DREYFUS HIGH YIELD STRATEGIES FUND
Form N-CSR
May 26, 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: | 03/31/2006 |

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**FORM N-CSR**

**Item 1.** **Reports to Stockholders.**

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## 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

# Contents

## THE FUND

# The Fund

**Dreyfus High Yield**
**Strategies Fund**

## LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for Dreyfus High Yield Strategies Fund, covering the 12-month period from April 1, 2005, through March 31, 2006.

After several years of remarkable resilience in the face of rising short-term interest rates, we recently have seen signs that long-term bond yields are moving higher. By the end of March, yields of 10-year U.S. Treasury securities stood at their highest level since May 2004. Nonetheless, the difference between short-term interest rates and longer-term bond yields has remained near historically narrow levels. In fact, at times during the first quarter of 2006, short-term interest rates were higher than longer-term yields, resulting in a relatively unusual condition known as an *inverted yield curve*.Although analysts in the past have regarded an inverted yield curve as a sign of impending recession, we believe that robust investor demand for longer-term U.S. government securities is primarily responsible for today's narrow yield differences.

Indeed, our chief economist, Richard Hoey, currently expects continued U.S. economic growth. However, the economic expansion may begin to rely less on consumer spending and more on corporate capital investment, exports and non-residential construction. In addition, inflationary pressures may increase moderately due to tighter labor markets and strong demand for goods and services. Clearly, changes in the economic climate might benefit some areas of the financial markets more than others. As always, we encourage you to talk with your financial advisor to discuss investment options that may be suitable for you in this environment.

For more information about how the fund performed, as well as information on 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.

# DISCUSSION OF FUND PERFORMANCE

Jon Uhrig, Portfolio Manager

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

For the 12-month period ended March 31, 2006, the fund achieved a total return of 8.18% (on a net asset value basis) and produced aggregate income dividends of $0.41 per share.[1] In comparison, the Merrill Lynch U.S. High Yield Master II Constrained Index (the Merrill Lynch Constrained Index), the funds benchmark, achieved a total return of 6.96% for the same period.2

High yield bonds fared relatively well over the reporting period as business fundamentals remained strong for most industries and demand remained robust from investors seeking high levels of current income.The fund achieved a higher return than that of its benchmark, primarily due to the success of our security selection strategy, which helped the fund avoid some of the markets weaker-performing bonds.

**What is the funds investment approach?**

The fund primarily seeks high current income.The fund will also seek 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.

**What other factors influenced the funds performance?**

Despite rising interest rates and volatile energy prices, general economic conditions remained strong over the reporting period.That said, however, the general tenor of news in the fixed-income markets took a detectable turn for the worse. An actively tightening Federal





Reserve Board and a string of headline-grabbing financial problems in the U.S. automobile industry contributed to nervousness among fixed-income investors. As a result, U.S. government securities and investment-grade corporate bonds produced generally lackluster results.

High yield bonds generally proved to be exceptions to this trend.Yield spreads continued to tighten toward historical lows due to robust demand from overseas investors, generally benign credit conditions and limited supply of new bonds. Because of strong demand for institutional bank loans, a substantial portion of potential high yield bond issuance shifted to the loan market, thereby constricting the supply of high yield bonds.

The funds relatively modest exposure to some of the markets lagging industry groups served it well during the reporting period. In the automotive sector, General Motors and Ford Motor were downgraded to high yield credit ratings in May and December 2005, respectively, contributing to overall market volatility. Suppliers to the major automakers performed poorly, with several declaring bankruptcy. In the airline industry, high fuel prices and security costs continued to put pressure on air carriers, resulting in some high-profile bankruptcies in 2005. Finally, unlike other commodity producers, paper and pulp manufacturers suffered from a lack of pricing power and anemic earnings, hurting their bonds.

The fund also benefited from a higher-quality credit profile. We reduced the funds holdings of CCC-rated bonds in favor of those in the BB range, which benefited the funds performance during 2005. Although lower-quality bonds have outperformed higher-quality bonds so far in 2006, it was not enough to offset the previous benefits of the funds repositioning.

Finally, the fund received strongly positive contributions to its performance from some individual holdings. An overweight position in Georgia Pacific bonds did well when the company was acquired and its bonds were tendered at full value. Similarly, some of Qwests bonds were tendered by the company at higher prices than we paid for them.

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On the other hand, the funds income returns continued to be eroded by the early redemption of some seasoned holdings by their issuers. Because we were unable to reinvest in bonds with commensurately high coupon rates in the current interest-rate environment, we reduced the funds dividend distribution rate in May 2005. In addition, higher short-term interest rates have increased our borrowing costs, and an unusually flat yield curve has limited our leveraging reinvestment alternatives.

**What is the funds current strategy?**

So far in 2006, the supply of newly issued high yield bonds has continued to lag global institutional cash flows searching for yield. In addition, many issues coming to market during the first quarter of 2006 were of questionable quality and have not been attractive to us. To the extent new issuance continues in this low-quality vein, it may support prices in the secondary market as investors are unlikely to sell better credits to make room for newly issued bonds. Accordingly, we intend to remain disciplined on the credit front and to strive for a reasonable risk-reward profile on new investments.

April 17, 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 funds shareholder servicing agent pursuant to an agreement in effect through July 31, 2006, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the funds return would have been lower.*

2 *SOURCE: BLOOMBERG  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%.*

The Fund **5**

## SELECTED INFORMATION

March 31, 2006 (Unaudited)

| | |
|---|---|
| Market Price per share March 31, 2006 | $4.04 |
| Shares Outstanding March 31, 2006 | 71,487,233 |
| New York Stock Exchange Ticker Symbol | DHF |

**MARKET PRICE (NEW YORK STOCK EXCHANGE)**

Fiscal Year Ended March 31, 2006

| Quarter Ended Quarter Ended | June 30, 2005 | September 30, 2005 | Quarter Ended December 31, 2005 | Quarter Ended March 31, 2006 |
|---|---|---|---|---|
| High | $4.62 | $4.41 | $4.27 | $4.27 |
| Low | 4.19 | 4.24 | 3.81 | 3.94 |
| Close | 4.37 | 4.24 | 3.94 | 4.04 |

**PERCENTAGE GAIN (LOSS)** based on change in Market Price*

| | |
|---|---|
| April 29, 1998 (commencement of operations) through March 31, 2006 | ( 22.65)% |
| April 1, 2001 through March 31, 2006 | 20.90 |
| April 1, 2005 through March 31, 2006 | .94 |
| July 1, 2005 through March 31, 2006 | (.88) |
| October 1, 2005 through March 31, 2006 | (.07) |
| January 1, 2006 through March 31, 2006 | 4.95 |

**NET ASSET VALUE PER SHARE**

| | |
|---|---|
| April 29, 1998 (commencement of operations) | $15.00 |
| March 31, 2005 | 4.67 |
| June 30, 2005 | 4.67 |
| September 30, 2005 | 4.62 |
| December 31, 2005 | 4.55 |
| March 31, 2006 | 4.60 |

**PERCENTAGE GAIN (LOSS)** based on change in Net Asset Value*

| | |
|---|---|
| April 29, 1998 (commencement of operations) through March 31, 2006 | (12.01)% |
| April 1, 2001 through March 31, 2006 | 40.12 |
| April 1, 2005 through March 31, 2006 | 8.18 |
| July 1, 2005 through March 31, 2006 | 5.51 |
| October 1, 2005 through March 31, 2006 | 4.32 |
| January 1, 2006 through March 31, 2006 | 3.37 |

** With dividends reinvested.*

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## STATEMENT OF INVESTMENTS

March 31, 2006

| Bonds and Notes138.3% | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Advertising.4%** | | | | |
| R.H. Donnelley, Sr. Sub. Notes | 10.88 | 12/15/12 | 551,000 [a,b] | 613,676 |
| R.H. Donnelley, Sr. Sub. Notes | 10.88 | 12/15/12 | 690,000 | 768,488 |
| | | | | **1,382,164** |
| **Aerospace & Defense2.7%** | | | | |

| | | | | |
|---|---|---|---|---|
| Alliant Techsystems, | | | | |
| Sr. Sub. Notes | 6.75 | 4/1/16 | 915,000 | 928,725 |
| Argo-Tech, | | | | |
| Sr. Notes | 9.25 | 6/1/11 | 1,182,000 [b] | 1,252,920 |
| BE 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 | 440,190 |
| L-3 Communications, | | | | |
| Conv. Bonds | 3.00 | 8/1/35 | 550,000 [a] | 567,875 |
| L-3 Communications, | | | | |
| Sr. Sub. Notes, Ser. B | 6.38 | 10/15/15 | 1,400,000 [b] | 1,386,000 |
| L-3 Communications, | | | | |
| Sr. Sub. Notes | 7.63 | 6/15/12 | 1,050,000 [b] | 1,089,375 |
| TransDigm, | | | | |
| Sr. Sub. Notes | 8.38 | 7/15/11 | 1,955,000 [b] | 2,052,750 |
| | | | | **9,012,590** |
| **Agricultural.4%** | | | | |
| Alliance One International, | | | | |
| Sr. Notes | 11.00 | 5/15/12 | 1,430,000 [b] | **1,379,950** |
| **Airlines.8%** | | | | |
| Northwest Airlines, | | | | |
| Pass-Through Ctfs., Ser. 1996-1 | 7.67 | 1/2/15 | 1,601,875 [b] | 1,551,056 |
| United AirLines, | | | | |
| Pass-Though Ctfs., Ser. 2000-2 | 7.81 | 10/1/09 | 1,153,705 [c] | 1,148,738 |
| | | | | **2,699,794** |
| **Automotive, Trucks & Parts1.9%** | | | | |
| Cooper-Standard Automotive, | | | | |
| Sr. Sub. Notes | 8.38 | 12/15/14 | 525,000 | 412,125 |
| Goodyear Tire & Rubber, | | | | |
| Sr. Notes | 9.00 | 7/1/15 | 2,525,000 | 2,575,500 |
| Polypore International, | | | | |
| Sr. Discount Notes | 10.50 | 10/1/12 | 2,003,000 [d] | 1,281,920 |





| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Automotive, Trucks & Parts (continued)** | | | | |
| United Components, | | | | |
| Sr. Sub. Notes | 9.38 | 6/15/13 | 675,000 [b] | 654,750 |
| Visteon, | | | | |
| Sr. Notes | 8.25 | 8/1/10 | 1,475,000 [b] | 1,224,250 |

| | | | | |
|---|---|---|---|---|
| | | | | **6,148,545** |
| **Banking—2.1%** | | | | |
| Chevy Chase Bank, Sub. Notes | 6.88 | 12/1/13 | 3,620,000 [b] | 3,728,600 |
| Colonial Bank of Montgomery Alabama, Sub. Notes | 9.38 | 6/1/11 | 1,000,000 | 1,131,159 |
| Colonial Bank of Montgomery Alabama, Sub. Notes | 8.00 | 3/15/09 | 750,000 | 783,146 |
| Shinsei Finance Cayman, Bonds | 6.42 | 1/1/49 | 325,000 [a] | 320,471 |
| Washington Mutual Preferred Funding Delaware, Bonds, Ser. A-1 | 6.53 | 3/15/49 | 1,100,000 [a] | 1,069,682 |
| | | | | **7,033,058** |
| **Building & Construction—4.4%** | | | | |
| Asia Aluminum, Secured Notes | 8.00 | 12/23/11 | 355,000 [a] | 337,250 |
| Beazer Homes, Sr. Notes | 6.88 | 7/15/15 | 2,000,000 [b] | 1,910,000 |
| Compression Polymers, Sr. Notes | 10.50 | 7/1/13 | 1,325,000 [a,b] | 1,358,125 |
| DR Horton, Sr. Notes | 8.50 | 4/15/12 | 2,600,000 [b] | 2,771,179 |
| Goodman Global, Sr. Notes, Ser. B | 7.49 | 6/15/12 | 2,225,000 [e] | 2,275,062 |
| Goodman Global, Sr. Sub. Notes | 7.88 | 12/15/12 | 438,000 | 434,715 |
| Nortek, Sr. Sub. Notes | 8.50 | 9/1/14 | 1,319,000 [b] | 1,348,677 |
| Owens Corning, Debs | 7.50 | 8/1/18 | 2,826,000 [b,c] | 2,281,995 |
| Standard-Pacific, Sr. Notes | 6.50 | 8/15/10 | 1,600,000 [b] | 1,536,000 |
| Texas Industries, Sr. Notes | 7.25 | 7/15/13 | 250,000 | 258,750 |
| | | | | **14,511,753** |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Chemicals—7.3%** | | | | |
| Airgas, Sr. Sub. Notes | 6.25 | 7/15/14 | 1,300,000 [b] | 1,287,000 |
| Airgas, Sr. Sub. Notes | 9.13 | 10/1/11 | 202,000 | 214,877 |
| Equistar Chemicals/Funding, | | | | |

