

Edgar Filing: DNP SELECT INCOME FUND INC - Form N-30B-2

DNP SELECT INCOME FUND INC
Form N-30B-2
November 12, 2004

Dear Fellow Shareholders:

Performance Review: On a short-term basis, your Fund had a total return of 8.7% for the quarter ended September 30, 2004. In comparison, the S&P Utilities Index had a total return of 6.7%. A composite of the S&P Utilities Index and the Lehman Utility Bond Index reflecting the stock and bond ratio of the Fund, had a total return of 6.3%. Year-to-date your Fund had a total return of 8.4%. In comparison, the S&P Utilities Index had a total return of 10.8%. A composite of the S&P Utilities Index and the Lehman Utility Bond Index had a total return of 9.1%.

On a long-term basis, as of September 30, 2004, your Fund had a three-year cumulative total return of 32.4%. In comparison, the S&P Utilities Index had a total return during that period of -5.2%, while a composite of the S&P Utilities Index and the Lehman Utility Bond Index, reflecting the stock and bond ratio of the Fund, had a total return of -.7%.

During the second quarter of 2004, your Fund paid three monthly 6.5 cents per share dividends. The 6.5 cents per share monthly rate, without compounding, would be 78 cents annualized, or a 6.95% common stock dividend yield based on the September 30, 2004, closing price of \$11.23. This compares favorably with the quarter-end yields of 3.35% on the Dow Jones Utility Index and 3.63% on the S&P Utilities Index.

The Investment Environment: Your Fund, and the utility sector in general, performed better in the third quarter than the broad stock market. The weight of \$50 oil, continued turbulence in Iraq, and presidential election rhetoric pushed the broad stock market lower during the third quarter. The utility sector, however, enjoyed little negative news, continued evidence of improving balance sheets and liquidity, a comparatively attractive dividend yield, and favorable sensitivity to an unexpected move to lower long-term interest rates. As a result, investors gravitated to the utility sector as part of a defensive strategy.

During the second quarter of 2004 U.S. economic growth, as measured by gross domestic product (GDP), slowed from the robust 4.5% annualized pace in the first quarter, with consumer spending decelerating markedly. The economy was generally viewed as being in a "soft patch." Looking back at the second quarter, the soft patch appears milder than previously estimated with other components of economic growth cushioning the impact of lower consumer spending on GDP. Capital spending accelerated and housing continued its torrid pace during the second quarter. The Commerce Department's final estimate of 3.3% annualized GDP growth during the second quarter exceeded market expectations and is an indicator that the economy is doing well.

The Federal Reserve's (the Fed's) long-term objective is to manage monetary policy to achieve non-inflationary economic growth. In light of the good growth the economy is experiencing and the low level of interest rates, it is likely that the Fed will continue its actions to remove monetary accommodation with "measured" interest rate hikes. Beginning June 30, 2004, the Federal funds rate has been raised four times for a total of one percent. Despite higher short rates, bond yields have actually declined and the stock market, as indicated by the S&P 500 Index, has traded within a range of less than 100 points. This likely indicates that investors have generally been pleased with the Fed's conduct of monetary policy and believe that domestic and international concerns are manageable.

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Lighting up the Phone Lines: During the Internet and telecommunication mania of the late 1990's, numerous electric utilities entered the telecom business, either by laying fiber optic cable or by buying equipment to compete with the regional bell operating companies (RBOCs). Your Fund managers never believed that the electric companies could make money competing against the RBOCs. The RBOCs were pleased to have competition at the local level because of their strong incumbent position and, under the current regulatory regime, the RBOCs needed local competitors in order to gain entry into long distance markets. Most electric companies failed in their competitive attempts and exited their telecommunication businesses by either selling or shutting down the business and taking a write-off on their investment.

Today, electric companies are once again considering telecom ventures, this time using broadband-over-power-line (BPL) technology. BPL technology should make the utility grid smarter and could enhance basic utility services since the technology will increase the current electric infrastructure functionality. BPL technology has the potential to lower utility operating costs and improve service quality and reliability, and could include: automated meter reading, voltage control, Supervisory Control and Data Acquisition (SCADA), equipment monitoring, energy management, load management, remote connection or disconnection, and power outage notification.

