

Edgar Filing: PREFERRED INCOME STRATEGIES FUND INC - Form N-Q

PREFERRED INCOME STRATEGIES FUND INC

Form N-Q

March 31, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-21286

Name of Fund: Preferred Income Strategies Fund, Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., President, Preferred
Income Strategies Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ
08536. Mailing address: P.O. Box 9011, Princeton, NJ 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 10/31/05

Date of reporting period: 11/01/04 - 1/31/05

Item 1 - Schedule of Investments

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005

Preferred Securities

Industry+	Face Amount	Capital Trusts
Auto Components - 1.2%	\$ 13,000,000	Delphi Trust II, 6.197% due 11/15/2033 (b)
Commercial Banks - 20.1%	12,035,000	ABN Amro North American Holding Preferred Capital Trust I, 6.523% (a) (b) (c)
	11,000,000	Abbey National Capital Trust I, 8.963% (b) (c)
	2,000,000	Bank One Capital III, 8.75% due 9/01/2030
	1,000,000	Chase Capital I Series A, 7.67% due 12/01/2030
	16,455,000	Chase Capital II Series B, 3.243% due 2/01/2030
	7,225,000	Danske Bank A/S, 5.914% (a) (b) (c)
	34,000,000	Dresdner Funding Trust I, 8.151% due 6/30/2030
	1,600,000	Firststar Capital Trust I Series B, 8.32% due 12/01/2030
	2,000,000	HSBC America Capital Trust I, 7.808% due 12/01/2030
	15,835,000	HSBC Capital Funding LP, 10.176% (a) (b) (c)
	12,275,000	Hubco Capital Trust II Series B, 7.65% due 6/30/2030
	998,000	JPM Capital Trust I, 7.54% due 1/15/2027
	2,000,000	Lloyds TSB Bank Plc, 6.90% (c)

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8,500,000	Mizuho JGB Investment LLC, 9.87% (a) (b) (c)
18,470,000	Nationsbank Cap Trust III, 3.21% due 1/15/2026
970,000	RBS Capital Trust I, 4.709% (b) (c)
2,000,000	Republic New York Corp., 7.53% due 12/04/2026
5,000,000	SB Treasury Co. LLC, 9.40% (a) (b) (c)
4,500,000	St. George Funding Co. LLC, 8.485% (a) (c)
10,000,000	Westpac Capital Trust III, 5.819% (a) (b) (c)

Consumer Finance - 0.1%	1,000,000	MBNA Capital A, 8.278% due 12/01/2026
Diversified Financial Services - 5.1%	15,000,000	Agfirst Farm Credit Bank, 8.393% due 12/15/2026
	10,000,000	CIT Capital Trust I, 7.70% due 2/15/2027
	9,000,000	Farm Credit Bank of Texas, 7.561% (b) (c)
	10,000,000	Sun Life Canada US Capital Trust, 8.526% (a)

Electric Utilities - 2.7%	14,950,000	HL&P Capital Trust II Series B, 8.257% due 2/15/2026
	9,500,000	SWEPCO Capital I, 5.25% due 10/01/2043 (b)

Gas Utilities - 0.6%	5,000,000	AGL Capital Trust I Series B, 8.17% due 6/01/2026
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Insurance - 18.0%	24,175,000	AON Corp., 8.205% due 1/01/2027
	22,100,000	Ace Capital Trust II, 9.70% due 4/01/2030
	23,725,000	Axa, 8.60% due 12/15/2030

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (continued)

Preferred Securities (continued)

Industry+	Face Amount	Capital Trusts
Insurance (concluded)	\$ 15,000,000	Farmers Exchange Capital, 7.05% due 7/15/2026
	10,000,000	GE Global Insurance Holding Corp., 7.75% due 12/15/2026
	1,000,000	Genamerica Capital I, 8.525% due 6/30/2027 (b) (c)
	6,066,000	ING Capital Funding TR III, 8.439% (b) (c)
	1,000,000	Markel Capital Trust I Series B, 8.71% due 12/15/2026
	3,605,000	Oil Casualty Insurance Ltd., 8% due 9/15/2030
	7,000,000	Oil Insurance Ltd., 5.15% due 8/15/2033 (a) (c)
	6,325,000	Principal Life Insurance Company, 8% due 3/01/2030 (Surplus Notes) (a)
	14,000,000	QBE Insurance Group Ltd., 5.647% due 7/01/2026
	6,225,000	Transamerica Capital III, 7.625% due 11/15/2026
	10,000,000	Zurich Capital Trust I, 8.376% due 6/01/2037
Multi-Utilities & Unregulated Power - 3.1%	10,000,000	Dominion Capital Trust I, 7.83% due 12/01/2026
	15,000,000	Dominion Resources Capital Trust III, 8.40% due 12/01/2026