| | | | | |
|---|---|---|---|---|
| Sr. Notes | 10.13 | 9/1/08 | 1,200,000 | 1,281,000 |
| Huntsman International, | | | | |
| Sr. Notes | 9.88 | 3/1/09 | 438,000 | 459,900 |
| Huntsman International, | | | | |
| Sr. Sub. Notes | 10.13 | 7/1/09 | 3,516,000 [b] | 3,621,480 |
| Huntsman International, | | | | |
| Sr. Notes | 11.63 | 10/15/10 | 909,000 [b] | 1,033,987 |
| IMC Global, | | | | |
| Sr. Notes, Ser. B | 10.88 | 6/1/08 | 1,000,000 | 1,097,500 |
| Ineos Group, | | | | |
| Notes | 8.50 | 2/15/16 | 2,900,000 [a] | 2,769,500 |
| Nalco, | | | | |
| Sr. Sub. Notes | 8.88 | 11/15/13 | 4,508,000 [b] | 4,710,860 |
| Nova Chemicals, | | | | |
| Sr. Notes | 6.50 | 1/15/12 | 1,170,000 | 1,093,950 |
| Nova Chemicals, | | | | |
| Sr. Notes | 7.56 | 11/15/13 | 1,200,000 [e] | 1,212,000 |
| PQ, | | | | |
| Sr. Sub. Notes | 7.50 | 2/15/13 | 250,000 [a] | 241,250 |
| Rhodia, | | | | |
| Sr. Notes | 10.25 | 6/1/10 | 2,895,000 [b] | 3,260,494 |
| Rockwood Specialties, | | | | |
| Sr. Sub. Notes | 10.63 | 5/15/11 | 1,006,000 [b] | 1,109,115 |
| Westlake Chemical, | | | | |
| Notes | 6.63 | 1/15/16 | 675,000 | 670,781 |
| | | | | **24,063,694** |
| **Commercial & Professional Services2.1%** | | | | |
| Brickman, | | | | |
| Sr. Sub. Notes, Ser. B | 11.75 | 12/15/09 | 888,000 [b] | 969,030 |
| Corrections Corp of America, | | | | |
| Sr. Sub. Notes | 6.25 | 3/15/13 | 2,475,000 [b] | 2,447,156 |
| Hertz, | | | | |
| Sr. Notes | 8.88 | 1/1/14 | 1,085,000 [a] | 1,131,112 |
| Hertz, | | | | |
| Sr. Sub. Notes | 10.50 | 1/1/16 | 500,000 [a] | 545,000 |



STATEMENT OF INVESTMENTS *(continued)*

| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Commercial & Professional Services (continued)** | | | | |
| Service Corp International, | | | | |
| Sr. Notes | 7.50 | 6/15/17 | 660,000 [a] | 674,850 |
| Williams Scotsman, | | | | |

| | | | | |
|---|---|---|---|---|
| Sr. Notes | 8.50 | 10/1/15 | 1,080,000 | 1,108,350 |
| | | | | **6,875,498** |
| **Commercial Mortgage** | | | | |
| **Pass‑Through Ctfs.‑.4%** | | | | |
| Global Signal Trust, | | | | |
| Ser. 2006-1, Cl. F | 7.04 | 2/15/36 | 1,210,000 [a] | **1,197,853** |
| **Consumer Products‑1.2%** | | | | |
| Chattem, | | | | |
| Sr. Sub. Notes | 7.00 | 3/1/14 | 1,105,000 | 1,109,144 |
| Playtex Products, | | | | |
| Sr. Sub. Notes | 9.38 | 6/1/11 | 2,264,000 [b] | 2,377,200 |
| Rayovac, | | | | |
| Sr. Sub. Notes | 8.50 | 10/1/13 | 465,000 | 432,450 |
| | | | | **3,918,794** |
| **Diversified Financial Services‑10.7%** | | | | |
| BCP Crystal US, | | | | |
| Sr. Sub. Notes | 9.63 | 6/15/14 | 2,280,000 [b] | 2,536,500 |
| C&M Finance, | | | | |
| Sr. Notes | 8.10 | 2/1/16 | 350,000 [a] | 350,827 |
| CCM Merger, | | | | |
| Notes | 8.00 | 8/1/13 | 1,325,000 [a] | 1,325,000 |
| Consolidated Communications | | | | |
| Illinois/Texas, Sr. Notes | 9.75 | 4/1/12 | 747,000 [b] | 795,555 |
| E*Trade Financial, | | | | |
| Sr. Notes | 7.38 | 9/15/13 | 350,000 | 358,750 |
| FINOVA, | | | | |
| Notes | 7.50 | 11/15/09 | 2,195,600 [b] | 741,015 |
| Ford Motor Credit, | | | | |
| Global Landmark Securities | 5.63 | 10/1/08 | 1,650,000 | 1,509,763 |
| Ford Motor Credit, | | | | |
| Notes | 5.70 | 11/16/06 | 4,500,000 [b,e] | 4,487,346 |
| Ford Motor Credit, | | | | |
| Notes | 5.79 | 9/28/07 | 1,375,000 [e] | 1,320,264 |
| GMAC, | | | | |
| Notes | 4.38 | 10/31/07 | 2,000,000 [f] | 2,332,568 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Diversified Financial** | | | | |
| **Services (continued)** | | | | |
| GMAC, | | | | |
| Sr. Notes | 5.38 | 6/6/11 | 1,140,000 [f] | 1,268,906 |
| GMAC, | | | | |
| Debs. | 6.13 | 1/22/08 | 1,515,000 | 1,441,248 |

| | | | | |
|---|---|---|---|---|
| GMAC, | | | | |
| Notes | 7.75 | 1/19/10 | 3,435,000 [b] | 3,351,856 |
| GMAC, | | | | |
| Bonds | 8.00 | 11/1/31 | 1,300,000 [b] | 1,231,849 |
| K&F Acquisition, | | | | |
| Sr. Sub. Notes | 7.75 | 11/15/14 | 560,000 | 569,800 |
| Kansas City Southern Railway, | | | | |
| Sr. Notes | 9.50 | 10/1/08 | 1,090,000 | 1,169,025 |
| Leucadia National, | | | | |
| Sr. Notes | 7.00 | 8/15/13 | 1,725,000 [b] | 1,737,938 |
| Nell AF SARL, | | | | |
| Sr. Notes | 8.38 | 8/15/15 | 1,280,000 [a,b] | 1,276,800 |
| Noble, | | | | |
| Sr. Notes | 6.63 | 3/17/15 | 1,475,000 [a] | 1,306,363 |
| Residential Capital, | | | | |
| Notes | 6.00 | 2/22/11 | 475,000 | 471,699 |
| Residential Capital, | | | | |
| Sr. Notes | 6.38 | 6/30/10 | 3,040,000 [b] | 3,065,369 |
| Residential Capital, | | | | |
| Sr. Notes | 6.88 | 6/30/15 | 1,270,000 | 1,326,256 |
| Stena AB, | | | | |
| Sr. Notes | 7.50 | 11/1/13 | 1,170,000 [b] | 1,161,225 |
| | | | | **35,135,922** |
| **Diversified Metals & Mining2.6%** | | | | |
| Consol Energy, | | | | |
| Notes | 7.88 | 3/1/12 | 3,182,000 [b] | 3,380,875 |
| CSN Islands VIII, | | | | |
| Sr. Notes | 10.50 | 1/15/15 | 1,315,000 [a,b] | 1,535,263 |
| Freeport-McMoRan Copper & Gold, | | | | |
| Sr. Notes | 6.88 | 2/1/14 | 975,000 | 979,875 |
| Freeport-McMoRan Copper & Gold, | | | | |
| Sr. Notes | 10.13 | 2/1/10 | 1,000,000 | 1,082,500 |
| Gibraltar Industries, | | | | |
| Sr. Sub. Notes | 8.00 | 12/1/15 | 900,000 [a] | 913,500 |





| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Diversified Metals & Mining (continued)** | | | | |
| Southern Copper, | | | | |
| Sr. Notes | 6.38 | 7/27/15 | 650,000 | 634,808 |
| | | | | **8,526,821** |

| | | | | |
|---|---|---|---|---|
| **Electric Utilities15.7%** | | | | |
| AES, | | | | |
| Sr. Sub. Notes | 8.88 | 2/15/11 | 1,375,000 | 1,488,437 |
| AES, | | | | |
| Sr. Sub. Notes | 9.38 | 9/15/10 | 7,610,000 [b] | 8,332,950 |
| Allegheny Energy Supply, | | | | |
| Bonds | 8.25 | 4/15/12 | 5,650,000 [a,b] | 6,222,062 |
| CMS Energy, | | | | |
| Sr. Notes | 9.88 | 10/15/07 | 4,442,000 [b] | 4,747,387 |
| FPL Energy National Wind, | | | | |
| Notes | 6.13 | 3/25/19 | 4,379,835 [a,b] | 4,266,787 |
| Mirant Americas Generation, | | | | |
| Sr. Notes | 8.30 | 5/1/11 | 2,975,000 | 3,094,000 |
| Mirant, | | | | |
| Sr. Notes | 7.38 | 12/31/13 | 4,335,000 [a,b] | 4,443,375 |
| MSW Energy/Finance, | | | | |
| Sr. Secured Notes, Ser. B | 7.38 | 9/1/10 | 450,000 | 465,750 |
| MSW Energy/Finance, | | | | |
| Sr. Secured Notes, Ser. B | 8.50 | 9/1/10 | 1,450,000 [b] | 1,544,250 |
| Nevada Power, | | | | |
| First Mortgage | 6.50 | 4/15/12 | 478,000 [b] | 489,589 |
| Nevada Power, | | | | |
| Mortgage, Bonds Ser. A | 8.25 | 6/1/11 | 1,216,000 | 1,341,100 |
| Nevada Power, | | | | |
| Notes, Ser. E | 10.88 | 10/15/09 | 635,000 | 687,938 |
| NRG Energy, | | | | |
| Sr. Notes | 7.25 | 2/1/14 | 1,175,000 | 1,197,031 |
| Reliant Energy, | | | | |
| Sr. Secured, Notes | 9.25 | 7/15/10 | 4,913,000 [b] | 4,943,706 |
| Reliant Resources, | | | | |
| Sr. Secured Notes | 9.50 | 7/15/13 | 1,480,000 | 1,489,250 |
| Sierra Pacific Power, | | | | |
| Mortgage Notes | 6.25 | 4/15/12 | 425,000 | 430,439 |
| Sierra Pacific Resources, | | | | |
| Sr. Notes | 8.63 | 3/15/14 | 3,467,000 [b] | 3,780,503 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Electric Utilities (continued)** | | | | |
| TECO Energy, | | | | |
| Sr. Notes | 6.75 | 5/1/15 | 525,000 | 542,062 |
| TXU, | | | | |
| Sr. Notes | 5.55 | 11/15/14 | 2,225,000 [b] | 2,092,381 |
| | | | | **51,598,997** |
| **Environmental Control3.6%** | | | | |

| | | | | |
|---|---|---|---|---|
| Allied Waste, | | | | |
| Sr. Notes, Ser. B | 8.50 | 12/1/08 | 9,009,000 [b] | 9,515,756 |
| Allied Waste, | | | | |
| Sr. Notes, Ser. B | 9.25 | 9/1/12 | 1,215,000 [b] | 1,316,756 |
| Geo Sub, | | | | |
| Sr. Notes | 11.00 | 5/15/12 | 840,000 [b] | 831,600 |
| | | | | **11,664,112** |
| **Food & Beverages3.5%** | | | | |
| Agrilink Foods, | | | | |
| Sr. Sub. Notes | 11.88 | 11/1/08 | 225,000 [b] | 230,625 |
| Corn Products International, | | | | |
| Sr. Notes | 8.25 | 7/15/07 | 863,000 | 889,227 |
| Corn Products International, | | | | |
| Sr. Notes | 8.45 | 8/15/09 | 863,000 | 933,677 |
| Del Monte, | | | | |
| Sr. Sub. Notes | 8.63 | 12/15/12 | 1,879,000 [b] | 1,994,089 |
| Dole Foods, | | | | |
| Sr. Notes | 8.63 | 5/1/09 | 702,000 [b] | 709,020 |
| Dole Foods, | | | | |
| Debs. | 8.75 | 7/15/13 | 665,000 [b] | 656,687 |
| Dole Foods, | | | | |
| Sr. Notes | 8.88 | 3/15/11 | 475,000 [b] | 472,625 |
| Ingles Markets, | | | | |
| Sr. Sub. Notes | 8.88 | 12/1/11 | 395,000 | 414,750 |
| Smithfield Foods, | | | | |
| Sr. Notes | 7.00 | 8/1/11 | 1,500,000 [b] | 1,500,000 |
| Stater Brothers, | | | | |
| Sr. Notes | 8.13 | 6/15/12 | 2,375,000 [b] | 2,383,906 |
| Stater Brothers, | | | | |
| Sr. Notes | 8.41 | 6/15/10 | 1,115,000 [b,e] | 1,144,269 |
| | | | | **11,328,875** |