With regard to actual telecom services, an electric utility could use a variety of business models to facilitate deployment of BPL. The utility could take full control of rolling out the service, being totally responsible for capital investment and the revenue associated with it. A utility company might also partner with a technology and/or investment company to share the risks and rewards of deployment. Alternatively, a service company might make all the

investment and deliver BPL services, working with and paying the utility company for placing enabling equipment on existing electric poles as other telecommunication providers already do. In any case, the market opportunity is significant. Estimates of current broadband penetration using cable modems and digital subscriber lines are only about 30%. There is plenty of room for growth, and ultimately utilities may be able to offer customers bundles of services--voice communication, data and Internet, and electricity. Near term, we do not view this service as a serious competitive threat to the RBOCs.

Deployment of BPL in a profitable way will require overcoming numerous regulatory hurdles. State regulators have formed a task force to examine BPL and are expected to issue three white papers this year. The Federal Communications Commission (FCC) will have oversight of BPL and is issuing rules to regulate and promote BPL service. The role the Federal Energy Regulatory Commission (FERC) may play in BPL deployment, if any, has not been determined. As is usually the case, the technology is well ahead of the regulatory process.

Board of Directors Meeting: At the regular October 2004 Board of Directors' meeting, the Board declared the following monthly dividend:

Cents Per Share	Record Date	Payable Date
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6.5	November 30	December 10
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As is customary, the Board will declare the December, January, and February dividends in mid-December.

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The determination of the character of all Fund distributions (specifying which portion is ordinary income, qualifying dividend income, short or long term capital gains, or return of capital) is made each year-end and is reported to shareholders on Form 1099-DIV, which is mailed every year in late January.

The Board has reviewed the Fund's dividend policy and reaffirmed the current 6.5 cents per share per month distribution rate. Interest rates are at or near 40-year lows despite recent Federal Reserve actions and utility common stock dividends are well below their long-term average. Therefore, in 2004, the Fund has made increased use of realized gains to supplement its investment income and has reduced its use of short-term trading strategies designed to capture dividend income. Until the Fund utilizes all of its tax loss carryforwards, distributions to shareholders derived from realized gains will be treated as ordinary income for tax purposes. In addition, the reduced use of short-term trading strategies by the Fund will lower the Fund's portfolio turnover rate and transaction costs and, after the Fund utilizes all of its tax loss carryforwards, will potentially increase the portion of the Fund's distributions to shareholders that will be taxable at the lower income tax rate applicable to qualifying dividends. In the future, in order to maintain the Fund's dividend rate, in the absence of increases in the yields available on the Fund investments and/or realizable gains on Fund investments, the Fund's distributions may include a portion of non-taxable return of capital.

Automatic Dividend Reinvestment Plan and Direct Deposit Service--The Fund has a dividend reinvestment plan available and offers direct deposit service through electronic funds transfer to all registered shareholders. These services are offered through The Bank of New York. For more information and/or an authorization form on automatic dividend reinvestment or direct deposit, please contact The Bank of New York (1-877-381-2537 or <http://stock.bankofny.com>). Information on these services is also available on the Fund's web site at the address noted below.

Visit us on the Web--You can obtain the most recent shareholder financial report and dividend information at our web site, <http://www.dnpselectincome.com>.

We appreciate your interest in DNP Select Income Fund Inc., and we will continue to do our best to be of service to you.

/s/ Claire V. Hansen
Claire V. Hansen,
CFA Chairman

/s/ Nathan I. Partain
Nathan I. Partain, CFA
President and
Chief Executive Officer

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS
(UNAUDITED)
September 30, 2004

COMMON STOCKS--85.9%

Shares	Company	Market Value (Note 1)
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[] ELECTRIC--50.5%

1,501,000	Ameren Corp.....	\$	69,271,150
800,000	Cinergy Corp.....		31,680,000
796,000	Dominion Resources Inc.....		51,939,000
1,000,000	DTE Energy Co.....		42,190,000
352,770	Duke Energy Corp.....		8,074,905
1,100,000	Energy East Corp.....		27,698,000
2,000,000	Exelon Corp.....		73,380,000
2,000,000	FirstEnergy Corp.....		82,160,000
579,400	FPL Group Inc.....		39,584,608
1,080,000	Iberdrola S.A. (Spain).....		22,400,711
215,000	National Grid Transco PLC ADR.....		9,208,450
770,000	National Grid Transco PLC (United Kingdom).....		6,496,506
1,200,000	NiSource, Inc.....		25,212,000
1,318,600	NSTAR.....		64,743,260
690,000	Pinnacle West Capital Corp.....		28,635,000
1,375,000	Progress Energy Inc.....		58,217,500
1,000,000	Public Service Enterprise Group Inc.....		42,600,000
1,000,000	Scottish & Southern Energy ADR.....		14,096,500
850,000	Scottish & Southern Energy PLC (United Kingdom)		11,974,236
368,700	Scottish Power PLC ADR.....		11,370,708
2,300,000	Southern Co.....		68,954,000
1,500,000	Vectren Corp.....		37,770,000
581,000	WPS Resources Corp.....		26,139,190
2,999,304	Xcel Energy Inc.....		51,947,945

			905,743,669

[] GAS--7.5%

926,000	AGL Resources Inc.....		28,493,020
1,000,000	Keyspan Corp.....		39,200,000
900,000	Peoples Energy Corp.....		37,512,000
1,000,000	WGL Holdings Inc.....		28,260,000

			133,465,020

The accompanying note is an integral part of this financial statement.