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Oil & Gas - 1.9%	5,000,000	KN Capital Trust I Series B, 8.56% due 4/15/2028
	1,750,000	KN Capital Trust III, 7.63% due 4/15/2028
	9,850,000	Phillips 66 Capital Trust II, 8% due 1/15/2027

Thrifts & Mortgage Finance - 3.6%		Astoria Capital Trust I:
	1,000,000	9.75% due 11/01/2029 (a)
	5,000,000	Series B, 9.75% due 11/01/2029
	5,760,000	Dime Capital Trust I Series A, 9.33% due 5/01/2027
	12,765,000	Greenpoint Capital Trust I, 9.10% due 6/01/2027
	5,775,000	Webster Capital Trust I, 9.36% due 1/29/2027

Total Investments in Capital Trusts
(Cost - \$514,733,277) - 56.4%

Shares
Held Preferred Stocks

Capital Markets - 2.2%		Lehman Brothers Holdings, Inc.:
	600,000	6.50%
	100,000	Series C, 5.94%

Commercial Banks - 7.3%	150	BBVA Privanza International Ltd., 7.764% (a)
	435,200	Banco Santander Central Hispano SA, 6.41%
	800,000	Royal Bank of Scotland Group Plc Series L, 5.94%
	23,000	SG Preferred Capital II, 6.302%

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (continued)

Preferred Securities (continued)

Industry+ Shares
Held Preferred Stocks

Diversified Financial Services - 1.8%	320,000	Cobank ACB , 7%
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Electric Utilities - 3.0%	14,000	Alabama Power Co., 5.83%
	8,200	Delmarva Power & Light, 4.56%
	80,000	Duquesne Light Co., 6.50%
	80,000	Interstate Power & Light Co. Series B, 8.375%

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17,372 South Carolina Electric & Gas Series B, 4.60%
 200,000 TXU Corp. Series B, 7.24% (b)

 Gas Utilities - 1.8% 626,000 Southern Union Co., 7.55%

Insurance - 5.3% 880,000 ACE Ltd. Series C, 7.80%
 Zurich RegCaPS Funding Trust (a) (b):
 17,340 6.01%
 9,800 6.58%

 Thrifts & Mortgage Finance - 8.2% 1,210,000 Fannie Mae, 7% (b)
 264,650 Fannie Mae Series L, 5.125%

 Wireless Telecommunication Services - 4.2% 30,423 Centaur Funding Corp., 9.08%

 Total Investments in Preferred Stocks
 (Cost - \$306,497,559) - 33.8%

 Real Estate Investment Trusts

Real Estate Investment Trusts

AMB Property Corp:
 117,800 Series L, 6.50%
 124,000 Series M, 6.75%
 251,400 Alexandria Real Estate Equities, Inc. Series
 290,000 BRE Properties Series C, 6.75%
 400,000 CBL & Associates Properties, Inc. Series C,
 600,000 CarrAmerica Realty Corp. Series E, 7.50%
 2,000 Centerpoint Properties Trust, 5.377% (b)
 200,000 Cousins Properties, Inc. Series A, 7.75%
 Developers Diversified Realty Corp.:
 280,000 7.375%
 780,000 8%
 Duke Realty Corp.:
 100,000 Series J, 6.625%
 270,000 Series K, 6.50%
 637,000 Equity Residential Series N, 6.48%
 2,390 First Industrial Realty Trust, Inc., 6.236%

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (continued)

Preferred Securities (concluded)