STATEMENT OF INVESTMENTS *(continued)*

| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Health Care6.5%** | | | | |
| Angiotech Pharmaceuticals, | | | | |
| Sr. Sub. Notes | 7.75 | 4/1/14 | 325,000 [a] | 329,875 |
| Coventry Health Care, | | | | |
| Sr. Notes | 8.13 | 2/15/12 | 505,000 | 532,775 |
| DaVita, | | | | |
| Sr. Sub. Notes | 7.25 | 3/15/15 | 1,720,000 | 1,737,200 |

| | | | | |
|---|---|---|---|---|
| Extendicare Health Services, | | | | |
| Sr. Notes | 9.50 | 7/1/10 | 791,000 [b] | 839,449 |
| Fresenius Finance, | | | | |
| Sr. Notes | 5.00 | 1/31/13 | 195,000 [a,f] | 237,830 |
| Hanger Orthopedic, | | | | |
| Sr. Notes | 10.38 | 2/15/09 | 2,704,000 [b] | 2,751,320 |
| HCA, | | | | |
| Notes | 8.75 | 9/1/10 | 3,570,000 | 3,890,097 |
| Psychiatric Solutions, | | | | |
| Sr. Sub. Notes | 7.75 | 7/15/15 | 525,000 | 536,812 |
| Tenet Healthcare, | | | | |
| Sr. Notes | 9.88 | 7/1/14 | 7,346,000 [b] | 7,474,555 |
| Triad Hospitals, | | | | |
| Sr. Sub. Notes | 7.00 | 11/15/13 | 2,918,000 [b] | 2,888,820 |
| | | | | **21,218,733** |
| **Lodging & Entertainment10.6%** | | | | |
| AMC Entertainment, | | | | |
| Sr. Sub. Notes | 9.88 | 2/1/12 | 1,200,000 [b] | 1,188,000 |
| Chumash Casino & Resort | | | | |
| Enterprise, Sr. Notes | 9.52 | 7/15/10 | 610,000 [a] | 648,125 |
| Cinemark, | | | | |
| Sr. Discount Notes | 9.75 | 3/15/14 | 3,035,000 [b,d] | 2,336,950 |
| Cinemark, | | | | |
| Sr. Sub. Notes | 9.00 | 2/1/13 | 90,000 | 96,075 |
| Gaylord Entertainment, | | | | |
| Sr. Notes | 6.75 | 11/15/14 | 775,000 | 759,500 |
| Gaylord Entertainment, | | | | |
| Sr. Notes | 8.00 | 11/15/13 | 200,000 | 209,500 |
| Isle of Capri Casinos, | | | | |
| Sr. Sub. Notes | 9.00 | 3/15/12 | 1,878,000 | 2,002,418 |
| Leslies Poolmart, | | | | |
| Sr. Notes | 7.75 | 2/1/13 | 970,000 | 979,700 |

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| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Lodging & Entertainment (continued)** | | | | |
| Mandalay Resort, | | | | |
| Sr. Notes | 6.50 | 7/31/09 | 1,825,000 [b] | 1,831,844 |
| Mandalay Resort, | | | | |
| Sr. Sub. Notes | 9.38 | 2/15/10 | 2,000,000 [b] | 2,180,000 |
| Mashantucket Western Pequot Tribe, | | | | |
| Bonds | 5.91 | 9/1/21 | 2,850,000 [a,b] | 2,737,513 |
| MGM Mirage, | | | | |
| Notes | 8.50 | 9/15/10 | 2,858,000 [b] | 3,072,350 |
| Mohegan Tribal Gaming Authority, | | | | |

| | | | | |
|---|---|---|---|---|
| Sr. Notes | 6.13 | 2/15/13 | 2,225,000 [b] | 2,205,531 |
| Mohegan Tribal Gaming Authority, | | | | |
| Sr. Sub. Notes | 6.38 | 7/15/09 | 1,800,000 [b] | 1,800,000 |
| Park Place Entertainment, | | | | |
| Sr. Sub. Notes | 7.88 | 3/15/10 | 1,140,000 [b] | 1,216,950 |
| Park Place Entertainment, | | | | |
| Sr. Sub. Notes | 8.88 | 9/15/08 | 1,848,000 [b] | 1,981,980 |
| Penn National Gaming, | | | | |
| Sr. Sub. Notes | 6.75 | 3/1/15 | 540,000 | 542,700 |
| Resorts International Hotel and | | | | |
| Casino, First Mortgage | 11.50 | 3/15/09 | 1,020,000 [b] | 1,124,550 |
| Royal Caribbean Cruises, | | | | |
| Sr. Notes | 8.75 | 2/2/11 | 1,575,000 [b] | 1,746,212 |
| Seneca Gaming, | | | | |
| Sr. Notes, Ser. B | 7.25 | 5/1/12 | 875,000 | 888,125 |
| Speedway Motorsports, | | | | |
| Sr. Sub. Notes | 6.75 | 6/1/13 | 2,100,000 | 2,110,500 |
| Turning Stone Casino Resort | | | | |
| Enterprise, Sr. Notes | 9.13 | 12/15/10 | 690,000 [a,b] | 721,050 |
| Wheeling Island Gaming, | | | | |
| Sr. Notes | 10.13 | 12/15/09 | 1,000,000 | 1,051,250 |
| Wynn Las Vegas Capital, | | | | |
| First Mortgage Notes | 6.63 | 12/1/14 | 1,331,000 [b] | 1,299,389 |
| | | | | **34,730,212** |
| **Machinery3.5%** | | | | |
| Case New Holland, | | | | |
| Sr. Notes | 9.25 | 8/1/11 | 3,270,000 [b] | 3,507,075 |
| Columbus McKinnon, | | | | |
| Sr. Sub. Notes | 8.88 | 11/1/13 | 615,000 | 648,825 |



STATEMENT OF INVESTMENTS *(continued)*

| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Machinery (continued)** | | | | |
| Douglas Dynamics, | | | | |
| Sr. Notes | 7.75 | 1/15/12 | 3,100,000 [a,b] | 3,022,500 |
| Terex, | | | | |
| Sr. Sub. Notes | 7.38 | 1/15/14 | 1,815,000 [b] | 1,869,450 |
| Terex, | | | | |
| Sr. Sub. Notes, Ser. B | 10.38 | 4/1/11 | 2,250,000 [b] | 2,385,000 |
| | | | | **11,432,850** |
| **Manufacturing.9%** | | | | |

| | | | | |
|---|---|---|---|---|
| Bombardier, | | | | |
| Notes | 6.30 | 5/1/14 | 1,275,000 [a,b] | 1,176,188 |
| JB Poindexter & Co, | | | | |
| Sr. Notes | 8.75 | 3/15/14 | 2,259,000 [b] | 1,807,200 |
| | | | | **2,983,388** |
| **Media—7.8%** | | | | |
| Adelphia Communications, | | | | |
| Sr. Notes, Ser. B | 7.75 | 1/15/09 | 1,550,000 [c] | 922,250 |
| Cablevision Systems, | | | | |
| Sr. Notes, Ser. B | 8.72 | 4/1/09 | 850,000 [e] | 895,687 |
| CBD Media/Finance, | | | | |
| Sr. Sub. Notes | 8.63 | 6/1/11 | 200,000 | 203,750 |
| Charter Communications, | | | | |
| Sr. Notes | 8.75 | 11/15/13 | 2,466,000 [b] | 2,410,515 |
| CSC Holdings, | | | | |
| Sr. Notes | 7.25 | 4/15/12 | 2,855,000 [a,b] | 2,805,037 |
| CSC Holdings, | | | | |
| Sr. Notes, Ser.B | 8.13 | 7/15/09 | 1,150,000 [b] | 1,194,562 |
| Dex Media East Finance, | | | | |
| Sr. Sub. Notes, Ser. B | 9.88 | 11/15/09 | 178,000 | 190,905 |
| Dex Media East Finance, | | | | |
| Sr. Sub. Notes, Ser. B | 12.13 | 11/15/12 | 2,060,000 [b] | 2,363,850 |
| Dex Media West Finance, | | | | |
| Sr. Sub. Notes, Ser. B | 9.88 | 8/15/13 | 4,165,000 [b] | 4,628,356 |
| DirecTV Holdings/Financing, | | | | |
| Sr. Notes | 8.38 | 3/15/13 | 750,000 | 804,375 |
| Entercom Radio Capital, | | | | |
| Sr. Sub. Notes | 7.63 | 3/1/14 | 425,000 | 435,625 |



| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Media (continued)** | | | | |
| Kabel Deutschland, | | | | |
| Sr. Notes | 10.63 | 7/1/14 | 1,268,000 [a] | 1,359,930 |
| LBI Media, | | | | |
| Sr. Discount Notes | 11.00 | 10/15/13 | 1,392,000 [b,d] | 1,044,000 |
| Lodgenet Entertainment, | | | | |
| Sr. Sub. Debs. | 9.50 | 6/15/13 | 419,000 [b] | 454,615 |
| Nexstar Finance, | | | | |
| Sr. Discount Notes | 11.38 | 4/1/13 | 2,245,000 [b,d] | 1,852,125 |
| Pegasus Communications, | | | | |
| Sr. Sub. Notes, Ser. B | 12.50 | 8/1/07 | 1,657,592 [b,c] | 165,759 |
| Radio One, | | | | |
| Sr. Sub. Notes, Ser. B | 8.88 | 7/1/11 | 1,555,000 | 1,640,525 |
| Salem Communications, | | | | |

| | | | | |
|---|---|---|---|---|
| Sr. Sub. Notes, Ser. B | 9.00 | 7/1/11 | 2,121,000 [b] | 2,232,352 |
| | | | | **25,604,218** |
| **Oil & Gas14.9%** | | | | |
| ANR Pipeline, | | | | |
| Sr. Notes | 7.00 | 6/1/25 | 95,000 [b] | 94,948 |
| ANR Pipeline, | | | | |
| Debs. | 7.38 | 2/15/24 | 50,000 [b] | 51,870 |
| ANR Pipeline, | | | | |
| Notes | 8.88 | 3/15/10 | 2,230,000 [b] | 2,383,313 |
| Colorado Interstate Gas, | | | | |
| Sr. Notes | 5.95 | 3/15/15 | 460,000 | 443,757 |
| Dynegy, | | | | |
| Sr. Notes | 8.38 | 5/1/16 | 3,230,000 [a] | 3,230,000 |
| Dynegy, | | | | |
| Secured Notes | 9.88 | 7/15/10 | 5,415,000 [a,b] | 5,962,348 |
| Dynegy, | | | | |
| Secured Notes | 10.13 | 7/15/13 | 3,550,000 [a,b] | 4,071,673 |
| El Paso Production, | | | | |
| Sr. Notes | 7.75 | 6/1/13 | 2,321,000 [b] | 2,416,741 |
| El Paso, | | | | |
| Debs. | 6.50 | 6/1/08 | 862,000 [a,b] | 864,155 |
| El Paso, | | | | |
| Notes | 7.63 | 9/1/08 | 3,893,000 [a,b] | 3,990,325 |



STATEMENT OF INVESTMENTS *(continued)*

| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Oil & Gas (continued)** | | | | |
| El Paso, | | | | |
| Notes | 7.75 | 6/15/10 | 3,942,000 [a,b] | 4,084,897 |
| Hanover Compressor, | | | | |
| Sr. Notes | 8.63 | 12/15/10 | 921,000 [b] | 970,504 |
| Hanover Compressor, | | | | |
| Sr. Notes | 9.00 | 6/1/14 | 1,263,000 [b] | 1,364,040 |
| Hanover Equipment Trust, | | | | |
| Sr. Secured Notes, Ser. B | 8.75 | 9/1/11 | 1,452,000 [b] | 1,526,415 |
| McMoRan Exploration, | | | | |
| Sr. Notes | 5.25 | 10/6/11 | 891,000 [a] | 1,041,356 |
| Northwest Pipeline, | | | | |
| Sr. Notes | 8.13 | 3/1/10 | 2,200,000 | 2,332,000 |
| Pogo Producing, | | | | |
| Sr. Sub. Notes | 6.63 | 3/15/15 | 1,875,000 | 1,856,250 |

| | | | | |
|---|---|---|---|---|
| Southern Natural Gas, | | | | |
| Notes | 8.88 | 3/15/10 | 1,795,000 [b] | 1,918,406 |
| Whiting Petroleum, | | | | |
| Sr. Sub. Notes | 7.25 | 5/1/13 | 2,225,000 [b] | 2,230,562 |
| Williams Cos., | | | | |
| Notes | 6.54 | 10/1/10 | 3,000,000 [a,e] | 3,078,750 |
| Williams Cos., | | | | |
| Notes | 7.13 | 9/1/11 | 1,925,000 [b] | 1,989,969 |
| Williams Cos., | | | | |
| Notes | 7.63 | 7/15/19 | 500,000 | 535,000 |
| Williams Cos., | | | | |
| Notes | 7.88 | 9/1/21 | 1,900,000 [b] | 2,052,000 |
| Williams Cos., | | | | |
| Notes | 8.75 | 3/15/32 | 435,000 | 511,125 |
| | | | | **49,000,404** |
| **Packaging & Containers8.9%** | | | | |
| Ball, | | | | |
| Notes | 6.88 | 12/15/12 | 2,250,000 | 2,311,875 |
| Berry Plastics, | | | | |
| Sr. Sub. Notes | 10.75 | 7/15/12 | 1,825,000 [b] | 2,016,625 |
| Crown Americas/Capital, | | | | |
| Sr. Notes | 7.63 | 11/15/13 | 7,225,000 [a,b] | 7,514,000 |
| Crown Americas/Capital, | | | | |
| Sr. Notes | 7.75 | 11/15/15 | 4,125,000 [a,b] | 4,300,312 |