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Shares	Company	Market Value (Note 1)
-----	-----	-----

[] TELECOMMUNICATION--16.3%

1,600,000	BCE Inc.....	\$	34,640,000
565,000	BT Group PLC ADR.....		18,616,750

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1,730,000	BellSouth Corp.....	46,917,600
1,250,000	Chunghwa Telecom Co. Ltd.....	22,012,500
1,620,000	Citizens Communications Co.....	21,691,800
1,642,230	SBC Communications, Inc.....	42,615,868
856,250	Telecom Corp of New Zealand Ltd. ADR	27,237,313
1,068,400	Telstra Corp. Ltd. ADR.....	18,088,012
1,519,000	Verizon Communications Inc.....	59,818,220

		291,638,063

[_] NON-UTILITY--11.6%

51,194	Alexandria Real Estate Equities Inc.	3,364,470
64,478	AMB Property Corp.....	2,386,975
251,692	Archstone Smith Trust.....	7,963,535
66,534	Arden Realty Inc.....	2,167,678
218,408	Boston Properties Inc.....	12,097,619
77,653	Camden Property Trust.....	3,587,569
78,453	CBL & Associates Properties Inc....	4,781,710
327,320	CenterPoint Properties Trust.....	14,264,606
208,999	Corporate Office Properties Trust...	5,354,554
229,309	Developers Diversified Realty Corp..	8,977,447
145,828	Duke Realty Corp.....	4,841,490
72,914	Equity Office Properties Trust.....	1,986,907
248,610	Equity Residential.....	7,706,910
53,774	Essex Property Trust Inc.....	3,863,662
45,000	Extra Space Storage Inc.....	573,750
334,291	General Growth Properties Inc.....	10,363,021
84,130	Health Care Property Investors Inc..	2,187,380
63,800	Health Care REIT Inc.....	2,245,760
53,526	Healthcare Realty Trust Inc.....	2,089,655
72,914	Home Properties Inc.....	2,884,478
69,268	Hospitality Properties Trust.....	2,943,197

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Shares	Company	Market Value (Note 1)
-----	-----	-----
99,193	iStar Financial Inc.....	\$ 4,089,727
78,994	Kilroy Realty Corp.....	3,004,142
67,968	Kimco Realty Corp.....	3,486,758
72,720	LaSalle Hotel Properties.....	2,007,072
139,226	The Macerich Co.....	7,419,354
116,597	Pan Pacific Retail Properties Inc.....	6,307,898
265,662	ProLogis.....	9,361,929
78,538	Public Storage, Inc.....	3,891,558
45,571	Realty Income Corp.....	2,052,062

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84,355	Reckson Associates Realty Corp.....	2,425,206
67,231	Regency Centers Corp.....	3,125,569
55,140	Shurgard Storage Centers Inc. Class A.....	2,139,432
259,811	Simon Property Group Inc.....	13,933,664
187,571	S.L. Green Realty Corp.....	9,718,053
97,070	Starwood Hotels & Resorts Worldwide, Inc..	4,505,989
127,119	United Dominion Realty Trust Inc.....	2,520,770
229,679	Vornado Realty Trust.....	14,396,280
183,350	Weingarten Realty Investors.....	6,052,384

		207,070,220

	Total Common Stocks (Cost--\$1,405,830,973)	1,537,916,972

PREFERRED STOCKS--18.8%

[_] UTILITY--18.8%

200,000	Alltel Corp.	
	7 3/4% due 5/17/05.....	10,352,000
750,000	Ameren Corp.	
	9 3/4% due 5/15/05.....	20,595,000
1,200,000	Centurytel Inc.	
	6 7/8% due 5/15/05.....	31,704,000
626,200	Cinergy Corp.	
	9 1/2% due 2/16/05.....	38,235,772
450,000	Dominion Resources Inc.	
	9 1/2% due 11/16/04.....	25,506,195

The accompanying note is an integral part of this financial statement.