 Industry+ Shares
 Held Real Estate Investment Trusts

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Real Estate Investment Trusts (concluded)	4,000 768,000 172,800 684,700 1,600,000 161,400 72,000 320,000 58,000 607,550 11,857 145,000 130,000 200,000	Firststar Realty LLC, 8.875% (a) Health Care Property Investors, Inc. Series Health Care REIT, Inc. Series F, 7.625% Kimco Realty Corp. Series F, 6.65% New Plan Excel Realty Trust Series E, 7.625% PS Business Parks, Inc.: Series H, 6.45% Series K, 7.95% Public Storage, Inc. Series X, 6.45% Regency Centers Corp.: 7.25% 7.45% Sovereign Real Estate Investment Corp., 12% Vornado Realty Trust Series E, 7% Wachovia Corp. Series A, 7.25% Weingarten Realty Investors Series D, 6.75%
		Total Investments in Real Estate Investment (Cost - \$250,778,725) - 26.6%

	Face Amount	Trust Preferred
Aerospace & Defense - 2.9%	\$ 27,450,000	RC Trust I, 7% due 5/15/2006
Auto Components - 1.0%	10,000,000	Delphi Trust I, 8.25% due 10/15/2033 (b)
Capital Markets - 0.1%	875,000	Lehman Brothers Holdings Capital Trust III, due 3/15/2052
Communications Equipment - 0.2%	2,000,000	Corporate-Backed Trust Certificates, 8.375%
Diversified Financial Services - 0.4%	4,000,000	Principal Protected PreTSL IX, Ltd., 14.50%
Electric Utilities - 1.7%	6,750,000 3,000,000 5,000,000 397,425 950,000	Georgia Power Company, 5.90% due 4/15/2033 HECO Capital Trust III, 6.50% due 3/18/2034 Natural Rural Utilities Cooperative Finance 6.75% due 2/15/2043 PSEG Funding Trust II, 8.75% due 12/31/2032 Virginia Power Capital Trust II, 7.375% due
Gas Utilities - 0.7%	500,000 5,750,000	Dominion-CNG Capital Trust I, 7.80% due 10/3 Southwest Gas Capital II, 7.70% due 9/15/204
Insurance - 2.2%	16,000,000 1,000,000 5,000,000	ABN AMRO North America Capital Funding Trust (a) (b) (c) Everest Re Capital Trust, 7.85% due 11/15/20 Lincoln National Capital VI Series F, 6.75%
Thriffs & Mortgage Finance - 3.5%	27,000,000 6,000,000	Countrywide Capital IV, 6.75% due 4/01/2033 Dime Community Capital I, 7% due 4/14/2034

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 Total Investments in Trust Preferred
 (Cost - \$122,147,604) - 12.7%

 Total Investments in Preferred Securities
 (Cost - \$1,194,157,165) - 129.5%

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (continued)

Industry+	Face Amount	Corporate Bonds
Automobiles - 1.0%	\$ 10,000,000	Ford Motor Co., 7.45% due 7/16/2031
Diversified Financial Services - 4.5%	29,000,000 15,000,000	General Motors Acceptance Corp., 8% due 11/0 Sigma Finance Corp., 5.348% due 8/15/2011
Diversified Telecommunication Services - 7.5%	28,000,000 2,000,000 24,000,000	France Telecom SA, 9.25% due 3/01/2031 Sprint Capital Corp.: 6.90% due 5/01/2019 8.75% due 3/15/2032
Electric Utilities - 1.1%	10,000,000	FirstEnergy Corp. Series B, 6.45% due 11/15/
Food Products - 0.6%	4,800,000	Tyson Foods, Inc., 7% due 1/15/2028
Media - 4.1%	10,000,000 5,000,000 18,000,000	Comcast Corp., 7.05% due 3/15/2033 Time Warner, Inc.: 7.625% due 4/15/2031 7.70% due 5/01/2032
Multi-Utilities & Unregulated Power - 2.3%	16,575,000	Duke Energy Field Services LLC, 8.125% due 8
Thrifts & Mortgage Finance - 0.8%	8,000,000	Roslyn Real Estate Asset Corp. Series D, 6.2
Wireless Telecommunication Services - 4.0%	28,000,000	AT&T Wireless Services, Inc., 8.75% due 3/01
		Total Investments in Corporate Bonds (Cost - \$227,471,639) - 25.8%