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| Bonds and Notes (continued) | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Packaging & Containers (continued)** | | | | |
| Norampac, | | | | |
| Sr. Notes | 6.75 | 6/1/13 | 1,500,000 | 1,436,250 |
| Owens-Brockway, | | | | |
| Sr. Notes | 6.75 | 12/1/14 | 445,000 | 437,213 |
| Owens-Brockway, | | | | |
| Sr. Secured Notes | 7.75 | 5/15/11 | 900,000 [b] | 942,750 |
| Owens-Brockway, | | | | |
| Sr. Notes | 8.25 | 5/15/13 | 450,000 [b] | 472,500 |
| Owens-Brockway, | | | | |
| Sr. Secured Notes | 8.75 | 11/15/12 | 133,000 | 142,975 |
| Owens-Brockway, | | | | |
| Sr. Secured Notes | 8.88 | 2/15/09 | 1,000,000 [b] | 1,046,250 |
| Owens-Illinois, | | | | |
| Debs. | 7.50 | 5/15/10 | 900,000 | 915,750 |
| Owens-Illinois, | | | | |
| Debs. | 7.80 | 5/15/18 | 1,815,000 [b] | 1,810,463 |
| Plastipak, | | | | |

| | | | | |
|---|---|---|---|---|
| Sr. Notes | 8.50 | 12/15/15 | 2,400,000 [a] | 2,460,000 |
| Solo Cup, | | | | |
| Sr. Sub. Notes | 8.50 | 2/15/14 | 800,000 | 756,000 |
| Stone Containers, | | | | |
| Sr. Notes | 9.75 | 2/1/11 | 2,525,000 [b] | 2,607,063 |
| | | | | **29,170,026** |
| **Paper & Forest Products—2.2%** | | | | |
| Appleton Papers, | | | | |
| Sr. Sub. Notes | 9.75 | 6/15/14 | 2,709,000 [b] | 2,702,228 |
| Buckeye Technologies, | | | | |
| Sr. Notes | 8.50 | 10/1/13 | 1,150,000 [b] | 1,164,375 |
| Buckeye Technologies, | | | | |
| Sr. Sub Notes | 9.25 | 9/15/08 | 651,000 [b] | 654,255 |
| Georgia-Pacific, | | | | |
| Sr. Notes | 8.00 | 1/15/24 | 805,000 | 816,069 |
| Temple-Inland, | | | | |
| Bonds | 6.63 | 1/15/18 | 1,975,000 [b] | 2,020,198 |
| | | | | **7,357,125** |
| **Property-Casualty Insurance—1.0%** | | | | |
| Hanover Insurance, | | | | |
| Sr. Debs. | 7.63 | 10/15/25 | 3,300,000 | **3,350,879** |



STATEMENT OF INVESTMENTS *(continued)*

| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Real Estate Investment Trusts—1.4%** | | | | |
| BF Saul, | | | | |
| Sr. Secured Notes | 7.50 | 3/1/14 | 2,210,000 [b] | 2,276,300 |
| Host Marriott, | | | | |
| Sr. Notes, Ser. M | 7.00 | 8/15/12 | 2,150,000 [b] | 2,206,438 |
| Host Marriott, | | | | |
| Sr. Notes, Ser. I | 9.50 | 1/15/07 | 90,000 | 92,925 |
| | | | | **4,575,663** |
| **Retail—2.1%** | | | | |
| Amerigas Partners, | | | | |
| Sr. Notes | 7.25 | 5/20/15 | 1,100,000 [b] | 1,105,500 |
| Central European Distributor, | | | | |
| Sr. Secured Bonds | 8.00 | 7/25/12 | 650,000 [a,f] | 865,206 |
| JC Penney, | | | | |
| Sr. Notes | 8.00 | 3/1/10 | 1,472,000 [b] | 1,592,086 |
| Neiman-Marcus, | | | | |
| Sr. Notes | 9.00 | 10/15/15 | 525,000 [a] | 557,813 |

| | | | | |
|---|---|---|---|---|
| Rite Aid, | | | | |
| Sr. Secured Notes | 8.13 | 5/1/10 | 1,035,000 [b] | 1,062,169 |
| Rite Aid, | | | | |
| Sr. Secured Notes | 12.50 | 9/15/06 | 899,000 | 930,465 |
| VICORP Restaurants, | | | | |
| Sr. Notes | 10.50 | 4/15/11 | 966,000 [b] | 905,625 |
| | | | | **7,018,864** |
| **State Government.7%** | | | | |
| Erie County Tobacco Asset | | | | |
| Securitization, Asset-Backed | | | | |
| Bonds, Ser. E | 6.00 | 6/1/28 | 750,000 | 735,525 |
| Tobacco Settlement Authority of | | | | |
| Iowa, Asset-Backed Bonds, | | | | |
| Ser. A | 6.50 | 6/1/23 | 1,625,000 | 1,596,010 |
| | | | | **2,331,535** |
| **Structured Index2.3%** | | | | |
| Dow Jones CDX, | | | | |
| Credit Linked Notes, Ser. 4-T1 | 8.25 | 6/29/10 | 7,571,820 [a,b,g] | **7,694,862** |
| **Technology2.9%** | | | | |
| Dresser, | | | | |
| Sr. Sub. Notes | 9.38 | 4/15/11 | 1,950,000 [b] | 2,047,500 |
| Fisher Scientific International, | | | | |
| Sr. Sub. Notes | 6.13 | 7/1/15 | 1,350,000 [b] | 1,324,688 |

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| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Technology (continued)** | | | | |
| Freescale Semiconductor, | | | | |
| Sr. Notes | 6.88 | 7/15/11 | 3,190,000 [b] | 3,277,725 |
| Freescale Semiconductor, | | | | |
| Sr. Notes | 7.13 | 7/15/14 | 1,425,000 | 1,485,563 |
| Imax, | | | | |
| Sr. Notes | 9.63 | 12/1/10 | 919,000 [b] | 978,735 |
| Sungard Data Systems, | | | | |
| Sr. Notes | 9.43 | 8/15/13 | 300,000 [a,e] | 318,000 |
| | | | | **9,432,211** |
| **Telecommunications7.7%** | | | | |
| American Tower, | | | | |
| Sr. Notes | 7.13 | 10/15/12 | 1,329,000 [b] | 1,388,805 |
| American Towers, | | | | |
| Sr. Sub. Notes | 7.25 | 12/1/11 | 1,100,000 [b] | 1,152,250 |
| Hawaiian Telcom Communications, | | | | |
| Sr. Notes | 9.95 | 5/1/13 | 1,050,000 [a,e] | 1,055,250 |
| Innova S de RL, | | | | |

| | | | | |
|---|---|---|---|---|
| Notes | 9.38 | 9/19/13 | 1,814,000 | 2,040,750 |
| Intelsat Subsidiary Holding, | | | | |
| Sr. Notes | 8.25 | 1/15/13 | 1,370,000 | 1,400,825 |
| Intelsat Subsidiary Holding, | | | | |
| Notes | 9.61 | 1/15/12 | 1,250,000 [e] | 1,276,563 |
| Pegasus Satellite Communications, | | | | |
| Sr. Notes | 12.38 | 8/1/06 | 387,346 [c] | 38,735 |
| Qwest, | | | | |
| Bank Note, Ser. B | 6.95 | 6/30/10 | 500,000 [e] | 508,125 |
| Qwest, | | | | |
| Sr. Notes | 8.16 | 6/15/13 | 2,650,000 [b,e] | 2,928,250 |
| Qwest, | | | | |
| Bank Note, Ser. A | 8.53 | 6/30/07 | 1,058,000 [e] | 1,083,128 |
| Rogers Wireless, | | | | |
| Secured Notes | 7.25 | 12/15/12 | 2,000,000 [b] | 2,117,500 |
| Rogers Wireless, | | | | |
| Sr. Secured Notes | 9.63 | 5/1/11 | 1,000,000 [b] | 1,153,750 |
| Rural Cellular, | | | | |
| Sr. Notes | 9.88 | 2/1/10 | 610,000 | 654,225 |
| SBA Telecommunications, | | | | |
| Sr. Discount Notes | 9.75 | 12/15/11 | 4,045,000 [b,d] | 3,883,200 |





| **Bonds and Notes (continued)** | Coupon Rate (%) | Maturity Date | Principal Amount ($) | Value ($) |
|---|---|---|---|---|
| **Telecommunications (continued)** | | | | |
| UbiquiTel Operating, | | | | |
| Sr. Notes | 9.88 | 3/1/11 | 1,330,000 [b] | 1,459,675 |
| US Unwired, | | | | |
| Sr. Secured Notes, Ser. B | 10.00 | 6/15/12 | 2,172,000 [b] | 2,446,215 |
| Wind Acquisition Finance, | | | | |
| Sr. Bonds | 10.75 | 12/1/15 | 575,000 [a] | 623,875 |
| | | | | **25,211,121** |
| **Textiles & Apparel—2.1%** | | | | |
| INVISTA, | | | | |
| Notes | 9.25 | 5/1/12 | 4,260,000 [a,b] | 4,579,500 |
| Levi Strauss & Co., | | | | |
| Sr. Notes | 12.25 | 12/15/12 | 2,166,000 [b] | 2,471,948 |
| | | | | **7,051,448** |
| **Transportation—3.0%** | | | | |
| CHC Helicopter, | | | | |
| Sr. Sub. Notes | 7.38 | 5/1/14 | 1,476,000 [b] | 1,512,900 |

| | | | | |
|---|---|---|---|---|
| Greenbrier Cos., | | | | |
| Sr. Notes | 8.38 | 5/15/15 | 1,375,000 | 1,447,188 |
| Gulfmark Offshore, | | | | |
| Sr. Sub. Notes | 7.75 | 7/15/14 | 1,745,000 [e] | 1,788,625 |
| TFM, S.A. de C.V., | | | | |
| Sr. Notes | 10.25 | 6/15/07 | 5,000,000 [b] | 5,250,000 |
| | | | | **9,998,713** |
| **Total Bonds and Notes** | | | | |
| (cost $448,851,859) | | | | **454,640,672** |

| **Preferred Stocks2.6%** | Shares | Value ($) |
|---|---|---|
| **Banking1.3%** | | |
| Sovereign Capital Trust IV, | | |
| Conv., $2.1875 | 92,250 | **4,208,906** |
| **Media1.3%** | | |
| Paxson Communications, | | |
| Cum., $1,425 | 4 | 33,706 |
| Paxson Communications, | | |
| Cum. Conv., $975 | 289 [a] | 2,026,797 |
| Spanish Broadcasting System | | |
| Cum. Conv., Ser. B, $107.5 | 2,125 | 2,300,540 |
| | | **4,361,043** |
| **Total Preferred Stocks** | | |
| (cost $9,764,201) | | **8,569,949** |

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| **Common Stocks.7%** | Shares | Value ($) |
|---|---|---|
| **Chemicals.1%** | | |
| Huntsman | 8,533 [h] | **164,687** |
| **Electric Utilities.6%** | | |
| Mirant | 50,796 [h] | 1,269,894 |
| Williams Cos. | 30,528 | 652,994 |
| | | **1,922,888** |
| **Telecommunications.0%** | | |
| iPCS | 554 [h] | **26,038** |
| **Total Common Stocks** | | |
| (cost $2,284,885) | | **2,113,613** |

| **Other Investment.9%** | Shares | Value ($) |
|---|---|---|
| **Registered Investment Company;** | | |
| Dreyfus Institutional Preferred | | |

| | | |
|---|---|---|
| Plus Money Market Fund<br>(cost $2,862,000) | 2,862,000 [i] | **2,862,000** |
| **Total Investments** (cost $463,762,945) | **142.5%** | **468,186,234** |
| **Liabilities, Less Cash and Receivables** | **(42.5%)** | **(139,558,890)** |
| **Net Assets** | **100.0%** | **328,627,344** |

[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 March 31, 2006, these securities amounted to $103,255,913 or 31.4% of net assets.*

[b] *Collateral for Revolving Credit and Security Agreement.*

[c] *Non-income producingsecurity in default.*

[d] *Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.*

[e] *Variable rate securityinterest rate subject to periodic change.*

[f] *Principal amount denominated in Euro.*

[g] *Security linked to a portfolio of debt securities.*

[h] *Non-income producing.*

[i] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited) 

| | Value (%) | | Value (%) |
|---|---|---|---|
| Corporate Bonds | 135.6 | Common Stock | .7 |
| Preferred Stock | 2.6 | Asset/Mortgaged Backed | .4 |
| Structured Index | 2.3 | | |
| Short-Term/Money Market Investments | .9 | | **142.5** |