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Shares	Company	Market Value (Note 1)
-----	-----	-----
986,700	DTE Energy Co.	
	8 3/4% due 8/16/05.....	\$ 24,547,500
223,500	EIX Trust II Series B	
	8.60% due 10/29/29.....	5,670,195
500,000	FPL Group Inc.	
	8 1/2% due 2/16/05.....	28,450,000
1,200,000	Great Plains Energy Inc.	
	8% due 2/16/07.....	30,132,000
412,000	Keyspan Corp.	
	8 3/4% due 5/16/05.....	21,836,000
775,000	Oneok Inc.	
	8 1/2% due 2/16/06.....	25,513,000
500,000	Sempra Energy	

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8 1/2% due 5/17/05.....	15,480,000
172,700 Southern Union Co.	
5 3/4% due 8/16/06.....	11,057,981
400,000 TXU Corp.	
8 3/4% due 11/16/05.....	20,840,000
500,000 TXU Corp.	
8 1/8% due 5/16/06.....	25,955,000

Total Preferred Stocks (Cost--\$306,441,093)	335,874,643

BONDS--31.2%

Par Value	Ratings			
	Fitch	Moody's	Standard and Poor's	
-----	-----	-----	-----	
[_] ELECTRIC--11.3%				
\$18,050,000	Comed Financing II			
	8 1/2%, due 1/15/27.....	Not Rated	Baa2	BBB
20,817,895				
7,500,000	Commonwealth Edison Co.			
	9 7/8%, due 6/15/20.....	A-	A3	A-
8,005,740				
24,000,000	Dominion Resources Capital Trust			
	7.83%, due 12/01/27.....	Not Rated	Baa2	BBB-
26,363,544				

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DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS--(Continued)
 (UNAUDITED)
 September 30, 2004

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
-----	-----	-----	-----	-----	
\$ 5,000,000	El Paso Electric Co., Series E				
	9.40%, due 5/01/11.....	Not Rated	Baa2	BBB	\$ 5,616,895
5,000,000	Illinois Power Co.				
	7 1/2%, due 7/15/25.....	CCC+	B1	B	5,150,000
15,825,000	Niagara Mohawk Power Corp.				
	8 7/8%, due 5/15/07.....	Not Rated	Baa3	A-	17,898,708
5,000,000	Progress Energy Inc.				
	7 3/4%, due 3/01/31.....	BBB-	Baa2	BBB-	5,929,550
9,000,000	PSEG Power LLC				
	8 5/8%, due 4/15/31.....	BBB	Baa1	BBB	11,559,726

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22,750,000	Puget Capital Trust 8.231%, due 6/01/27.....	Not Rated	Ba1	BB	21,967,127
29,860,000	Southern California Edison Co. 8%, due 2/15/07.....	BBB+	A3	BBB	33,069,682
13,000,000	Southern Co. Capital Trust II 8.14%, due 2/15/27.....	Not Rated	Baa1	BBB+	14,926,405
11,750,000	Virginia Electric & Power Co. 8 5/8%, due 10/01/24.....	A-	A2	A-	12,249,880
17,700,000	Virginia Electric & Power Co. 8 1/4%, due 3/01/25.....	A-	A2	A-	18,682,102

					202,237,254

[_] GAS--4.4%

5,000,000	KN Energy Inc. 7 1/4%, due 3/01/28.....	BBB	Baa2	BBB	5,579,640
10,000,000	Northern Border Partners LP 8 7/8%, due 6/15/10.....	BBB+	Baa2	BBB+	11,984,440
15,000,000	Panhandle Eastern 8 5/8%, due 4/15/25.....	BBB-	Baa3	BBB-	15,893,310
6,488,000	Southern Union Co. 7.60%, due 2/01/24.....	BBB	Baa3	BBB	7,370,070
8,850,000	Southern Union Co. 8 1/4%, due 11/15/29.....	BBB	Baa3	BBB	10,925,236

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
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Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
\$10,000,000	TE Products Pipeline Co. 7.51%, due 1/15/28.....	Not Rated	Baa3	BBB	\$ 10,828,040
15,500,000	Trans-Canada Pipeline 9 1/8%, due 4/20/06.....	Not Rated	A3	BBB+	16,891,962

					79,472,698

[_] TELECOMMUNICATION--8.5%

4,200,000	AT&T Wireless Services Inc. 7 1/2%, due 5/01/07.....	BBB	Baa2	BBB	4,629,925
22,000,000	British Telecom PLC 8 3/8%, due 12/15/10.....	A	Baa1	A-	26,561,832
15,000,000	Centurytel Inc. 8 3/8%, due 10/15/10.....	BBB+	Baa2	BBB+	17,717,565

