

# Dreyfus High Yield Strategies Fund

**ANNUAL REPORT** March 31, 2008



BNY MELLON  
ASSET MANAGEMENT

**Dreyfus**

## **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.

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## A LETTER FROM THE CEO

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Dear Shareholder:

We are pleased to present this annual report for Dreyfus High Yield Strategies Fund, covering the 12-month period from April 1, 2007, through March 31, 2008.

For the most part, the last 12 months have proven to be one of the more challenging times for fixed-income investors in recent memory. The U.S. economy continues to sputter under the weight of a weakening housing market, and a credit crisis that originated in the U.S. sub-prime mortgage sector continues to disrupt other areas of the financial markets. These developments produced heightened volatility in many segments of the U.S. bond market, in particular the distressed bond and derivatives markets. U.S. Treasuries rallied strongly in the resulting “flight to quality,” but many of the higher-yielding market sectors posted sharp declines.

The Federal Reserve Board and the U.S. government have adopted stimulative monetary and fiscal policies in an effort to boost market liquidity and the economy. While it is too early to tell how effective their actions will be, the time is right to position your portfolio for the investment challenges and opportunities that may arise. As always, we encourage you to stay in close contact with your financial advisor, who can help you maintain a disciplined approach and a long-term perspective, which historically have been key to investment success over the long run.

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

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum  
Chief Executive Officer  
The Dreyfus Corporation  
April 15, 2008



## DISCUSSION OF FUND PERFORMANCE

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*For the period of April 1, 2007, through March 31, 2008, as provided by Karen Bater, Portfolio Manager*

### **Fund and Market Performance Overview**

For the 12-month period ended March 31, 2008, Dreyfus High Yield Strategies Fund achieved a total return of -5.57% (on a net asset value basis) and produced aggregate income dividends of \$0.342 per share.<sup>1</sup> In comparison, the Merrill Lynch U.S. High Yield Master II Constrained Index (the “Index”), the fund’s benchmark, achieved a total return of -3.27% for the same period.<sup>2</sup>

Like many other asset classes, high yield bonds suffered during the reporting period as an economic downturn intensified and a credit crisis created challenging liquidity conditions in a variety of fixed-income markets. The fund produced a lower return than its benchmark, primarily due to its overweight position in higher quality credits during a time when lower quality credits, while despite being negatively publicized, fared better.

### **The Fund’s Investment Approach**

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

### **The Credit Crisis Worsened Despite Low Default Rates**

The credit crunch that began over the summer of 2007 with turmoil in the sub-prime mortgage sector intensified throughout the reporting period, creating heavy selling pressure for most lower-rated investments, including high yield bonds. Yield differences, or “spreads,” between

high yield bonds and U.S. Treasury securities widened dramatically as global financial institutions reported massive sub-prime related losses in the deepening credit crunch. At the same time, a U.S. economic downturn gained momentum, prompting many economists to forecast a recession for 2008.

Despite mounting economic fears, high yield market fundamentals appeared to remain sound, with default rates hovering near historical lows throughout the reporting period. The dichotomy between market performance and fundamental business conditions suggests to us that high yield bonds may have been punished too severely by risk-averse investors. In our judgment, securities from fundamentally sound industries and issuers are likely to rebound when investors again focus on underlying credit profiles.

#### **Defensive Positioning Supported Relative Performance**

In this turbulent market environment, we adopted a more defensive investment posture by reducing the fund's exposure to the riskier areas of the high yield bond market. Underweighted positions in the financials and building products areas helped the fund avoid the brunt of weakness resulting from the credit crisis and economic slowdown, respectively. We also had relatively light exposure to the technology sector, which historically has encountered heightened volatility during downturns. In addition, the fund's relative performance was bolstered during the reporting period by favorable security selections in the troubled build-ings products and finance sectors, as we focused on companies with the financial strength required to withstand periods of market turbulence.

Our security selection strategy also proved to be successful in the publishing-and-printing, gaming and paper industry groups, where we generally emphasized debt securities with seniority over subordinated bonds in their issuers' capital structures. As a result, these sectors, which were among the poorer performers for the benchmark, contributed positively to the fund's relative performance.

