may arise upon entering into these agreements from the potential inability of the counterparties to meet the terms of the agreement and are generally limited to the amount of net payments to be received, if any, at the date of default.

The fund may enter into forward currency exchange contracts. When executing forward currency exchange contracts, the fund is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. With respect to sales of forward currency exchange contracts, the fund would incur a loss if the value of the contract increases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract decreases between those dates. With respect to purchases of forward currency exchange contracts, the fund would incur a loss if the value of the contract decreases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract increases between those dates. The fund is also exposed to credit risk associated with counter party nonperformance on these forward currency exchange contracts which is typically limited to the unrealized gain on each open contract. The following summarizes open forward currency exchange contracts at September 30, 2006:

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At September 30, 2006, accumulated net unrealized appreciation on investments was \$2,316,881, consisting of \$11,846,584 gross unrealized appreciation and \$9,529,703 gross unrealized depreciation.

At September 30, 2006, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

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PROXY RESULTS (Unaudited)

Holders of Beneficial interest voted on the following proposal presented at the annual shareholders' meeting held on August 2, 2006 as follows:

| | | Shares |
|---|------------|--------------------|
| | For | Authority Withheld |
| To elect three Class I Trustees: <input type="checkbox"/> | | |
| Kenneth A. Himmel | 65,630,331 | 2,106,920 |
| Stephen J. Lockwood | 65,601,542 | 2,135,709 |
| Benaree Pratt Wiley | 65,426,333 | 2,310,918 |

The terms of these Class I Trustees expire in 2009.

SUPPLEMENTAL INFORMATION (Unaudited)

Portfolio Holdings

The fund will disclose its complete schedule of portfolio holdings, as reported on a month-end basis, at www.dreyfus.com, under Mutual Fund Center - Dreyfus Mutual Funds - Mutual Fund Total Holdings. The information will be posted with a one-month lag and will remain accessible until the fund files a report on Form N-Q or Form N-CSR for the period that includes the date as of which the information was current. In addition, fifteen days following the end of each calendar quarter, the fund will publicly disclose at www.dreyfus.com its complete schedule of portfolio holdings as of the end of such quarter.

The Fund **39**

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OFFICERS AND TRUSTEES

Dreyfus High Yield Strategies Fund
200 Park Avenue
New York, NY 10166

The Net Asset Value appears in the following publications: Barron's, Closed-End Bond Funds section under the heading Bond Funds every Monday; Wall Street Journal, Mutual Funds section under the heading Closed-End Bond Funds every Monday; New York Times, Business section under the heading Closed-End Bond Funds Bond Funds every Sunday.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the fund may purchase shares of its common stock in the open market when it can do so at prices below the then current net asset value per share.

For More Information

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2006, is available at <http://www.dreyfus.com> and on the SEC's website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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Item 2. Code of Ethics.

Not applicable.

Item 3. Audit Committee Financial Expert.

Not applicable.

Item 4. Principal Accountant Fees and Services.

Not applicable.

Item 5. Audit Committee of Listed Registrants.

Not applicable.

Item 6. Schedule of Investments.

Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) (1) The following information is as of November 28, 2006, the date of the filing of this report:

David Bowser is the primary portfolio manager of the Fund. He has held this position since October 25, 2006 and has been a portfolio manager of the Fund and employed by the Dreyfus Corporation (Dreyfus) since July 2006. Mr. Bowser is a Chartered Financial Analyst and Strategist for Investment Grade Credit, and a portfolio manager for dedicated corporate mandates at Standish Mellon Asset Management, LLC (Standish Mellon), a subsidiary of Mellon Financial Corporation and an affiliate of Dreyfus. Mr. Bowser joined Standish Mellon in 2000.

(a) (2) The following information is as of October 31, 2006, except where otherwise noted:

Portfolio Managers. The Registrant's investment adviser is responsible for investment decisions and provides the Registrant with portfolio managers who are authorized by the Trust's Board to execute purchases and sales of securities. Effective October 25, 2006, David Bowser and Kent J. Wosepka are the portfolio managers for the Fund. Messrs. Bowser and Wosepka are dual employees of Dreyfus and Standish Mellon.

Portfolio Managers Compensation. Each Standish Mellon portfolio manager's cash compensation is comprised primarily of a market-based salary and an incentive compensation plan (annual and long term incentive). The

portfolio managers are compensated by Standish Mellon and not by Dreyfus or the

Registrant. Funding for the Standish Mellon Annual Incentive Plan and Long Term Incentive Plan is through a pre-determined fixed percentage of overall company profitability. Therefore, all bonus awards are based initially on Standish Mellon's performance. The portfolio managers are eligible to receive annual cash bonus awards from the incentive compensation plan. Annual awards are granted in March, for the prior calendar year. Individual awards for portfolio managers are discretionary, based on product performance relative to both benchmarks and peer comparisons and goals established at the beginning of each calendar year. Goals are to a substantial degree based on investment performance, including performance for one and three year periods. Also considered in determining individual awards are team participation and general contributions to Standish Mellon.