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5,000,000	Centurytel Inc. 6 7/8%, due 1/15/28.....	BBB+	Baa2	BBB+	5,182,315
5,645,000	Comcast Cable Communications Inc. 8 3/8%, due 5/01/07.....	BBB	Baa3	BBB	6,309,580
10,000,000	France Telecom SA 7 3/4%, due 3/01/11.....	A-	Baa2	BBB+	11,986,010
17,625,000	GTE Corp. 7.90%, due 2/01/27.....	A+	A3	A+	19,353,537
5,000,000	GTE North Inc., Series C 7 5/8%, due 5/15/26.....	A+	A1	A+	5,323,140
10,000,000	Sprint Capital Corp. 8 3/8%, due 3/05/12.....	BBB	Baa3	BBB-	12,128,720
10,000,000	TCI Communications Inc. 8 3/4%, due 8/01/15.....	BBB	Baa3	BBB	12,487,730
6,724,000	360 Communications Co. 7 1/2% due 3/01/06.....	A	A2	A	7,161,248
4,314,000	Tritel PCS Inc. 10 3/8%, due 1/15/11.....	BBB	Baa2	BBB	4,923,961
10,500,000	Verizon Global Funding Corp. 7 3/4%, due 12/01/30.....	A+	A2	A+	12,613,881

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
\$ 5,000,000	Vodafone Group PLC 7 7/8%, due 2/15/30.....	A	A2	A	\$ 6,332,335
					152,711,779
	[_] NON-UTILITY--7.0%				
#25,000,000	Belford U.S. Capital Co. LLC 1.85%, due 3/08/05.....	AAA	Not Rated	AAA	25,005,900
7,361,000	Continental Cablevision Inc. 9.50%, due 8/01/13.....	Not Rated	Baa3	BBB	8,062,577
#45,000,000	Countrywide Home Loans Inc. 1.67%, Series L, due 1/18/05..	A	A3	A	45,000,135
8,000,000	Dayton Hudson Corp. 9 7/8%, due 7/01/20.....	A	A2	A+	11,706,808
#15,000,000	Sigma Finance Inc. 1.98%, due 1/28/05.....	AAA	Aaa	AAA	15,007,530
#20,000,000	Stanfield Victoria Funding LLC 1.955%, due 6/01/05.....	Not Rated	Aaa	AAA	20,004,280

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	124,787,230

Total Bonds (Cost--\$546,122,899).....	559,208,961

U.S. TREASURY OBLIGATION--0.1%	
2,000,000 U.S. Treasury Bond	
10 3/4%, due 8/15/05.....	2,148,204

Total U.S. Treasury Obligation (Cost--\$2,394,375)	2,148,204

U.S. GOVERNMENT AGENCY OBLIGATIONS--9.3%	
25,000,000 Federal Home Loan Mortgage Corp.	
9%, due 11/15/13.....	25,191,400
84,500,000 Federal National Mortgage Assn.	
8 1/2%, due 5/26/05.....	85,307,060

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Par Value/ Shares	Company	Market Value (Note 1)
-----	-----	-----
# \$ 13,223,842	Overseas Private Investment Corp., Series A 1 1/2%, due 12/16/06.....	\$ 13,205,024
# 8,408,828	Overseas Private Investment Corp., Series B 1 1/2%, due 12/16/06.....	8,396,862
# 2,206,105	Overseas Private Investment Corp., Series C 1 1/2%, due 12/16/06.....	2,202,952
# 910,147	Overseas Private Investment Corp., Series D 1 1/2%, due 12/16/06.....	908,852
# 8,910,723	Overseas Private Investment Corp., Series E 1 1/2%, due 12/16/06.....	8,898,043
# 4,418,734	Overseas Private Investment Corp., Series F 1 1/2%, due 12/16/06.....	4,412,446
# 4,030,911	Overseas Private Investment Corp., Series G 1 1/2%, due 12/16/06.....	4,025,175
# 2,904,433	Overseas Private Investment Corp., Series H 1 1/2%, due 12/16/06.....	2,900,300
# 6,705,421	Overseas Private Investment Corp., Series I 1 1/2%, due 12/16/06.....	6,695,879
# 2,903,447	Overseas Private Investment Corp., Series J 1 1/2%, due 12/16/06.....	2,899,315

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#1,279,885 Overseas Private Investment Corp., Series K	
1 1/2%, due 12/16/06.....	1,278,064

