

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

PREFERRED INCOME STRATEGIES FUND INC

Form N-Q

March 29, 2006

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., Chief Executive
Officer, 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: 10/31/2006

Date of reporting period: 11/01/05 - 01/31/06

Item 1 - Schedule of Investments

Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2006 (in U.S. dollars)

Preferred Securities

Industry	Face Amount	Capital Trusts
Commercial Banks - 20.8%	\$ 12,035,000	ABN AMRO North America Holding Preferred Capital Repackaging Trust I, 6.523% (a) (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 12/01/2026 (a)
	16,455,000	Chase Capital II Series B, 5.18% due 2/01/2027 (b)
	34,000,000	Dresdner Funding Trust I, 8.151% due 6/30/2031 (a)
	3,630,000	First Empire Capital Trust II, 8.277% due 6/01/2027
	1,820,000	First Security Capital I, 8.41% due 12/15/2026
	5,600,000	Firststar Capital Trust I Series B, 8.32% due 12/15/2027
	2,000,000	HSBC America Capital Trust I, 7.808% due 12/15/2027
	15,835,000	HSBC Capital Funding LP/Jersey Channel Islands, 10.176% (a) (b) (c)
	7,300,000	HSBC Finance Capital Trust IX, 5.911% due 11/30/2027
	12,275,000	Hubco Capital Trust II Series B, 7.65% due 6/15/2027
	998,000	JPM Capital Trust I, 7.54% due 1/15/2027 (a)
	2,000,000	Lloyds TSB Bank Plc, 6.90% (c)

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	13,500,000	Mizuho JGB Investment LLC, 9.87% (a) (b) (c)
	18,470,000	Nationsbank Capital Trust III, 5.15% due 1/15/2027
	2,000,000	Republic New York Corp., 7.53% due 12/04/2026
	10,000,000	SB Treasury Co. LLC, 9.40% (a) (b) (c)
	4,500,000	ST George Funding Co. LLC, 8.485% (a) (c)
	3,480,000	Wachovia Capital Trust III, 5.80% (b) (c)
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Commercial Services & Supplies - 0.5%	4,400,000	ILFC E-Capital Trust I, 5.90% due 12/21/2065 (a) (b)
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Consumer Finance - 0.5%	4,630,000	MBNA Capital A, 8.278% due 12/01/2026
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Diversified Financial Services - 5.3%	15,000,000	Agfirst Farm Credit Bank, 8.393% due 12/15/2016 (b)
	10,000,000	CIT Capital Trust I, 7.70% due 2/15/2027 (a)
	9,000,000	Farm Credit Bank of Texas Series 1, 7.561% (b) (c)
	10,000,000	Sun Life Canada US Capital Trust, 8.526% (a) (c)
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Electric Utilities - 2.3%	14,950,000	HL&P Capital Trust II Series B, 8.257% due 2/01/2020
	5,000,000	SWEPCO Capital I, 5.25% due 10/01/2043 (b)
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Gas Utilities - 0.6%	5,000,000	AGL Capital Trust I Series B, 8.17% due 6/01/2037
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Insurance - 19.2%	24,175,000	AON Corp., 8.205% due 1/01/2027
	21,300,000	Ace Capital Trust II, 9.70% due 4/01/2030
	23,725,000	Axa, 8.60% due 12/15/2030
	15,000,000	Farmers Exchange Capital, 7.05% due 7/15/2028 (a)
	10,000,000	GE Global Insurance Holding Corp., 7.75% due 6/15/2027
	1,000,000	Genamerica Capital I, 8.525% due 6/30/2027 (a)
	6,066,000	ING Capital Funding Trust III, 8.439% (b) (c)
	1,000,000	Markel Capital Trust I Series B, 8.71% due 1/01/2020
	3,605,000	Oil Casualty Insurance Ltd., 8% due 9/15/2034 (a)
	6,325,000	Principal Life Insurance Co., 8% due 3/01/2044 (a)
	14,000,000	QBE Insurance Group Ltd., 5.647% due 7/01/2023 (a)
	6,225,000	Transamerica Capital III, 7.625% due 11/15/2037
	15,600,000	Zurich Capital Trust I, 8.376% due 6/01/2037 (a)

Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2006

(in U.S. dollars)

Preferred Securities

Industry	Face Amount	Capital Trusts
Multi-Utilities - 3.1%	\$ 10,000,000	Dominion Resources Capital Trust I, 7.83% due 12/01/2027
	15,000,000	Dominion Resources Capital Trust III, 8.40% due 1/15/2027

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Oil, Gas & Consumable Fuels - 2.0%	5,000,000	KN Capital Trust I Series B, 8.56% due 4/15/2027 (
	1,750,000	KN Capital Trust III, 7.63% due 4/15/2028
	9,850,000	Phillips 66 Capital Trust II, 8% due 1/15/2037 (a)