*Based on net assets.*

*See notes to financial statements.*



## STATEMENT OF ASSETS AND LIABILITIES

March 31, 2006

| | Cost | Value |
|---|---|---|
| **Assets ($):** | | |
| Investments in securitiesSee Statement of Investments: | | |
| Unaffiliated issuers | 460,900,945 | 465,324,234 |
| Affiliated issuers | 2,862,000 | 2,862,000 |
| Cash | | 30,160 |
| Dividends and interest receivable | | 8,709,079 |
| Receivable for investment securities sold | | 1,128,805 |
| Swap premiums paid | | 155,325 |

| | |
|---|---|
| Unrealized appreciation on swaps—Note 4 | 77,659 |
| Prepaid expenses | 66,245 |
| | **478,353,507** |
| **Liabilities ($):** | |
| Due to The Dreyfus Corporation and affiliates—Note 3(b) | 274,223 |
| Due to Shareholder Servicing Agent—Note 3(b) | 19,951 |
| Loan Payable—Note 2 | 142,000,000 |
| Payable for investment securities purchased | 3,773,625 |
| Dividends payable | 2,323,148 |
| Interest and loan fees payable—Note 2 | 640,778 |
| Unrealized depreciation on swaps—Note 4 | 280,036 |
| Unrealized depreciation on forward currency exchange contracts—Note 4 | 73,076 |
| Accrued expenses | 341,326 |
| | **149,726,163** |
| **Net Assets ($)** | **328,627,344** |
| **Composition of Net Assets ($):** | |
| Paid-in capital | 992,497,112 |
| Accumulated distributions in excess of investment income—net | (1,120,760) |
| Accumulated net realized gain (loss) on investments | (666,897,602) |
| Accumulated net unrealized appreciation (depreciation) on investments, swap transactions and foreign currency transactions | 4,148,594 |
| **Net Assets ($)** | **328,627,344** |
| **Shares Outstanding** | |
| (unlimited number of $.001 par value shares of Beneficial Interest authorized) | 71,487,233 |
| **Net Asset Value,** per share ($) | **4.60** |

*See notes to financial statements.*

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# STATEMENT OF OPERATIONS

Year Ended March 31, 2006

## Investment Income ($):

| | |
|---|---|
| **Income:** | |
| Interest | 34,997,703 |
| Dividends: | |
| Unaffiliated issuers | 776,427 |
| Affiliated issuers | 368,708 |
| **Total Income** | **36,142,838** |
| **Expenses:** | |

| | |
|---|---|
| Management fee—Note 3(a) | 4,183,134 |
| Interest expense—Note 2 | 5,948,696 |
| Shareholder servicing costs—Note 3(a,b) | 479,569 |
| Trustees' fees and expenses—Note 3(c) | 155,314 |
| Professional fees | 147,626 |
| Shareholders' reports | 98,224 |
| Registration fees | 54,748 |
| Custodian fees—Note 3(a) | 35,840 |
| Miscellaneous | 83,537 |
| **Total Expenses** | **11,186,688** |
| Less—reduction in management fee and shareholder servicing fees due to undertaking—Note 3(a,b) | (1,323,446) |
| Less—reduction in custody fees due to earnings credits—Note 1(c) | (12,882) |
| **Net Expenses** | **9,850,360** |
| **Investment Income—Net** | **26,292,478** |
| **Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):** | |
| Net realized gain (loss) on investments and foreign currency transactions | 955,409 |
| Net realized gain (loss) on forward currency exchange contracts | 109,917 |
| Net realized gain (loss) on swap transactions | 186,520 |
| **Net Realized Gain (Loss)** | **1,251,846** |
| Net unrealized appreciation (depreciation) on investments, swap transactions and foreign currency transactions | (3,830,896) |
| **Net Realized and Unrealized Gain (Loss) on Investments** | **(2,579,050)** |
| **Net Increase in Net Assets Resulting from Operations** | **23,713,428** |

*See notes to financial statements.*



## STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

| | | |
|---|---|---|
| **Cash Flows from Operating Activities ($):** | | |
| Interest received | 35,114,363 | |
| Dividends received | 763,962 | |
| Interest and loan fees paid | (5,600,206) | |
| Swap premiums paid | (161,898) | |
| Operating expenses paid | (738,705) | |
| Paid to The Dreyfus Corporation | (3,139,938) | **26,237,578** |
| **Cash Flows from Investing Activities ($):** | | |
| Purchases of portfolio securities | (268,412,846) | |
| Net purchases of short-term portfolio securities | (2,750,000) | |
| Proceeds from sales of portfolio securities | 246,168,749 | |
| Foreign Exchange Contracts transactions | 109,916 | |

| | | |
|---|---|---|
| Swap transactions | 186,520 | **(24,697,661)** |
| **Cash Flows from Financing Activities ($):** | | |
| Dividends paid | (29,488,672) | |
| Proceeds from loan repayment | 28,000,000 | **(1,488,672)** |
| Increase in cash | | **51,245** |
| Cash overdraft at beginning of period | | (21,085) |
| **Cash at end of period** | | **30,160** |
| **Reconciliation of Net Increase in Net Assets Resulting from Operations to Net Cash Provided by Operating Activities ($):** | | |
| Net Increase in Net Assets Resulting From Operations | | 23,713,428 |
| **Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities ($):** | | |
| Decrease in interest receivable | | 408,429 |
| Increase in interest and loan commitment fees | | 348,490 |
| Increase in swap premiums paid | | (161,898) |
| Increase in accrued operating expenses | | 75,962 |
| Increase in prepaid expenses | | (4,105) |
| Decrease in due to The Dreyfus Corporation | | (48,836) |
| Net realized gains on investments | | (1,251,846) |
| Net unrealized depreciation on investments | | 3,830,896 |
| Noncash dividends | | (319,144) |
| Increase in dividends receivable | | (62,029) |
| Net accretion of discount on investments | | (291,769) |
| **Net Cash Provided by Operating Activities** | | **26,237,578** |
| **Supplementary disclosure noncash financing activities ($):** | | |
| Reinvestment of dividends which increases paid-in capital | | |

*See notes to financial statements.*

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STATEMENT OF CHANGES IN NET ASSETS

| | Year Ended March 31, | |
|---|---|---|
| | 2006 | 2005 |
| **Operations ($):** | | |
| Investment incomenet | 26,292,478 | 32,200,092 |
| Net realized gain (loss) on investments | 1,251,846 | (7,335,826) |
| Net unrealized appreciation (depreciation) on investments | (3,830,896) | 3,305,691 |

| | | |
|---|---|---|
| **Net Increase (Decrease) in Net Assets** | | |
| **Resulting from Operations** | **23,713,428** | **28,169,957** |
| **Dividends to Shareholders from ($):** | | |
| **Investment incomenet** | **(28,952,331)** | **(34,838,735)** |
| **Beneficial Interest Transactions ($):** | | |
| **Dividends reinvestedNote 1(e)** |  | **2,577,488** |
| **Total Increase (Decrease) in Net Assets** | **(5,238,903)** | **(4,091,290)** |
| **Net Assets ($):** | | |
| Beginning of Period | 333,866,247 | 337,957,537 |
| **End of Period** | **328,627,344** | **333,866,247** |
| **Capital Share Transactions (Shares):** | | |
| **Shares issued for dividends reinvested** |  | **528,139** |

*See notes to financial statements.*



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 funds financial statements and market price data for the funds shares.

| | | Year Ended March 31, | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 [a] | 2003 | 2002 |
| **Per Share Data ($):** | | | | | |
| Net asset value, beginning of period | 4.67 | 4.76 | 3.87 | 4.93 | 6.35 |
| Investment Operations: | | | | | |
| Investment incomenet[b] | .37 | .45 | .56 | .68 | .81 |
| Net realized and unrealized | | | | | |
| gain (loss) on investments | (.03) | (.05) | .93 | (1.00) | (1.33) |
| Total from Investment Operations | .34 | .40 | 1.49 | (.32) | (.52) |
| Distributions: | | | | | |
| Dividends from investment incomenet | (.41) | (.49) | (.60) | (.74) | (.90) |
| Net asset value, end of period | 4.60 | 4.67 | 4.76 | 3.87 | 4.93 |
| Market value, end of period | 4.04 | 4.40 | 5.48 | 5.16 | 5.41 |
| **Total Return (%)** [c] | .94 | (10.95) | 19.92 | 14.22 | (1.84) |

| | | | | | |
|---|---|---|---|---|---|
| **Ratios/Supplemental Data (%):** | | | | | |
| Ratio of total expenses, exclusive of interest, to average net assets | 1.59 | 1.61 | 1.64 | 1.73 | 1.71 |
| Ratio of net expenses, exclusive of interest, to average net assets | 1.18 | 1.42 | 1.45 | 1.54 | 1.52 |
| Ratio of interest expense to average net assets | 1.80 | .91 | .72 | 1.45 | 2.99 |
| Ratio of net investment income to average net assets | 7.98 | 9.50 | 12.35 | 17.66 | 14.95 |
| Portfolio Turnover Rate | 54.31 | 81.52 | 145.95 | 186.19 | 239.11 |
| Net Assets, end of period ($ x 1,000) | 328,627 | 333,866 | 337,958 | 269,181 | 332,482 |

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| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 [a] | 2003 | 2002 |
| **Ratios/Supplemental Data (%) (continued):** | | | | | |
| Average borrowings outstanding ($ x 1,000) | 135,205 | 138,099 | 137,123 | 126,350 | 174,415 |
| Weighted average number of fund shares outstanding ($ x 1,000) | 71,487 | 71,294 | 70,406 | 68,538 | 66,400 |
| Average amount of debt per share ($) | 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.*

*See notes to financial statements.*

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1Significant 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 funds 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 funds investment manager and administrator. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation (Mellon Financial).

The funds 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 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. Financial futures and options, which are traded on an exchange, are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on each business day. Options traded over-the-counter are priced at the mean between the bid and asked price. 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 funds 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.

**(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 either (i) through receipt of additional unissued but authorized shares from the fund (newly issued shares) or (ii) by purchase of outstanding shares on the open market of the New York Stock Exchange or elsewhere as defined in the dividend reinvestment plan.

On March 29, 2006, the Board of Trustees declared a cash dividend of $.0325 per share from investment income-net, payable on April 27, 2006 to shareholders of record as of the close of business on April 10, 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 securitys price to fall, potentially lowering the funds 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 issuers 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 generally.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 funds 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 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.

At March 31, 2006, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $1,286,584, accumulated capital losses $663,775,130 and unrealized appreciation $942,488.



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The accumulated capital loss carryover is available 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 periods ended March 31, 2006 and March 31, 2005, were as follows: ordinary income $28,952,331 and $34,838,735, respectively.

During the period ended March 31, 2006, as a result of permanent book to tax differences, primarily due to the tax treatment for amortization of premiums and consent fees, the fund increased accumulated undistributed investment income-net by $3,940,076 and decreased net realized gain (loss) on investments by the same amount. Net assets were not affected by this reclassification.

**NOTE 2Borrowings:**

The fund has entered into a $175,000,000 Revolving Credit and Security Agreement (the Agreement), which expires on November 10, 2006. 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 $299,094,434 as of March 31, 2006; the yield to be paid by the 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 March 31, 2006, $667,343 applicable to those fees was included in interest expense.

The average daily amount of borrowing outstanding during the period ended March 31, 2006, under the Agreement, was approximately $135,205,500, with a related weighted average annualized interest rate of 4.40% .



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**NOTE 3Management 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 funds 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, 2005 through April 4, 2005, the Manager agreed to waive receipt of a portion of the funds management fee in the amount of .10% of the Managed Assets. For the period from April 5, 2005 through May 25, 2005, the Manager agreed to waive receipt of a portion of the funds management fee in the amount of .15% of the Managed Assets. For the period from May 26, 2005 through July 31, 2006, the Manager agreed to waive receipt of a portion of the funds management fee in the amount of .25% of the Managed Assets. The reduction in management fee, pursuant to the undertaking, amounted to $1,092,032 during the period ended March 31, 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 March 31, 2006, the fund was charged $10,814 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 March 31, 2006, the fund was charged $35,840 pursuant to the custody agreement.

**(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





March 31, 2006, the fund was charged $464,793 pursuant to the Shareholder Servicing Agreement.

For the period from April 1, 2005 through April 4, 2005, the UBS Warburg LLC agreed to waive receipt of a portion of the fund□s shareholder services fee in the amount of .03% of the Managed Assets. For the period from April 5, 2005 through July 31, 2006, 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 $231,414 during the period ended March 31, 2006.

During the period ended March 31, 2006, the fund was charged $3,784 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 $359,118, custodian fees $9,950, compliance officer fees $1,910 and transfer agency per account fees $3,000, which are offset against an expense reimbursement currently in effect in the amount of $99,755.