On the other hand, strength in these areas was balanced to a degree by less attractive results from other industry groups. The fund's media holdings detracted from relative performance despite underweighted exposure to the industry group, as corporate revenues failed to rise

despite expectations of a boost in advertising stemming from the 2008 elections and Olympic Games. Although an overweighted position in the capital goods sector had little impact on the fund's results, shortfalls in our security selection strategy among capital goods producers detracted from relative performance. Finally, an overweighted position in the telecommunications area weighed on the fund's returns over the reporting period.

### **Maintaining a Patient and Disciplined Approach**

The high yield investment environment remained challenging as of the reporting period's end, as aggressive measures by the Federal Reserve Board to inject liquidity into the banking system and reduced short-term interest rates have so far had little impact on deteriorating U.S. housing markets or banks' reluctance to lend to creditworthy consumers and businesses. Until we see signs of economic improvement, we believe the prudent course is to maintain a relatively defensive investment posture.

In the meantime, we believe the high yield market offers compelling income opportunities, with robust yields compared to U.S. government securities. Over the longer term, we believe that our focus on credit research will help position the fund to capture potential opportunities for capital appreciation from the bonds of companies with moderately leveraged balance sheets, ample covenant protections, strong cash flows and high levels of asset protection.

April 15, 2008

<sup>1</sup> *Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation and the fund's shareholder servicing agent pursuant to an agreement in effect through April 4, 2009, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.*

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

## SELECTED INFORMATION

March 31, 2008 (Unaudited)

Market Price per share March 31, 2008	\$3.47
Shares Outstanding March 31, 2008	71,487,233
New York Stock Exchange Ticker Symbol	DHF

### MARKET PRICE (NEW YORK STOCK EXCHANGE)

	Fiscal Year Ended March 31, 2008			
	Quarter Ended June 30, 2007	Quarter Ended September 30, 2007	Quarter Ended December 31, 2007	Quarter Ended March 31, 2008
High	\$4.40	\$4.16	\$3.95	\$3.82
Low	4.11	3.57	3.59	3.28
Close	4.15	3.87	3.74	3.47

### PERCENTAGE GAIN (LOSS) based on change in Market Price†

April 29, 1998 (commencement of operations) through March 31, 2008	(2.33)%
April 1, 2003 through March 31, 2008	1.97
April 1, 2007 through March 31, 2008	(11.75)
July 1, 2007 through March 31, 2008	(10.56)
October 1, 2007 through March 31, 2008	(6.15)
January 1, 2008 through March 31, 2008	(5.73)

### NET ASSET VALUE PER SHARE

April 29, 1998 (commencement of operations)	\$15.00
March 31, 2007	4.72
June 30, 2007	4.60
September 30, 2007	4.54
December 31, 2007	4.31
March 31, 2008	4.09

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

April 29, 1998 (commencement of operations) through March 31, 2008	(0.71)%
April 1, 2003 through March 31, 2008	11.59
April 1, 2007 through March 31, 2008	(5.57)
July 1, 2007 through March 31, 2008	(5.01)
October 1, 2007 through March 31, 2008	(5.82)
January 1, 2008 through March 31, 2008	(3.70)

† With dividends reinvested.