Thrifts & Mortgage Finance - 4.5%	1,000,000	Astoria Capital Trust I, 9.75% due 11/01/2029 (a)
	5,000,000	Astoria Capital Trust I Series B, 9.75% due 11/01/
	5,760,000	Dime Capital Trust I Series A, 9.33% due 5/06/2027
	12,765,000	Greenpoint Capital Trust I, 9.10% due 6/01/2027
	3,005,000	ML Capital Trust I, 9.875% due 3/01/2027
	9,775,000	Webster Capital Trust I, 9.36% due 1/29/2027 (a)

Total Capital Trusts (Cost - \$509,422,385) - 58.8%

	Shares Held	Preferred Stocks
Capital Markets - 2.0%	96,000	Goldman Sachs Group, Inc. Series A, 3.91% (b)
	600,000	Lehman Brothers Holdings, Inc., 6.50%

Commercial Banks - 8.9%	150	BBVA Privanza International Ltd., 7.764% (a) (d)
	435,200	Banco Santander Central Hispano SA, 6.41%
	137,579	First Republic Bank, 6.25%
	4,650	First Tennessee Bank NA, 3.90% (a) (b)
	166,800	Provident Financial Group, Inc., 7.75%
	750,000	Royal Bank of Scotland Group Plc Series L, 5.75%
	23,000	SG Preferred Capital II, 6.302%

Diversified Financial Services - 4.3%	855,000	CIT Group, Inc. Series A, 6.35%
	320,000	Cobank ACB, 7% (a)

Electric Utilities - 1.8%	14,000	Alabama Power Co., 5.83%
	80,000	Duquesne Light Co., 6.50%
	89,850	Entergy Louisiana LLC, 6.95% (a)
	80,000	Interstate Power & Light Co. Series B, 8.375%

Gas Utilities - 1.6%	556,000	Southern Union Co., 7.55%
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Insurance - 10.3%	880,000	ACE Ltd. Series C, 7.80%
	140,000	Axis Capital Holdings Ltd., 7.25%
	139,200	Endurance Specialty Holdings Ltd., 7.75%
	1,260,000	Metlife, Inc. Series B, 6.50%
	140,000	Prudential Plc, 6.50%
	16,340	Zurich RegCaPS Funding Trust, 6.01% (a) (b)
	9,800	Zurich RegCaPS Funding Trust, 6.58% (a) (b)

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Multi-Utilities - 0.4%	140,000	Pacific Gas & Electric Co. Series A, 6%
Thrifts & Mortgage Finance - 8.6%	1,210,000 264,650	Fannie Mae, 7% (b) Fannie Mae Series L, 5.125%
Wireless Telecommunication Services - 0.3%	2,423	Centaur Funding Corp., 9.08% (a)
		Total Preferred Stocks (Cost - \$336,066,618) - 38.

Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2006 (in U.S. dollars)

Preferred Securities

Industry	Shares Held	Real Estate Investment Trusts
Real Estate - 21.6%	251,400	Alexandria Real Estate Equities, Inc. Series C, 8.
	400,000	CBL & Associates Properties, Inc. Series C, 7.75%
	600,000	CarrAmerica Realty Corp. Series E, 7.50%
	680,000	Developers Diversified Realty Corp., 8%
	80,000	Duke Realty Corp. Series K, 6.50%
	2,390	First Industrial Realty Trust, Inc., 6.236% (b)
	4,000	Firststar Realty LLC, 8.875% (a)
	768,000	Health Care Property Investors, Inc. Series F, 7.1
	172,800	Health Care REIT, Inc. Series F, 7.625%
	684,700	Kimco Realty Corp. Series F, 6.65%
	1,600,000	New Plan Excel Realty Trust Series E, 7.625%
	72,000	PS Business Parks, Inc. Series K, 7.95%
	64,000	PS Business Parks, Inc. Series M, 7.20%
	320,000	Public Storage, Inc. Series X, 6.45%
	58,000	Regency Centers Corp., 7.25%
	607,550	Regency Centers Corp., 7.45%
	11,857	Sovereign Real Estate Investment Corp., 12% (a)
	145,000	Vornado Realty Trust Series E, 7%
	130,000	Wachovia Preferred Funding Corp. Series A, 7.25%
	96,000	Weingarten Realty Investors Series D, 6.75%
		Total Real Estate Investment Trusts (Cost - \$192,765,535) - 21.6%

	Face Amount	Trust Preferreds
Aerospace & Defense - 3.0%	\$ 27,450,000	RC Trust I, 7% due 5/15/2006
Capital Markets - 0.1%	875,000	Lehman Brothers Holdings Capital Trust III Series