**(c)** Effective October 1, 2005, 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 reiumburses 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 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 a $150 from the fund. Prior to October 1, 2005, each Trustee who was not an □interested person□ (as defined in the 1940 Act) of the fund received $17,000 per year, plus $1,000 for each Board meeting attended, and $2,000 for separate committee meetings attended which were not held in conjunction with a regularly scheduled Board meeting. If there was a joint committee meeting of the Dreyfus/Laurel Funds and the fund, the $2,000 committee meeting fee was allocated between the Dreyfus/Laurel Funds and the fund. Each Trustee who is not an □interested person□ (as defined in the 1940 Act) also received $500 for Board meetings and separate committee meetings attended that were conducted by telephone.The Chairman of the Board received an additional 25% of such compensation.The fund also reimbursed each Trustee who is not an □interested person□ (as defined in the 1940 Act) of the fund for travel and out-of-pocket expenses.

**(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 March 31, 2006, amounted to $270,881,991 and $244,524,513, 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.

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 March 31, 2006:

| Notional Amount ($) | Reference Entity | Counterparty | (Pay) Receive Fixed Rate (%) | Expiration | Unrealized Appreciation (Depreciation)($) |
|---|---|---|---|---|---|
| 4,463,416 | Dow Jones CDX HY.BB.5 | J.P. Morgan Chase | (2.50) | 12/20/10 | (117,456) |
| 4,392,000 | Dow Jones CDX HY.4 | J.P. Morgan Chase | 3.60 | 12/20/10 | 37,049 |
| 2,275,000 | Owens-Brockway Glass Containers, 8.875%, 2/15/09 | J.P. Morgan Chase | (1.95) | 6/20/10 | (39,960) |
| 2,275,000 | Owens-Illinois, 7.5%, 5/15/10 | J.P. Morgan Chase | 2.60 | 6/20/10 | 40,610 |
| 8,460,200 | Dow Jones CDX HY IG.4 | Lehman Brothers | (.35) | 6/20/10 | (87,926) |
| 5,339,800 | Dow Jones CDX HY IG.4 | Merrill Lynch | (.31) | 6/20/10 | (34,694) |
| | | | | | **(202,377)** |

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 March 31, 2006:

| Forward Currency Exchange Contracts | Foreign Currency Amounts | Proceeds ($) | Value ($) | Unrealized (Depreciation) ($) |
|---|---|---|---|---|
| **Sales;** | | | | |
| Euro, expiring 6/21/2006 | 3,810,000 | 4,564,456 | 4,637,532 | **(73,076)** |

At March 31, 2006, the cost of investments for federal income tax purposes was $467,042,127; accordingly, accumulated net unrealized appreciation on investments was $1,144,107, consisting of $12,367,059 gross unrealized appreciation and $11,222,952 gross unrealized depreciation.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board of Trustees and Shareholders of**
**Dreyfus High Yield Strategies Fund**

We have audited the accompanying statement of assets and liabilities, of Dreyfus High Yield Strategies Fund (the Fund), including the statement of investments, as of March 31, 2006, and the related statement of operations and cash flows for the year then ended, and the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended.These financial statements and financial highlights are the responsibility of the Funds management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights.Our procedures included confirmation of securities owned as of March 31, 2006, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received.An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus High Yield Strategies Fund as of March 31, 2006, and the results of its operations and its cash flows for the year then ended, and the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

New York, New York
May 15, 2006



## IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 2.53% of the ordinary dividends paid during the fiscal year ended March 31, 2006 as qualifying for the corporate dividends received deduction.Also certain dividends paid by the fund may be subject to a maximum personal income tax rate of 15%. Of the distributions paid during the fiscal year, $776,427 represents the maximum amount that may be considered qualifying dividend income. Shareholders will receive notification in January 2007 of the percentage applicable to the preparation of their 2006 income tax returns.

## SUPPLEMENTAL INFORMATION (Unaudited)

**Certifications**

In September 2005, the fund's Chief Executive Officer submitted his annual certification to the New York Stock Exchange (NYSE) pursuant to Section 303A.12(a) of the NYSE Listed Company Manual.The fund's principal executive and principal financial officer certification pursuant to Rule 30a-2 under the 1940 Act are filed with the fund's Form N-CSR filings and are available on the SEC's Web site at http://www.sec.gov.

**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.



## PROXY RESULTS (Unaudited)

Holders of shares of Beneficial interest voted on the following proposal presented at the annual shareholders' meeting held on August 4, 2005 as follows:

| | Shares | |
|---|---|---|
| | For | Authority Withheld |
| To elect two Class III Trustees: † | | |
| Joseph S. DiMartino | 63,162,311 | 1,847,435 |

| | | |
|---|---|---|
| J. Tomlinson Fort | 62,957,503 | 2,052,243 |

*The terms of these Class III Trustees expire in 2008.*



## INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUNDS MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the funds Board of Trustees held on October 26 and 27, 2005, the Board considered the re-approval, through its annual renewal date of April 4, 2006, of the funds Investment Management and Administration Agreement (Management Agreement), pursuant to which the Manager provides the fund with investment advisory and administrative services.The Board members, none of whom are interested persons (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

The Board members have been concerned about the funds performance for some time and had requested that the Manager take steps to improve the funds performance. In January 2005, the Manager changed the portfolio management team with the expectation that, over time, decisions by the new portfolio managers would favorably affect performance. To assist in monitoring fund performance, the Board members asked to receive monthly statistical information which, in addition to current performance information, includes information indicating whether the funds current earnings cover its monthly dividends and containing other performance- and portfolio-related information, such as recently defaulted portfolio securities.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in a presentation from representatives of the Manager at the March 29 and 30, 2005 Board meeting regarding services provided to the fund and other funds in the Dreyfus fund complex, and representatives of the Manager confirmed that there had been no material changes in this information. The Board also discussed the nature, extent and quality of the services provided to the fund pursuant to its Management Agreement.

The Board members also considered the Managers research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory require-





ments. The Board members also considered the Managers extensive administrative, accounting and compliance infrastructure.

Comparative Analysis of the Funds Performance and Management Fee and Expense Ratio.The Board members reviewed the funds performance and placed significant emphasis on comparisons to groups of comparable funds and Lipper category averages, and discussed the results of the comparisons. The groups of comparable funds were previously approved by the Board for this purpose, and were prepared using a Board-approved selection methodology that was based, in part, on selecting non-affiliated funds reported in the same Lipper category (High Current Yield Funds - Closed End (Leveraged)) as the fund.The Board members discussed the results of the comparisons for various periods ended September 30, 2005. The Board noted the funds yield performance, on both a net asset value and market price basis, was higher than the Lipper category average and comparison group averages for the three- and five-year periods and lower than these averages for the one-year period. The

Board noted that the fund□s total return performance was lower than the Lipper category averages and comparison group averages for the one-, three- and five-year periods on a market price basis, and for the one- and five-year periods on a net asset value basis, and was higher than the Lipper category averages and comparison group averages for the three-year period on a net asset value basis.The Board noted the fund□s closed-end structure and investment objective of generating high current income in evaluating the fund□s relative performance.

The Board members also discussed the fund□s management fee and expense ratio and reviewed the range of management fees and expense ratios in the comparison groups and the expense ratio averages of the comparison groups and Lipper category.The Board members noted that the fund□s expense ratio was higher than each of the fund□s comparison group averages. In March 2005, at the Board□s request the Manager increased the amount of its voluntary waiver of a portion of its fee to 0.25% 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) (□Managed Assets□), which represents almost



28% of the Manager□s contractual fee rate under the Management Agreement. Pursuant to a request from the Board, the Manager agreed to extend the current waiver until April 4, 2006.

Representatives of the Manager noted that there were no other high yield, leveraged closed-end funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies, and included in the same Lipper category as the fund. Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by other accounts managed by the Manager or its affiliates with similar investment objectives, policies and strategies as the fund (the □Similar Accounts□). The Manager□s representatives explained the nature of the Similar Accounts and the differences, from the Manager□s perspective, in providing services to such Similar Accounts as compared to managing and servicing the fund.The Board analyzed differences in fees paid to the Manager and discussed the relationship of the fees paid in light of the Manager□s performance and the services provided.The Board members considered the relevance of the fee information provided for the Similar Accounts managed by the Manager or its affiliates to evaluate the appropriateness and reasonableness of the fund□s management fee.The Board acknowledged that differences in fees paid by the Similar Accounts seemed to be consistent with the difference in services provided.

Analysis of Profitability and Economies of Scale. The Manager□s representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit.The Board considered information, previously provided and discussed, prepared by an independent consulting firm regarding the Manager□s approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The Board members also considered that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the fund.





The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, including that the fund is a closed-end fund without daily inflows and outflows of capital and not experiencing asset growth, and that the Manager was already waiving almost 28% of its contractual fee rate under the Management Agreement.The Board members also considered potential benefits to the Manager from acting as investment adviser and noted that there were no soft dollar arrangements with respect to trading the fund□s portfolio.

It was noted that the Board members should consider the Manager□s profitability with respect to the fund as part of their evaluation of whether the fees under the Management Agreement bear a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services. Since a discussion of economies of scale is predicated on increasing assets, if a fund's assets had not been increasing materially (as is the case typically with a closed-end fund), the possibility that the Manager may have realized any economies of scale would be less. It also was noted that the profitability percentage for managing the fund was within ranges determined by appropriate court cases to be reasonable given the services rendered by the Manager.The Board also noted the Manager's waiver of receipt of a significant portion of the management fee and its effect on the profitability of the Management Agreement to the Manager.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Management Agreement. Based on the discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the ser- vices provided by the Manager are adequate and appropriate.
- While the Board was concerned about the fund's total return performance, the Board believed the Manager was seeking to improve it, and was generally satisfied with the Manager's effort to improve the fund's performance, noting, in particular, the change in portfolio managers in January 2005.



- The Board concluded that the fee paid by the fund to the Manager, particularly given the Manager's continuation of the fee waiver, was reasonable in light of considerations described above.
- The Board determined that there were no economies of scale to be shared with the fund and that to the extent in the future it were to be determined, in the future, that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Management Agreement was in the best interests of the fund and its shareholders and that the Management Agreement would be renewed for the remainder of the annual period, April 4, 2006.

At a meeting of the fund's Board of Trustees held on February 1 and

2, 2006, the Board considered the re-approval for an annual period of the Management Agreement.The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of the Manager regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent and quality of the services provided to the fund pursuant to its Management Agreement.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting and compliance infrastructure.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board members reviewed the fund's performance and placed significant emphasis on comparisons to a group of closed-end, high yield leveraged funds (the "Performance Group") and to a larger universe of funds, the High Current Yield Funds -Closed End (Leveraged), consisting of all closed-end, high yield leveraged funds, excluding outliers (the "Performance Universe"), selected and provided by Lipper Inc., an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to select the funds in the Performance Group and the Performance Universe, as well as the Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons.The Board noted that the fund's yield performance for the past seven one-year periods ended November 30th, on both a net asset value and market price basis, was higher than the Performance Group and Performance Universe medians, except the yield performance for the year ended November 30, 2005, on a net asset value basis, was lower than the Performance Universe median.The Board also noted the fund's total return performance for various periods ended November 30, 2005 on a net asset value basis was variously above and below the medians of the Performance Group and Performance Universe for the periods measured, and that total return performance on a market price basis was below the Performance Group and Performance Universe medians for all periods. A representative of the Manager also presented the Board with the fund's yield and the quartile, percentile and rank of the fund's yield within its Lipper category (as provided by Lipper) for periods ended December 31, 2005, as well as the total return performance for 2005, and noted that there was some improvement in yield and total return rankings over the November 30, 2005 rankings. While the Board members had been concerned about the fund's performance for some time, as described above for the Board meeting on October 26



and 27, 2005 (the "October Meeting"), the Board noted that the fund's performance had improved somewhat from the September 30, 2005 performance reviewed at the October Meeting and noted the fund's closed-end structure and investment objective of generating high current income in evaluating the fund's relative performance.The Board also noted that it had been expected to take some time for the new management in place since January 2005 to favorably affect performance. In response to questions about the fund's discount, representatives of the Manager informed the Board members that the Manager was contemplating ways to provide the public with more timely and up-to-date fund information than was currently being disseminated, such as posting fund holdings on www.dreyfus.com.

The Board members also discussed the fund's management fee and expense ratio and reviewed the range of management fees and expense ratios as compared to a comparable group of funds (the "Expense Group") and a broader group of funds (the "Expense Universe"), each selected and provided by Lipper. The Board members noted that the fund's management fee on a net assets and Managed Assets basis was slightly higher than the Expense Group and higher than the Expense Universe medians. Pursuant to a request from the Board, the Manager agreed to extend the current waiver of 0.25% of its fee under the Management Agreement from the fund (representing almost 28% of the contractual rate) until July 31, 2007.

Representatives of the Manager noted that there were no other high yield, leveraged closed-end funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies, and included in the same Lipper category as the fund. Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by other accounts managed by the Manager, or their affiliates with similar investment objectives, policies and strategies as the fund (the "Similar Accounts"). The Manager's representatives explained the nature of the Similar Accounts and the differences, from the Manager's perspective, in providing services to such Similar

Accounts as compared to managing and servicing the fund.The Board analyzed differences in fees paid to the Manager and discussed the relationship of the fees paid in light of the Manager's performance and the services provided.The Board members considered the relevance of the fee information provided for the Similar Accounts managed by the Manager or its affiliate to evaluate the appropriateness and reasonableness of the fund's management fee.The Board acknowledged that differences in fees paid by the Similar Accounts seemed to be consistent with the differences in services provided.

Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit.The Board considered information, previously provided and discussed, prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The Board members also considered that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, including that the fund is a closed-end fund without daily inflows and outflows of capital and not experiencing asset growth, and that the Manager was already waiving almost 28% of its contractual fee under the Management Agreement. The Board members also considered potential benefits to the Manager from acting as investment adviser and noted that there were no soft dollar arrangements with respect to trading the fund's portfolio.

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fees under the Management Agreement bear a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services. Since a discussion of



economies of scale is predicated on increasing assets, if a fund's assets had not been increasing materially (as is the case typically with a closed-end fund), the possibility that the Manager may have realized any economies of scale would be less. It also was noted that the profitability percentage for managing the fund was within ranges determined by appropriate court cases to be reasonable given the services rendered by the Manager.The Board also noted the Manager's waiver of receipt of a significant portion of the management fee and its effect on the profitability of the Management Agreement to the Manager.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Management Agreement. Based on the discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the ser- vices provided by the Manager are adequate and appropriate.
- Although the Board remains concerned with the fund's perfor-mance, it noted that the Manager was seeking to improve perfor- mance and that performance had improved somewhat.
- The Board concluded that the fee paid by the fund to the Manager, particularly given the Manager's continuation of its fee waiver, was reasonable in light of considerations described above.
- The Board determined that to the extent in the future it were to be determined, in the future, that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Management Agreement was in the best interests of the fund and its shareholders and that the Management Agreement would be renewed through April 4, 2007.

## DIVIDEND REINVESTMENT PLAN (Unaudited)

To participate automatically in the Dividend Reinvestment Plan (the "Plan") of the Dreyfus High Yield Strategies Fund (the "fund"), fund shares must be registered in either your name, or, if your fund shares are held in nominee or "street" name through your broker-dealer, your broker-dealer must be a participant in the Plan.You may terminate your participation in the Plan, as set forth below. All shareholders participating (the "Participants") in the Plan will be bound by the following provisions:

Mellon Investor Services, L.L.C (the "Agent") will act as Agent for each Participant, and will open an account for each Participant under the Plan in the same name as their present shares are registered, and put into effect for them the dividends reinvestment option of the plan as of the first record date for a dividend or capital gains distribution.

Whenever the fund declares income dividend or capital gains distribution payable in shares of the fund or cash at the option of the shareholders, each Participant that does not opt for cash distributions shall take such distribution entirely in shares. If on the payment date for a dividend or capital gains distribution, the net asset value is equal to or less than the market price per share plus estimated brokerage commissions, the Agent shall automatically receive such shares, including fractions, for each Participant's account except in the circumstances described in the following paragraph. Except in such circumstances, the number of additional shares to be credited to each Participant's account shall be determined by dividing the dollar amount of the income dividend or capital gains distribution payable on their shares by the greater of the net asset value per share determined as of the date of purchase or 95% of the then current market price per share of the fund's shares on the payment date.

Should the net asset value per share of the fund shares exceed the market price per share plus estimated brokerage commissions on the payment date for a share or cash income dividend or capital gains distribution, the Agent or a broker-dealer selected by the Agent shall endeavor, for a purchase period of 30 days to apply the amount of such dividend or capital gains distribution on each Participant's shares (less



their pro rata share of brokerage commissions incurred with respect to the Agent's open-market purchases in connection with the reinvestment of such dividend or distribution) to purchase shares of the fund on the open market for each Participant's account. In no event may such purchase be made more than 30 days after the payment date for such dividend or distribution except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws. If, at the close of business on any day during the purchase period the net asset value per share equals or is less than the market price per share plus estimated brokerage commissions, the Agent will not make any further open-market purchases in connection with the reinvestment of such dividend or distribution. If the Agent is unable to invest the full dividend or distribution amount through open-market purchases during the purchase period, the Agent shall request that, with respect to the uninvested portion of such dividend or distribution amount, the fund issue new shares at the close of business on the earlier of the last day of the purchase period or the first day during the purchase period on which the net asset value per share equals or is less than the market price per share, plus estimated brokerage commissions.These newly issued shares will be valued at the then-current market price per share of the fund's shares at the time such shares are to be issued.

For purposes of making the dividend reinvestment purchase comparison under the Plan, (a) the market price of the fund's shares on a particular date shall be the last sales price on the New York Stock Exchange on that date, or, if there is no sale on such Exchange on that date, then the mean between the closing bid and asked quotations for such shares on such Exchange on such date and (b) the net asset value per share of the fund's shares on a particular date shall be the net asset value per share most recently calculated by or on behalf of the fund.

Open-market purchases provided for above may be made on any securities exchange where the fund's shares are traded, in the over-the-counter market or in negotiated transactions and may be on such terms as to price, delivery and otherwise as the Agent shall determine.

DIVIDEND REINVESTMENT PLAN (Unaudited) *(continued)*

Each Participants uninvested funds held by the Agent will not bear interest, and it is understood that, in any event, the Agent shall have no liability in connection with any inability to purchase shares within 30 days after the initial date of such purchase as herein provided, or with the timing of any purchase effected.The Agent shall have no responsibility as to the value of the funds shares acquired for each Participants account. For the purpose of cash investments, the Agent may commingle each Participants fund with those of other shareholders of the fund for whom the Agent similarly acts as Agent, and the average price (including brokerage commissions) of all shares purchased by the Agent as Agent shall be the price per share allocable to each Participant in connection therewith.

The Agent may hold each Participants shares acquired pursuant to the Plan together with the shares of other shareholders of the fund acquired pursuant to the Plan in noncertificated form in the Agents name or that of the Agents nominee.The Agent will forward to each Participant any proxy solicitation material; and will vote any shares so held for each Participant first in accordance with the instructions set forth on proxies returned by the participant to the fund, and then with respect to any proxies not returned by the participant to the fund in the same portion as the agent votes proxies returned by the participants to the fund. Upon a Participants written request, the Agent will deliver to the Participant, without charge, a certificate or certificates for the full shares.

The Agent will confirm to each Participant each acquisition made for their account as soon as practicable but not later than 60 days after the date thereof. Although each Participant may from time to time have an undivided fractional interest (computed to four decimal places) in a share of the fund, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to each Participants account. In the event of termination of a Participants account under the Plan, the Agent will adjust for any such undivided fractional interest in cash at the market value of the funds shares at the time of termination.



Any share dividends or split shares distributed by the fund on shares held by the Agent for Participants will be credited to their accounts. In the event that the fund makes available to its shareholders rights to purchase additional shares of other securities, the shares held for each Participant under the Plan will be added to other shares held by the Participant in calculating the number of rights to be issued to each Participant.

The Agents service fee for handling capital gains distributions or income dividends will be paid by the fund. Each Participant will be charged their pro rata share of brokerage commissions on all open-market purchases.

Each Participant my terminate their account under the Plan by notifying the Agent in writing. Such termination will be effectively immediately if the Participants notice is received by the Agent not less than ten days prior to any dividend or distribution record date, otherwise such termination will be effective shortly after the investment of such dividend distributions with respect to any subsequent dividend or distribu-tion.The Plan may be terminated by the Agent or the fund upon notice in writing mailed to each Participant at least 90 days prior to any record date for the payment of any dividend or distribution by the fund. Upon any termination, the Agent will cause a certificate or certificates to be issued for the full shares held for each Participant under the Plan and cash adjustment for any fraction to be delivered to them without charge. If a Participant elects by notice to the Agent in writing in advance of such termination to have the Agent sell part or all of their shares and remit the proceeds to them, the Agent is authorized to deduct a $5.00 fee plus brokerage commission for this transaction from the proceeds.

These terms and conditions may be amended or supplemented by the Agent or the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Agent receives written notice of the termination of their account under the Plan.Any such amendment may include an appointment by the Agent in its place and stead of a successor Agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Agent under these terms and conditions. Upon any such appointment of any Agent for the purpose of receiving dividends and distributions, the fund will be authorized to pay to such successor Agent, for each Participant's account, all dividends and distributions payable on shares of the fund held in their name or under the Plan for retention or application by such successor Agent as provided in these terms and conditions.

The Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to insure the accuracy of all services performed under this Agreement and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Agent's negligence, bad faith, or willful misconduct or that of its employees.

These terms and conditions shall be governed by the laws of the State of New York.



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## BOARD MEMBERS INFORMATION (Unaudited)

**Joseph S. DiMartino (62)**
**Chairman of the Board (1995)** *Current term expires in 2008*

*Principal Occupation During Past 5 Years:*
- Corporate Director and Trustee

*Other Board Memberships and Affiliations:*
- The Muscular Dystrophy Association, Director
- Levcor International, Inc., an apparel fabric processor, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director
- Sunair Services Corporation, engages in the design, manufacture and sale of high frequency systems for long-range voice and data communications, as well as provides certain outdoor-related services to homes and businesses, Director

*No. of Portfolios for which Board Member Serves:* 185

**James Fitzgibbons (71)**
**Board Member (1998)** *Current term expires in 2007*

*Principal Occupation During Past 5 Years:*
- Chairman of the Board, Davidson Cotton Company (1998-2002)

*Other Board Memberships and Affiliations:*
- Bill Barrett Company, an oil and gas exploration company, Director

*No. of Portfolios for which Board Member Serves:* 25

**J. Tomlinson Fort (77)**
**Board Member (1998)** *Current term expires in 2008*

*Principal Occupation During Past 5 Years:*
- Retired; Of Counsel, Reed Smith LLP (1998-2004)

*Other Board Memberships and Affiliations:*
- Allegheny College, Emeritus Trustee
- Pittsburgh Ballet Theatre,Trustee
- American College of Trial Lawyers, Fellow

*No. of Portfolios for which Board Member Serves:* 25

**Kenneth A. Himmel (59)**
**Board Member (1998)** *Current term expires in 2006*

*Principal Occupation During Past 5 Years:*

- President and CEO, Related Urban Development, a real estate development company (1996-present)
- President and CEO, Himmel & Company, a real estate development company (1980-present)
- CEO, American Food Management, a restaurant company (1983-present)

*No. of Portfolios for which Board Member Serves:* 23



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**Stephen J. Lockwood (58)**
**Board Member (1998)** *Current term expires in 2006*

*Principal Occupation During Past 5 Years:*
- Chairman of the Board,Stephen J.Lockwood and Company LLC,an investment company (2000-present)

*No. of Portfolios for which Board Member Serves:* 25

**Roslyn Watson (56)**
**Board Member (1998)** *Current term expires in 2007*

*Principal Occupation During Past 5 Years:*
- Principal,Watson Ventures, Inc., a real estate investment company (1993-present)

*Other Board Memberships and Affiliations:*
- American Express Centurion Bank, Director
- The Hyams Foundation Inc., a Massachusetts Charitable Foundation,Trustee

 National Osteoporosis Foundation,Trustee

*No. of Portfolios for which Board Member Serves:* 25



**Benaree Pratt Wiley (59)**

**Board Member (1998)** *Current term expires in 2006*

*Principal Occupation During Past 5 Years:*

 President and CEO,The Partnership, an organization dedicated to increasing the representation of African Americans in positions of leadership, influence and decision-making in Boston, MA (1991-present)

*Other Board Memberships and Affiliations:*

 Boston College, Associate Trustee

 The Greater Boston Chamber of Commerce, Director

 Mass. Development, Director

 Commonwealth Institute, Director

 Efficacy Institute, Director

 PepsiCo African-American, Advisory Board

 The Boston Foundation, Director

 Harvard Business School Alumni Board, Director

*No. of Portfolios for which Board Member Serves:* 25



*Once elected all Board Members serve for an indefinite term.The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.*

*Francis P. Brennan, Emeritus Board Member*



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## OFFICERS OF THE FUND (Unaudited)

**STEPHEN E. CANTER, President since March 2000.**

Chairman of the Board, Chief Executive Officer of the Manager, and an officer of 90 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 60 years old and has been an employee of the Manager since May 1995.

**STEPHEN R. BYERS, Executive Vice President since November 2002.**

Chief Investment Officer,Vice Chairman and a director of the Manager, and an officer of 90 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Byers also is an officer, director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 52 years old and has been an employee of the Manager since January 2000.

**MARK N. JACOBS, Vice President since**
**March 2000.**

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since June 1977.

**MICHAEL A. ROSENBERG, Vice President**
**and Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1991.

**JAMES BITETTO, Vice President and**
**Assistant Secretary since August 2005.**

Assistant General Counsel and Assistant Secretary of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since December 1996.

**JONI LACKS CHARATAN, Vice President**
**and Assistant Secretary since**
**August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. She is 50 years old and has been an employee of the Manager since October 1988.

**JOSEPH M. CHIOFFI, Vice President and**
**Assistant Secretary since August 2005.**

Assistant General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 2000.