# STATEMENT OF INVESTMENTS

March 31, 2008

<b>Bonds and Notes—131.9%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Advertising—1.2%</b>				
Lamar Media, Gtd. Notes, Ser. B	6.63	8/15/15	570,000 <sup>a</sup>	504,450
Lamar Media, Sr. Unscd. Notes	6.63	8/15/15	1,850,000 <sup>a</sup>	1,637,250
R.H. Donnelley, Sr. Unscd. Notes	8.88	10/15/17	2,375,000 <sup>b</sup>	1,496,250
				<b>3,637,950</b>
<b>Aerospace &amp; Defense—1.7%</b>				
Esterline Technologies, Gtd. Notes	6.63	3/1/17	1,950,000 <sup>a</sup>	1,959,750
L-3 Communications, Gtd. Bonds	3.00	8/1/35	550,000 <sup>a</sup>	689,563
L-3 Communications, Gtd. Notes, Ser. B	6.38	10/15/15	1,400,000 <sup>a</sup>	1,375,500
L-3 Communications, Gtd. Notes	7.63	6/15/12	1,050,000 <sup>a</sup>	1,080,188
				<b>5,105,001</b>
<b>Agricultural—0.5%</b>				
Alliance One International, Gtd. Notes	11.00	5/15/12	1,430,000 <sup>a</sup>	<b>1,458,600</b>
<b>Airlines—0.5%</b>				
United AirLines, Pass-Through Ctfs., Ser. 00-2	7.81	4/1/11	1,153,705 <sup>a</sup>	<b>1,332,529</b>
<b>Asset-Backed Ctfs./ Home Equity Loans—0.0%</b>				
Countrywide Asset-Backed Certificates, Ser. 2007-4, Cl. M7	7.20	9/25/37	250,000	40,524
Countrywide Asset-Backed Certificates, Ser. 2007-4, Cl. M8	7.20	9/25/37	135,000	59,242
				<b>99,766</b>
<b>Automobile Manufacturers—2.2%</b>				
Ford Motor, Sr. Unscd. Notes	7.45	7/16/31	2,605,000 <sup>a</sup>	1,732,325
General Motors, Sr. Unscd. Notes	7.20	1/15/11	3,725,000 <sup>a</sup>	3,119,688
General Motors, Sr. Unscd. Notes	8.38	7/15/33	2,125,000 <sup>a</sup>	1,508,750
				<b>6,360,763</b>

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Automotive, Trucks &amp; Parts—2.1%</b>				
Goodyear Tire & Rubber, Gtd. Notes	8.63	12/1/11	488,000 <sup>a</sup>	514,230
Goodyear Tire & Rubber, Sr. Unscd. Notes	9.00	7/1/15	2,190,000 <sup>a</sup>	2,326,875
Tenneco Automotive, Gtd. Notes	8.63	11/15/14	1,500,000 <sup>a</sup>	1,481,250
United Components, Gtd. Notes	9.38	6/15/13	2,130,000 <sup>a</sup>	1,962,262
				<b>6,284,617</b>
<b>Banks—1.6%</b>				
Chevy Chase Bank, Sub. Notes	6.88	12/1/13	3,620,000 <sup>a</sup>	3,402,800
Colonial Bank, Sub. Notes	8.00	3/15/09	750,000 <sup>a</sup>	771,151
Colonial Bank, Sub. Notes	9.38	6/1/11	425,000 <sup>a,b</sup>	460,449
				<b>4,634,400</b>
<b>Casinos &amp; Gaming—.9%</b>				
Fontainebleau Las Vegas Holdings, 2nd Mortgage Notes	10.25	6/15/15	1,465,000 <sup>a,b</sup>	1,040,150
Shingle Springs Tribal Group, Sr. Notes	9.38	6/15/15	1,660,000 <sup>b</sup>	1,477,400
				<b>2,517,550</b>
<b>Chemicals—2.4%</b>				
Airgas, Gtd. Notes	6.25	7/15/14	300,000 <sup>a</sup>	300,750
Huntsman, Sr. Scd. Notes	11.63	10/15/10	909,000 <sup>a</sup>	963,540
Ineos Group Holdings, Gtd. Notes	8.50	2/15/16	2,900,000 <sup>b</sup>	2,269,250
Nalco, Sr. Sub. Notes	8.88	11/15/13	3,508,000 <sup>a</sup>	3,622,010
				<b>7,155,550</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Commercial &amp; Professional Services—3.3%</b>				
Aramark, Sr. Unscd. Notes	8.50	2/1/15	1,446,000 <sup>a</sup>	1,456,845
Corrections Corp. of America, Gtd. Notes	6.25	3/15/13	2,475,000 <sup>a</sup>	2,437,875
Education Management, Gtd. Notes	8.75	6/1/14	1,100,000 <sup>a</sup>	935,000
Education Management, Gtd. Notes	10.25	6/1/16	1,955,000 <sup>a</sup>	1,564,000
Hertz, Gtd. Notes	8.88	1/1/14	1,660,000 <sup>a</sup>	1,581,150
Hertz, Gtd. Notes	10.50	1/1/16	550,000 <sup>a</sup>	517,688
Ipayment, Gtd. Notes	9.75	5/15/14	1,360,000	1,213,800
				<b>9,706,358</b>
<b>Commercial Mortgage Pass-Through Ctfs.—.4%</b>				
Global Signal Trust, Ser. 2006-1, Cl. F	7.04	2/15/36	1,210,000 <sup>b</sup>	<b>1,103,774</b>
<b>Consumer Products—.5%</b>				
Chattem, Sr. Sub. Notes	7.00	3/1/14	1,455,000 <sup>a</sup>	<b>1,422,262</b>
<b>Diversified Financial Services—16.1%</b>				
CCM Merger, Notes	8.00	8/1/13	1,325,000 <sup>a,b</sup>	1,119,625
Consolidated Communications Illinois/Texas Holdings, Sr. Notes	9.75	4/1/12	747,000 <sup>a</sup>	787,151
Dow Jones CDX, Pass Thrus Ctfs, Ser. 4-T1	8.25	6/29/10	7,415,700 <sup>a,b,c</sup>	7,638,171
Ford Motor Credit, Sr. Unscd. Notes	7.38	10/28/09	7,160,000 <sup>a</sup>	6,526,018