Total U.S. Government Agency Obligations (Cost--\$173,006,926)	166,321,372

MONEY MARKET INSTRUMENTS--24.5%

# 13,837,200 AIM STIC Liquid Assets Portfolio.....	13,837,200
# 25,000,000 Chesham Finance LLC	
1.935%, due 10/25/04.....	25,000,000

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DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Par Value/ Shares		Market Value (Note 1)
-----		-----
# \$ 25,000,000	Credit Suisse First Boston LLC Repurchase Agreement 1.925%, dated 9/30/04, due 10/01/04, with a repurchase price of \$25,001,337 and collateralized by \$20,610,000 ABSN 2004-HE5 A1 144A 5.00% ABS due 8/27/34; \$5,000,000 ABSN 2004-HE5 A2 144A 7.00% ABS due 8/27/34; \$299,625 CSFB 2004-6 B3 4.76% CMO due 9/25/19; and \$1,284,208 INDX 2004-AR9 5M5 4.34% CMO due 11/25/34.....	\$ 25,000,000
#50,000,000	Dresdner Kleinwort Wasserstein Securities LLC Repurchase Agreement 1.925%, dated 9/30/04, due 10/01/04, with a repurchase price of \$50,002,674 and collateralized by \$1,288,000 BAYV 2003-E M3 3.84% ABS due 10/28/34; \$1,000,000 BAYV 2003-F M4 3.94% ABS due 9/28/43; \$10,182,000 CWALT 2004-16CB B1 5.66% CMO due 8/25/34; \$5,000,000 FRENT 2004-C A 144A 5.25% ABS due 8/25/34; \$3,550,000 MSAC-NC5 M2 3.09% ABS due 7/25/34; \$2,000,000 RAMP 2004-RS1 MII2 3.29% ABS due 1/25/34; \$25,000,000 Scana Corp. 2.16% Senior Note due 11/15/06; \$1,691,590 SBA 505301 4.63% ABS due 2/25/26; \$500,000 SBA 505309 3.88% ABS due 1/25/26; and \$435,000 SBA 505374 3.88% ABS due 4/25/26.....	50,000,000
50,000,000	General Electric Capital Corp. 1.74%, due 10/01/04.....	50,000,000
#50,000,000	Goldman Sachs & Co. Repurchase Agreement 1.945%, dated 9/30/04, due 10/01/04, with a repurchase price of \$50,002,701 and collateralized by \$50,915,481 Merrill Lynch & Co. 2.11% Medium Term Note due 9/18/06	50,000,000
#50,000,000	Greenwich Capital Markets Inc. Repurchase Agreement, 1.955%, dated 9/30/04, due 10/01/04, with a repurchase price of \$50,002,715 and collateralized by \$3,624,750 CWALT 2004-18CB 2A9 5.70% CMO due 9/25/34; \$1,000,000 CWALT 2004-18CB 5A2 6.25% CMO due 9/25/34;	

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\$5,968,000	GMAC 2004-HE2 A2 2.88% ABS due 10/25/33;	
\$19,495,500	RALI 2004-QS12 A4 2.24% CMO due 9/25/34;	
\$14,885,000	RAMP 2004-RZ3 AI2 3.42% ABS due 10/25/27; and	
\$6,000,000	WAMU 2004-AR7 A6 3.96% CMO due 7/25/34.....	50,000,000

The accompanying note is an integral part of this financial statement.