**JANETTE E. FARRAGHER, Vice President**
**and Assistant Secretary since**
**August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. She is 43 years old and has been an employee of the Manager since February 1984.

**JOHN B. HAMMALIAN, Vice President and**
**Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since February 1991.



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OFFICERS OF THE FUND (Unaudited) *(continued)*

**ROBERT R. MULLERY, Vice President and**
**Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since May 1986.

**JEFF PRUSNOFSKY, Vice President and**
**Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since October 1990.

**JAMES WINDELS, Treasurer since**
**November 2001.**

Director  Mutual Fund Accounting of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since April 1985.

**ERIK D. NAVILOFF, Assistant Treasurer**
**since August 2005.**

Senior Accounting Manager  Taxable Fixed Income Funds of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since November 1992.

**ROBERT ROBOL, Assistant Treasurer**
**since August 2005.**

Senior Accounting Manager  Money Market and Municipal Bond Funds of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since October 1988.

**ROBERT SVAGNA, Assistant Treasurer**
**since August 2005.**

Senior Accounting Manager  Equity Funds of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since November 1990.

**GAVIN C. REILLY, Assistant Treasurer**
**since December 2005.**

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 91 investment companies (comprised of 201 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since April 1991.

**JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.**

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (91 investment companies, comprised of 201 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellons Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 48 years old and has served in various capacities with the Manager since 1980, including manager of the firms Fund Accounting Department from 1997 through October 2001.



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## OFFICERS AND TRUSTEES

D re y f u s H i g h Y i e l d S t ra t e g i e s Fu n d

200 Park Avenue New York, NY 10166

**Trustees**

Joseph S. DiMartino, Chairman
James M. Fitzgibbons
J.Tomlinson Fort
Kenneth A. Himmel
Stephen J. Lockwood
Roslyn M.Watson
Benaree Pratt Wiley

**Officers**

President

Stephen E. Canter
Executive Vice President
Stephen R. Byers
Vice President
Mark N. Jacobs
Vice President and Secretary

Michael A. Rosenberg
Vice President and Assistant Secretaries
James Bitetto
Joni Lacks Charatan
Joseph M. Chioffi
Janette E. Farragher

**Officers (continued)**

Assistant Treasurers (continued)
Gavin C. Reilly
Robert S. Robol
Robert Svagna
Chief Compliance Officer
Joseph W. Connolly

**Portfolio Managers**

John McNichols

Jonathan Uhrig

**Investment Adviser**

The Dreyfus Corporation

**Custodian**

Mellon Bank, N.A.

**Counsel**

Kirkpatrick & Lockhart
Nicholson Graham LLP

**Transfer Agent,**
**Dividend Disbursing Agent**

John B. Hammalian
Robert R. Mullery
Jeff Prusnofsky
Treasurer
James Windels
Assistant Treasurers
Erik D. Naviloff

Mellon Investor Services LLC

**Stock Exchange Listing**

NYSE Symbol: DHF

**Initial SEC Effective Date**

4/23/98

*The Net Asset Value appears in the following publications: Barrons, 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; NewYork Times, Business section under the heading Closed-End Bond FundsBond 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

**Dreyfus**
**High Yield Strategies Fund**
200 Park Avenue

New York, NY 10166

**Manager**
The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

**Custodian**
Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

**Transfer Agent &**
**Dividend Disbursing Agent**

Mellon Investor Services LLC

480 Washington Boulevard
Jersey City, NJ 07310

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 funds Forms N-Q are available on the SECs website at http://www.sec.gov and may be reviewed and copied at the SECs Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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, 2005, is available through the funds website at http://www.dreyfus.com and on the SECs 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.

**Item 2. Code of Ethics.**

The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There have been no amendments to, or waivers in connection with, the Code of Ethics during the period covered by this Report.

**Item 3. Audit Committee Financial Expert.**

The Registrant's Board has determined that Joseph S. DiMartino, a member of the Audit Committee of the Board, is an audit committee financial expert as defined by the Securities and Exchange Commission (the "SEC"). Joseph S. DiMartino is "independent" as defined by the SEC for purposes of audit committee financial expert determinations.

**Item 4. Principal Accountant Fees and Services**

(a) Audit Fees. The aggregate fees billed for each of the last two fiscal years (the "Reporting Periods") for professional services rendered by the Registrant's principal accountant (the "Auditor") for the audit of the Registrant's annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were $80,450.00 in 2005 and $82,865.00 in 2006.

(b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item 4 were $4,000.00 in 2005 and $4,000.00 in 2006. These services consisted of (i) agreed-upon procedures related to Fund's revolving credit and securities agreement, and (ii) security counts required by Rule 17f-2 under the Investment Company Act of 1940.

The aggregate fees billed in the Reporting Periods for non-audit assurance and related services by the Auditor to the Registrant's investment adviser (not including any sub-investment adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant ("Service Affiliates"), that were reasonably related to the performance of the annual audit of the Service Affiliate, which required pre-approval by the Audit Committee were $ 0 in 2005 and $ 0 in 2006.

Note: *For the second paragraph in each of (b) through (d) of this Item 4, certain of such services were not pre-approved prior to May 6, 2003, when such services were required to be pre-approved. On and after May 6, 2003, 100% of all services provided by the Auditor were pre-approved as required. For comparative purposes, the fees shown assume that all such services were pre-approved, including services that were not pre-approved prior to the compliance date of the pre-approval requirement.*

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice and tax planning ("Tax Services") were $1,925.00 in 2005 and

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$2,025.00 in 2006. These services consisted of review or preparation of U.S. federal, state, local and excise tax returns.

The aggregate fees billed in the Reporting Periods for Tax Services by the Auditor to Service Affiliates which required pre-approval by the Audit Committee were $ 0 in 2005 and $ 0 in 2006.

(d) All Other Fees. The aggregate fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item, were $ 0 in 2005 and $ 0 in 2006.

The aggregate fees billed in the Reporting Periods for Non-Audit Services by the Auditor to Service Affiliates, other than the services reported in paragraphs (b) through (c) of this Item, which required pre-approval by the Audit Committee were $ 0 in 2005 and $ 0 in 2006.

Audit Committee Pre-Approval Policies and Procedures. The Registrant's Audit Committee has established policies and procedures (the "Policy") for pre-approval (within specified fee limits) of the Auditor's engagements for non-audit services to the Registrant and Service Affiliates without specific case-by-case consideration. Pre-approval considerations include whether the proposed services are compatible with maintaining the Auditor's independence. Pre-approvals pursuant to the Policy are considered annually.

Non-Audit Fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to Service Affiliates, for the Reporting Periods were $2,476,483.00 in 2005 and $1,643,000.00 in 2006.

Auditor Independence. The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates which were not pre-approved (not requiring pre-approval) is compatible with maintaining the Auditor's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, consisting of the following members: Joseph S. DiMartino, James M. Fitzgibbons, J. Tomlinson Fort, Kenneth A. Himmel, Stephen J. Lockwood, Roslyn M. Watson and Benaree Pratt Watson.

**Item 6. Schedule of Investments.**

Not applicable.

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

The Board of each fund in the Dreyfus Family of Funds has delegated to Dreyfus Corporation (“Dreyfus”) the authority to vote proxies of companies held in the fund’s portfolio. Dreyfus, through its participation on the Mellon Proxy Policy Committee (the “MPPC”), applies Mellon’s Proxy Voting Policy, related procedures, and voting guidelines when voting proxies on behalf of the funds.

Dreyfus recognizes that an investment adviser is a fiduciary that owes its clients, including funds it manages, a duty of utmost good faith and full and fair disclosure of all material facts. An investment adviser’s duty of loyalty requires an adviser to vote proxies in a manner consistent with the best interest of its clients and precludes the adviser from subrogating the clients’ interests to its own. In addition, an investment

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adviser voting proxies on behalf of a fund must do so in a manner consistent with the best interests of the fund and its shareholders.

Dreyfus seeks to avoid material conflicts of interest by participating in the MPPC, which applies detailed, pre-determined written proxy voting guidelines (the “Voting Guidelines”) in an objective and consistent manner across client accounts, based on internal and external research and recommendations provided by a third party vendor, and without consideration of any client relationship factors. Further, the MPPC engages a third party as an independent fiduciary to vote all proxies of funds managed by Mellon or its affiliates (including the Dreyfus Family of Funds), and may engage an independent fiduciary to vote proxies of other issuers at its discretion.

All proxies received by the funds are reviewed, categorized, analyzed and voted in accordance with the Voting Guidelines. The guidelines are reviewed periodically and updated as necessary to reflect new issues and any changes in Mellons or the Dreyfus 's policies on specific issues. Items that can be categorized under the Voting Guidelines are voted in accordance with any applicable guidelines or referred to the MPPC, if the applicable guidelines so require. Proposals that cannot be categorized under the Voting Guidelines are referred to the MPPC for discussion and vote. Additionally, the MPPC reviews proposals where it has identified a particular company, industry or issue for special scrutiny. With regard to voting proxies of foreign companies, the MPPC weighs the cost of voting and potential inability to sell the securities (which may occur during the voting process) against the benefit of voting the proxies to determine whether or not to vote. With respect to securities lending transactions, the MPPC seeks to balance the economic benefits of continuing to participate in an open securities lending transaction against the inability to vote proxies.

When evaluating proposals, the MPPC recognizes that the management of a publicly-held company may need protection from the markets frequent focus on short-term considerations, so as to be able to concentrate on such long-term goals as productivity and development of competitive products and services. In addition, the MPPC generally supports proposals designed to provide management with short-term insulation from outside influences so as to enable them to bargain effectively with potential suitors to the extent such proposals are discrete and not bundled with other proposals. The MPPC believes that a shareholders role in the governance of a publicly-held company is generally limited to monitoring the performance of the company and its management and voting on matters which properly come to a shareholder vote. However, the MPPC generally opposes proposals designed to insulate an issuers management unnecessarily from the wishes of a majority of shareholders. Accordingly, the MPPC generally votes in accordance with management on issues that the MPPC believes neither unduly limit the rights and privileges of shareholders nor adversely affect the value of the investment.

On questions of social responsibility where economic performance does not appear to be an issue, the MPPC attempts to ensure that management reasonably responds to the social issues. Responsiveness will be measured by management's efforts to address the particular social issue including, where appropriate, assessment of the implications of the proposal to the ongoing operations of the company. The MPPC will pay particular attention to repeat issues where management has failed in its commitment in the intervening period to take actions on issues.

In evaluating proposals regarding incentive plans and restricted stock plans, the MPPC typically employs a shareholder value transfer model. This model seeks to assess the amount of shareholder equity flowing out of the company to executives as options are exercised. After determining the cost of the plan, the MPPC evaluates whether the cost is reasonable based on a number of factors, including industry classification and historical performance information. The MPPC generally votes against proposals that permit or are silent on the repricing or replacement of stock options without shareholder approval.

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

**(a) (1)** The following information is as of May 26, 2006, the date of the filing of this report:

Jon Uhrig has been the primary portfolio manager of the Registrant since January 2005 and has been employed by The Dreyfus Corporation (Dreyfus) since September 2001. He is also a portfolio manager for high yield strategies, as well as head of high yield trading, with Standish Mellon Asset Management, LLC (Standish Mellon), an affiliate of Dreyfus, which he joined in 1997.

**(a) (2)** The following information is as of the Registrants most recently completed fiscal year, except where otherwise noted:

Portfolio Managers. The Registrants investment adviser is responsible for investment decisions and provides the Registrant with portfolio managers who are authorized by the Trusts Board to execute purchases and sales of securities. Jonathan M. Uhrig is the Registrants primary portfolio manager. John R. McNichols is also a portfolio manager of the Registrant. Messrs. Uhrig and McNichols are employees of Dreyfus and Standish Mellon.

Portfolio Managers Compensation. Each Standish Mellon portfolio managers 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 Mellons 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 Mellons Elective Deferred Compensation Plan.

Additional Information About Portfolio Managers. 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 the end of the Registrants fiscal year:

| **Portfolio Manager** | **Registered Investment Company Accounts** | **Assets Managed** | **Pooled Accounts** | **Assets Managed** | **Other Accounts** | **Assets Managed** |
|---|---|---|---|---|---|---|
| Jonathan M. Uhrig | 5 | $929,932,385.04 | 0 | 0 | 11 | $1,282,457,560.01 |



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 the end of the Registrants fiscal year:

| **Portfolio Manager** | **Registrant Name** | **Dollar Range of Registrant Shares Beneficially Owned** |
|---|---|---|
| Jonathan M. Uhrig | 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' 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

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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.**

None

**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 that it files or submits on Form N-CSR is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Code of ethics referred to in Item 2.

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

(a)(3) Not applicable.

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

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dreyfus High Yield Strategies Fund

By: /s/Stephen E. Canter
Stephen E. Canter
President

Date: May 26, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Stephen E. Canter
Stephen E. Canter
Chief Executive Officer

Date: May 26, 2006

By: /s/ James Windels
James Windels
Chief Financial Officer

Date: May 26, 2006

**EXHIBIT INDEX**

(a)(1) Code of ethics referred to in Item 2.

(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)