## STATEMENT OF INVESTMENTS (continued)

Bonds and Notes (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Diversified Financial Services (continued)</b>				
Ford Motor Credit, Sr. Unscd. Notes	8.00	12/15/16	950,000 <sup>a</sup>	744,734
Ford Motor Credit, Sr. Unscd. Notes	8.63	11/1/10	1,650,000 <sup>a</sup>	1,438,425
Ford Motor Credit, Sr. Unscd. Notes	9.75	9/15/10	2,284,000 <sup>a,d</sup>	2,035,576
GMAC, Sr. Unscd. Notes	EUR 5.38	6/6/11	1,140,000 <sup>e</sup>	1,247,686
GMAC, Sr. Unscd. Notes	5.63	5/15/09	365,000	332,711
GMAC, Sr. Unscd. Notes	6.63	5/15/12	185,000	140,066
GMAC, Sr. Unscd. Notes	7.00	2/1/12	1,200,000 <sup>a</sup>	913,285
GMAC, Sr. Unscd. Notes	7.75	1/19/10	3,000,000 <sup>a</sup>	2,595,921
GMAC, Sr. Unscd. Bonds	8.00	11/1/31	1,835,000 <sup>a</sup>	1,317,932
Hanover Insurance, Debs.	7.63	10/15/25	1,100,000 <sup>a</sup>	984,500
Hawker Beechcraft Acquisition, Sr. Sub. Notes	9.75	4/1/17	3,155,000	3,155,000
HUB International Holdings, Sr. Sub. Notes	10.25	6/15/15	3,985,000 <sup>a,b</sup>	2,928,975
Idearc, Gtd. Notes	8.00	11/15/16	3,700,000 <sup>a</sup>	2,414,250
Leucadia National, Sr. Unscd. Notes	7.00	8/15/13	1,725,000 <sup>a</sup>	1,720,687
Leucadia National, Sr. Unscd. Notes	7.13	3/15/17	1,500,000 <sup>a</sup>	1,428,750
LVB Acquisition Merger, Gtd. Notes	11.63	10/15/17	3,315,000 <sup>b</sup>	3,331,575
Lyondell Basell Industries, Sr. Scd. Notes	8.38	8/15/15	3,100,000 <sup>a,b</sup>	2,278,500