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
September 30, 2004

Par Value/ Shares -----		Market Value (Note 1) -----
#\$ 18,301,498	Janus Institutional Cash Reserves Fund.....	\$ 18,301,498
#28,000,000	Lehman Brothers Inc. Repurchase Agreement, 1.925%, dated 9/30/04, due 10/01/04, with a repurchase price of \$28,001,497 and collateralized by \$1,000,000 GT 1995-3 B1 7.85% ABS due 8/15/25; \$3,620,000 GT 1995-5 B1 7.30% ABS due 9/15/26; \$12,975,000 GT 1995-6 M1 8.10% ABS due 9/15/26; \$655,000 INHEL 2003-A MV4 4.59% ABS due 12/25/32; \$10,000,000 MSAC 2004-HE2 B3 5.34% ABS due 3/25/34; and \$125,000 Northwest Airlines Corp. 7.58% Pass-Thru Certificates due 3/01/19.....	28,000,000
#50,000,000	Merrill Lynch Government Securities Inc. Repurchase Agreement, 1.955%, dated 9/30/04, due 10/01/04, with a repurchase price of \$50,02,715 and collateralized by \$5,250,000 BSCMS 2004-ESA J 5.82% 144A CMO due 5/14/16; \$5,000,000 BSCMS 2004-HS2A J 3.97% 144A CMO due 1/14/16; \$1,264,000 BSARM 2004-7 B3 4.36% CMO due 10/25/34; \$4,545,000 BSABS 2004-AC4 B 3.74% CMO due 8/25/34; \$4,000,000 CWRT 2004-1R A 5.75% 144A CMO due 4/27/34; \$150,000 DLJCM 1998-CF2 B1 7.29% CMO due 11/12/31; \$4,000,000 EQIFP 1997-1 B 7.37% CMO due 12/20/15; \$11,354,000 FCLT 1997-CHL1 D 7.85% 144A CMO due 4/29/39; \$1,000,000 FUNBC 2001-C2 J 7.85% 144A CMO due 1/12/43; \$2,750,000 FHLT 2004-C M6 3.74% ABS due 8/25/34; \$200,000 GMACC 1998-C1 F 7.09% CMO due 5/15/30; \$1,528,000 MLMI 2004-A2 M3 3.96% CMO due 7/25/34; \$2,000,000 NCHET 2004-A MI2 5.65% ABS due 8/25/34; \$1,000,000 RAMP 2004-RS1 MII6 6.34% ABS due 1/25/34; \$8,705,000 SBM7 1997-HUD2 B2 7.00% CMO due 7/25/24; \$12,020,000 SUNOT 2004-1A D 4.93% 144A ABS due 10/20/20; and \$745,000 WFMB 2004-R B3 4.46% CMO due 9/25/34.....	50,000,000

The accompanying note is an integral part of this financial statement.

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DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS--(Continued)
 (UNAUDITED)
 September 30, 2004

Par Value/ Shares -----	Market Value (Note 1) -----
#50,000,000	
Nomura Securities International Inc. Repurchase Agreement, 1.925%, dated 9/30/04, due 10/01/04, with a repurchase price of \$50,002,674 and collateralized by	
\$36,521,739 AMAC 2002-9 A2 5.75% CMO due 12/25/32;	
\$49,895,682 BOAA 2003-2 CB6 6.16% CMO due 4/25/33;	
\$2,550,384 CWHL 2002-16 1A14 6.50% CMO due 9/25/32;	
\$43,855,000 CWHL 2003-J3 1A2 5.61% CMO due 5/25/33;	
\$27,000,000 CWALT 2002-17 A6 6.21% CMO due 1/25/33;	
\$34,543,797 CWHL 2002-31 A11 6.00% CMO due 1/25/33;	
\$20,746,666 CWHL 2003-41 A2 5.25% CMO due 12/25/33;	
\$7,288,331 CSFB 2002-22 4X 7.50% CMO due 7/25/32;	
\$22,362,549 FNT 1999-2 4X 6.50% CMO due 4/25/29;	
\$4,615,000 FNW 2002-W1 2A10 0.55% CMO due 4/25/42;	
\$33,580,000 FHASI 2003-9 1A9 5.76% CMO due 11/25/33;	
\$25,000,000 GECCM 2001-1 X2 0.95% 144A CMO due 5/15/33;	
\$150,000 GMACC 2002-C3 A2 CMO 4.93% due 7/10/39;	
\$880,000 JPMCC 2004-C2 A2 5.26% CMO due 5/15/41;	
\$101,338,619 JPMCC 2004-FL1A XFL 0.11% 144A CMO due 4/16/19;	
\$33,330,000 MASTR 2003-7 4A36 5.26% CMO due 9/25/33;	
\$41,266,071 MASTR 2003-7 4A46 5.71% CMO due 9/25/33;	
\$37,452,188 MASTR 2003-2 2A7 6.26% CMO due 3/25/18;	
\$76,418,250 MSSTR 2003-1 3A3 6.26% CMO due 2/25/33;	
\$2,075,000 MSC 1997-C1 B 7.69% CMO due 2/15/20;	
\$1,780,192 NAA 2003-A1 APO 0.00% CMO due 5/25/33;	
\$11,731,677 PNCMS 1999-5 2X 6.75% CMO due 7/25/29;	
\$11,795,857 PRIME 2003-1 A9 6.09% CMO due 6/25/33;	
\$4,442,200 PHMS 1993-61 A14 18.13% CMO due 12/25/08;	
\$44,596,331 RALI 2002-QS19 A3 6.16% CMO due 12/25/32;	
\$50,000,000 RALI 2002-QS12 A3 6.16% CMO due 9/25/32;	
\$26,500,000 RALI 2003-QS15 A5 5.50% CMO due 8/25/33;	
\$20,000,000 RFMSI 2002-S19 A9 6.11% CMO due 12/25/32;	
\$74,799,662 RFMSI 2003-S4 A11 5.71% CMO due 3/25/33;	
\$1,500,000 SBM7 2001-C2 A2 6.17% CMO due 2/13/10;	
\$138,474,267 SASC 2002-26 1A17 5.60% CMO due 1/25/33;	
\$32,381,630 SASC 2003-1 1A7 5.25% CMO due 2/25/18;	
\$385,530 SAMI 2004-AR1 2A1 3.37% CMO due 3/19/34;	
\$12,934,000 WAMU 2002-S8 2A3 5.25% CMO due 1/25/18;	
\$41,666,000 WAMMS 2003-MS5 1A5 5.66% CMO due 3/25/18;	
\$25,833,333 WFMB5 2002-18 1A6 6.00% CMO due 12/25/32;	
\$452,391,709 WFMB5 2002-18 2A10 0.65% CMO due 12/25/32; and	
\$39,651,000 WFMB5 2004-4 A6 5.16% CMO due 5/25/34.....	\$ 50,000