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1.558% due 3/15/2052

Communications Equipment - 0.2%	2,000,000	Corporate-Backed Trust Certificates, 8.375% due 11/15/2028
Electric Utilities - 1.5%	4,750,000 3,000,000 5,000,000 950,000	Georgia Power Co. Series O, 1.475% due 4/15/2033 HECO Capital Trust III, 6.50% due 3/18/2034 National Rural Utilities Cooperative Finance Corp. 6.75% due 2/15/2043 Virginia Power Capital Trust II, 1.844% due 7/30/2043
Gas Utilities - 0.7%	500,000 5,750,000	Dominion CNG Capital Trust I, 1.95% due 10/31/2041 Southwest Gas Capital II, 7.70% due 9/15/2043
Insurance - 3.2%	16,000,000 7,375,000 1,000,000 5,000,000	ABN AMRO North America Capital Funding Trust II, 4.546% (a) (b) (c) Berkley W R Capital Trust, 6.75% due 7/26/2045 Everest Re Capital Trust, 1.963% due 11/15/2032 Lincoln National Capital VI Series F, 6.75% due 9/15/2043
Multi-Utilities - 0.1%	397,425	PSEG Funding Trust II, 8.75% due 12/31/2032
Thrifts & Mortgage Finance - 3.6%	27,000,000 6,000,000	Countrywide Financial Corp., 1.50% due 4/01/2033 Dime Community Capital I, 7% due 4/14/2034
		Total Trust Preferreds (Cost - \$112,684,177) - 12.1%
		Total Preferred Securities (Cost - \$1,150,938,715) - 131.0%

Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2006

(in U.S. dollars)

Industry	Face Amount	Corporate Bonds
Automobiles - 3.4%	\$ 22,500,000 5,000,000	DaimlerChrysler NA Holding Corp., 8.50% due 1/18/2033 Ford Motor Co., 7.45% due 7/16/2031
Commercial Banks - 2.9%	5,000,000 20,000,000	HBOS Plc, 5.92% (a) (b) (c) Resona Preferred Global Securities Ltd., 7.191% (a) (b) (c)
Diversified Financial	8,000,000	Ford Motor Credit Co., 7% due 10/01/2013

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Services - 0.8%

Diversified Telecommunication 25,500,000 France Telecom SA, 8.75% due 3/01/2031
Services - 3.7%

Electric Utilities - 1.1% 10,000,000 FirstEnergy Corp. Series B, 6.45% due 11/15/2011

Finance - 1.7% 15,000,000 Sigma Finance Corp., 7.249% due 8/15/2011 (e)

Independent Power Producers & 16,575,000 Duke Energy Field Services LLC, 8.125% due 8/16/20
Energy Traders - 2.3%

Insurance - 0.9% 7,985,000 ZFS Finance (USA) Trust I, 6.15% due 12/15/2065 (a)

Media - 3.4% 5,000,000 Comcast Corp., 7.05% due 3/15/2033
5,000,000 Time Warner, Inc., 7.625% due 4/15/2031
18,000,000 Time Warner, Inc., 7.70% due 5/01/2032

Road & Rail - 0.4% 3,750,000 BNSF Funding Trust I, 6.613% due 12/15/2055 (b)

Thrifts & Mortgage 8,000,000 Roslyn Real Estate Asset Corp. Series D,
Finance - 0.9% 8.177% (b) (c)

Wireless Telecommunication 18,000,000 AT&T Wireless Services, Inc., 8.75% due 3/01/2031
Services - 6.3% 2,000,000 Sprint Capital Corp., 6.90% due 5/01/2019
24,000,000 Sprint Capital Corp., 8.75% due 3/15/2032

Total Corporate Bonds (Cost - \$239,399,392) - 27.8%

Beneficial Interest Short-Term Securities

\$ 4,595,373 Merrill Lynch Liquidity Series, LLC Cash Sweep Ser

Total Short-Term Securities (Cost - \$4,595,373) -

Total Investments (Cost - \$1,394,933,480*) - 159

Other Assets Less Liabilities - 1.3%

Preferred Stock, at Redemption Value - (60.6%)

Net Assets Applicable to Common Stock - 100.0%

* The cost and unrealized appreciation (depreciation) of investments as of January 31, 2006, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 1,401,163,265
	=====
Gross unrealized appreciation	\$ 58,452,057
Gross unrealized depreciation	(14,451,784)

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Net unrealized appreciation \$ 44,000,273
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Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2006 (in U.S. dollars)

- (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) Depositary receipts.
- (e) Restricted securities as to resale, representing 1.7% of net assets, were as follows:

Issue	Acquisition Date	Cost	Value
Sigma Finance Corp., 7.249% due 8/15/2011	2/13/2004	\$ 15,000,000	\$ 15,000,000

- (f) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Interest Income
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I	\$ 4,595,373	\$ 79,921

- o For Fund compliance purposes, the Fund's industry classifications refer to 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 classifications for reporting ease. Industries are shown as a percent of net assets.
- o Financial futures contracts sold as of January 31, 2006 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value
2,885	10-Year U.S. Treasury Note	March 2006	\$ 314,186,722

- o Swaps outstanding as of January 31, 2006 were as follows:

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	Notional Amount
Sold credit default protection on a basket of preferred securities and receive 2.03%	
Broker, Lehman Brothers Special Finance Expires September 2007	\$ 36,000,000
Pay a fixed rate of 5.117% and receive a floating rate based on 3-month LIBOR	
Broker, Lehman Brothers Special Finance Expires March 2036	\$ 72,000,000
Total	

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.

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

Robert C. Doll, Jr.
Chief Executive Officer
Preferred Income Strategies Fund, Inc.

Date: March 20, 2006

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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.
Chief Executive Officer
Preferred Income Strategies Fund, Inc.

Date: March 20, 2006

By: /s/ Donald C. Burke

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

Date: March 20, 2006