 Short-Term Securities

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16,100,000 Fannie Mae, 2.31% due 2/22/2005 (d) (e)

Total Investments in Short-Term Securities
(Cost - \$16,078,305) - 1.7%

Total Investments (Cost - \$1,437,707,109*)

Liabilities in Excess of Other Assets - (0.8

Preferred Stock, at Redemption Value - (56.2

Net Assets, Applicable to Common Stock - 100

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (continued)

* The cost and unrealized appreciation (depreciation) of investments as of January 31, 2005, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 1,444,013,071
	=====
Gross unrealized appreciation	\$ 103,608,590
Gross unrealized depreciation	(10,617,376)

Net unrealized appreciation	\$ 92,991,214
	=====

+ For Fund compliance purposes, "Industry" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

- (a) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (b) Floating rate note.
- (c) The security is a perpetual bond and has no definite maturity date.
- (d) Certain U.S. Government Obligations are traded on a discount basis; the interest rate shown reflects the discount rate paid at the time of purchase.
- (e) All or a portion of security held as collateral in connection with open financial futures contracts.

Swaps outstanding as of January 31, 2005 were as follows:

	Notional Amount	Unrealized Appreciation (Depreciation)
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Receive a variable rate equal to 1-month
USD LIBOR and pay a fixed rate of 1.3275%

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Broker, JPMorgan Chase Bank Expires June 2005	\$ 125,000,000	\$ 770,33
Receive a variable rate equal to 1-month USD LIBOR and pay a fixed rate of 1.33%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2005	\$ 125,000,000	787,75
Receive a variable rate equal to 1-month USD LIBOR and pay a fixed rate of 1.32%		
Broker, UBS Warburg Expires June 2005	\$ 25,000,000	156,56
Receive a variable rate equal to 1-month USD LIBOR and pay a fixed rate of 1.31%		
Broker, UBS Warburg Expires June 2005	\$ 150,000,000	936,45

Preferred Income Strategies Fund, Inc.

Schedule of Investments as of January 31, 2005 (concluded)

	Notional Amount	Unrealized Appreciation (Depreciation)

Receive a fixed rate of 4.1275% and pay a variable rate equal to 3-month USD LIBOR		
Broker, Deutsche Bank AG London Expires February 2012	\$ 200,000,000	\$ (826,3
Receive a fixed rate of 4.14% and pay a variable rate equal to 3-month USD LIBOR		
Broker, Lehman Brothers Special Finance Expires February 2012	\$ 200,000,000	(769,3
Receive a variable rate equal to 3-month USD LIBOR and pay a fixed rate of 5.4975%		
Broker, Morgan Stanley Capital Services, Inc. Expires February 2015	\$ 300,000,000	(23,415,9
Receive a fixed rate of 4.683% and pay a variable rate equal to 3-month USD LIBOR		
Broker, Morgan Stanley Capital Services, Inc. Expires January 2015	\$ 18,880,000	(317,9

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Receive a variable rate equal to 3-month
USD LIBOR and pay a fixed rate of 5.26405%

Broker, Morgan Stanley Capital Services, Inc.
Expires July 2025

\$ 82,080,000

3,038,6

Receive a fixed rate of 5.256% and pay a
variable rate equal to 3-month USD LIBOR

Broker, Morgan Stanley Capital Services, Inc.
Expires January 2035

\$ 56,400,000

(2,742,9

Total

\$ (22,382,7
=====

Financial futures contracts sold as of January 31, 2005 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unreali Deprecia
8,707	10-Year U.S. Treasury Notes	March 2005	\$ 969,997,822	\$ (7,498
800	30-Year U.S. Treasury Notes	March 2005	\$ 87,888,017	(3,986

Total				\$ (11,485 =====

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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.

Preferred Income Strategies Fund, Inc.

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By: /s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.,
President
Preferred Income Strategies Fund, Inc.

Date: March 21, 2005

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/ Robert C. Doll, Jr.

Robert C. Doll, Jr.,
President
Preferred Income Strategies Fund, Inc.

Date: March 21, 2005

By: /s/ Donald C. Burke

Donald C. Burke,
Chief Financial Officer
Preferred Income Strategies Fund, Inc.

Date: March 21, 2005