The accompanying note is an integral part of this financial statement.

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DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS--(Continued)
 (UNAUDITED)
 September 30, 2004

Par Value/ Shares -----		Mark Valu (Note -----
\$30,000,000	Toyota Motor Credit Corp. 1.65%, due 10/01/04.....	\$ 30,0
	Total Money Market Instruments (Amortized Cost--\$440,138,698).....	440,1
	CASH AND OTHER ASSETS LESS LIABILITIES (40.1%).....	(750,3
	REMARKETED PREFERRED STOCK (\$.001 par value per share; 100,000,000 shares authorized and 5,000 shares issued and outstanding; liquidation preference \$100,000 per share).....	(500,0
	NET ASSETS APPLICABLE TO COMMON STOCK (equivalent to \$8.12 per share of common stock based on 220,730,830 shares of common stock outstanding; authorized 250,000,000 shares).....	\$ 1,791,2 =====

This security was purchased with the cash proceeds from securities loans.

The percentage shown for each investment category is the total value of that category as a percentage of the net assets applicable to common shares of the Fund.

 SIGNIFICANT ACCOUNTING POLICIES:

- (1)The market values for securities are determined as follows: Equity securities traded on a national securities exchange or traded over-the-counter and quoted on the NASDAQ System are valued at last sales prices. Fixed income securities and any other securities for which it is determined that market prices are unavailable or inappropriate are valued at a fair value using a procedure determined in good faith by the Board of Directors which includes the use of a pricing service. Each money market instrument having a maturity of 60 days or less is valued on an amortized cost basis, which approximates market value.
- (2)At December 31, 2003, the Fund's most recent fiscal tax year end, based on a tax cost of investments of \$2,712,873,413, the Fund had gross unrealized appreciation of \$253,248,708 and unrealized depreciation of \$92,979,901.

Board of Directors

STEWART E. CONNER

CONNIE K. DUCKWORTH

ROBERT J. GENETSKI

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CLAIRE V. HANSEN, CFA

FRANCIS E. JEFFRIES, CFA

NANCY LAMPTON

CHRISTIAN H. POINDEXTER

CARL F. POLLARD

DAVID J. VITALE

Officers

CLAIRE V. HANSEN, CFA
Chairman

FRANCIS E. JEFFRIES, CFA
Vice Chairman

NATHAN I. PARTAIN, CFA
President, Chief Executive Officer and Chief Investment Officer

JOYCE B. RIEGEL
Chief Compliance Officer

T. BROOKS BEITTEL, CFA
Senior Vice President
and Secretary

MICHAEL SCHATT
Senior Vice President

JOSEPH C. CURRY, JR.
Vice President and Treasurer

DIANNA P. WENGLER
Assistant Vice President and Assistant Secretary
DNP Select
Income Fund Inc.

Common stock listed on the New York Stock Exchange under the symbol DNP

55 East Monroe Street
Chicago, Illinois 60603
(312) 368-5510

Shareholder inquiries please contact

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Dividend Disbursing
Agent and Custodian

The Bank of New York
Shareholder Relations
Church Street Station
P.O. Box 11258
New York, New York 10286-1258
(877) 381-2537

Investment Adviser

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Duff & Phelps
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Administrator

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Ernst & Young LLP
233 South Wacker Drive
Chicago, Illinois 60606

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DNP Select
Income Fund Inc.

Third Quarter
Report

September
30, 2004

[Artwork]