All portfolio managers are also eligible to participate in the Standish Mellon Long Term Incentive Plan. This Plan provides for an annual award, payable in deferred cash that cliff vests after 3 years, with an interest rate equal to the average year over year earnings growth of Standish Mellon (capped at 20% per year). Management has discretion with respect to actual participation.

Portfolio managers whose compensation exceeds certain levels may elect to defer portions of their base salaries and/or incentive compensation pursuant to Mellon's Elective Deferred Compensation Plan.

Additional Information About Portfolio Manager. The following table lists the number and types of other accounts advised by the primary portfolio manager and assets under management in those accounts as of October 31, 2006:

| <u>Portfolio Manager</u> | <u>Registered Investment Company Accounts</u> | <u>Assets Managed</u> | <u>Pooled Accounts</u> | <u>Assets Managed</u> | <u>Other Accounts</u> | <u>Assets Managed</u> |
|---------------------------------|--|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|
| David Bowser | 5 | \$873,216,337.45 | 0 | \$0 | 22 | \$2,749,126,956.60 |

None of the funds or accounts are subject to a performance-based advisory fee.

The dollar range of shares of the Registrant beneficially owned by the primary portfolio manager are as follows as of October 31, 2006:

| <u>Portfolio Manager</u> | <u>Registrant Name</u> | <u>Dollar Range of Registrant Shares Beneficially Owned</u> |
|---------------------------------|------------------------------------|--|
| David Bowser | Dreyfus High Yield Strategies Fund | \$0 |

Portfolio managers at Dreyfus may manage multiple accounts for a diverse client base, including mutual funds, separate accounts (assets managed on behalf of institutions such as pension funds, insurance companies and foundations), bank common trust accounts and wrap fee programs (Other Accounts).

Potential conflicts of interest may arise because of Dreyfus' management of the Registrant and Other Accounts. For example, conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of limited investment opportunities, as Dreyfus may be perceived as causing accounts it manages to participate in an offering to increase Dreyfus' overall allocation of securities in that offering, or to increase Dreyfus' ability to participate in future offerings by the same underwriter or issuer. Allocations of bunched trades, particularly trade orders that were only partially filled due to limited availability, and allocation of investment opportunities generally, could raise a potential conflict of interest, as Dreyfus may have an incentive to allocate securities that are expected to increase in value to preferred accounts. Initial public offerings, in particular, are frequently of very limited availability. Additionally,

portfolio managers may be perceived to have a conflict of interest if there are a large number of Other Accounts, in addition to the Registrant, that they are managing on behalf of Dreyfus. Dreyfus periodically reviews each portfolio manager's overall responsibilities to ensure that he or she is able to allocate the necessary time and resources to effectively manage the Registrant. In addition, Dreyfus could be viewed as having a conflict of interest to the extent that Dreyfus or its affiliates and/or portfolios managers have a materially larger investment in Other Accounts than their investment in the Registrant.

Other Accounts may have investment objectives, strategies and risks that differ from those of the Registrant. For these or other reasons, the portfolio manager may purchase different securities for the Registrant and the Other Accounts, and the performance of securities purchased for the Registrant may vary from the performance of securities purchased for Other Accounts. The portfolio manager may place transactions on behalf of Other Accounts that are directly or indirectly contrary to investment decisions made for the Registrant, which could have the potential to adversely impact the Registrant, depending on market conditions.

A potential conflict of interest may be perceived to arise if transactions in one account closely follow related transactions in another account, such as when a purchase increases the value of securities previously purchased by the other account, or when a sale in one account lowers the sale price received in a sale by a second account.

Conflicts of interest similar to those described above arise when portfolio managers are employed by a sub-investment adviser or are dual employees of Dreyfus and an affiliated entity and such portfolio managers also manage Other Accounts.

Dreyfus's goal is to provide high quality investment services to all of its clients, while meeting its fiduciary obligation to treat all clients fairly. Dreyfus has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, Dreyfus monitors a variety of areas, including compliance with fund guidelines, the allocation of IPOs, and compliance with the firm's Code of Ethics. Furthermore, senior investment and business personnel at Dreyfus periodically review the performance of the portfolio managers for Dreyfus-managed funds.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders.

The Registrant has a Nominating Committee (the "Committee"), which is responsible for selecting and nominating persons for election or appointment by the Registrant's Board as Board members. The Committee has adopted a Nominating Committee Charter (the "Charter"). Pursuant to the Charter, the Committee will consider recommendations for nominees from shareholders submitted to the Secretary of the Registrant, c/o The Dreyfus Corporation Legal Department, 200 Park Avenue, 8th Floor East, New York, New York 10166. A nomination submission must include information regarding the recommended nominee as specified in the Charter. This information includes all information relating to a recommended nominee that is required to be disclosed in solicitations or proxy statements for the election of Board members, as well as information sufficient to evaluate the factors to be considered by the Committee, including character and integrity, business and professional experience, and whether the person has the ability to apply sound and independent business judgment and would act in the interests of the Registrant and its shareholders. Nomination submissions are required to be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by the shareholders, and such additional

information must be provided regarding the recommended nominee as reasonably requested by the Committee.

Item 11. Controls and Procedures.

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports

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(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940. (EX-99.906CERT)