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Diversified Financial Services (continued)</b>				
Stena, Sr. Notes	7.50	11/1/13	1,170,000 <sup>a</sup>	1,159,762
UCI Holdco, Sr. Unscd. Notes	12.49	12/15/13	1,250,562 <sup>a,d</sup>	1,094,242
				<b>47,333,542</b>
<b>Diversified Metals &amp; Mining-4.1%</b>				
Alpha Natural Resources, Gtd. Notes	10.00	6/1/12	2,500,000 <sup>a,d</sup>	2,625,000
Arch Western Finance, Sr. Scd. Notes	6.75	7/1/13	1,000,000 <sup>a,d</sup>	1,002,500
CSN Islands IX, Gtd. Notes	10.50	1/15/15	1,315,000 <sup>a,b,d</sup>	1,559,919
Freeport-McMoRan Cooper & Gold, Sr. Unscd. Notes	8.25	4/1/15	3,535,000 <sup>a</sup>	3,738,262
Gibraltar Industries, Gtd. Notes, Ser. B	8.00	12/1/15	900,000 <sup>a,d</sup>	733,500
Peabody Energy, Gtd. Notes, Ser. B	6.88	3/15/13	525,000	535,500
Steel Dynamics, Sr. Notes	7.38	11/1/12	1,750,000 <sup>b</sup>	1,776,250
				<b>11,970,931</b>
<b>Electric Utilities-18.4%</b>				
AES, Sr. Unscd. Notes	7.75	10/15/15	675,000	683,437
AES, Sr. Unscd. Notes	8.00	10/15/17	425,000	432,437
AES, Sr. Unsub. Notes	8.88	2/15/11	2,375,000 <sup>a</sup>	2,499,687
AES, Sr. Unscd. Notes	9.38	9/15/10	7,610,000 <sup>a</sup>	8,085,625
Allegheny Energy Supply, Sr. Unscd. Bonds	8.25	4/15/12	5,650,000 <sup>a,b,d</sup>	6,130,250

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Electric Utilities (continued)</b>				
Edison Mission Energy, Sr. Unscd. Notes	7.00	5/15/17	505,000	505,000
Edison Mission Energy, Sr. Unscd. Notes	7.50	6/15/13	5,320,000 <sup>a</sup>	5,479,600
Energy Future Holdings, Gtd. Notes	10.88	11/1/17	10,685,000 <sup>b</sup>	10,845,275
Mirant Americas Generation, Sr. Unscd. Notes	8.30	5/1/11	2,975,000 <sup>a</sup>	3,049,375
Mirant North America, Gtd. Notes	7.38	12/31/13	2,735,000 <sup>a</sup>	2,776,025
Nevada Power, Mortgage Notes, Ser. A	8.25	6/1/11	1,216,000 <sup>a</sup>	1,318,928
NRG Energy, Gtd. Notes	7.25	2/1/14	1,175,000 <sup>a</sup>	1,163,250
NRG Energy, Gtd. Notes	7.38	2/1/16	435,000	427,388
NRG Energy, Gtd. Notes	7.38	1/15/17	2,510,000 <sup>a</sup>	2,447,250
Reliant Energy, Sr. Unscd. Notes	7.63	6/15/14	4,565,000 <sup>a</sup>	4,553,587
Sierra Pacific Resources, Sr. Unscd. Notes	8.63	3/15/14	3,467,000 <sup>a</sup>	3,657,896
				<b>54,055,010</b>
<b>Environmental Control—2.7%</b>				
Allied Waste North America, Sr. Scd. Notes	6.88	6/1/17	7,031,000 <sup>a</sup>	6,925,535
WCA Waste, Gtd. Notes	9.25	6/15/14	1,070,000	1,072,675
				<b>7,998,210</b>
<b>Food &amp; Beverages—3.0%</b>				
Dean Foods, Gtd. Notes	7.00	6/1/16	2,340,000 <sup>a</sup>	2,059,200
Del Monte, Gtd. Notes	8.63	12/15/12	1,879,000 <sup>a</sup>	1,921,277
Smithfield Foods, Sr. Unscd. Notes, Ser. B	7.75	5/15/13	1,750,000	1,741,250

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Food &amp; Beverages (continued)</b>				
Smithfield Foods, Sr. Unscd. Notes	7.75	7/1/17	490,000	480,200
Stater Brothers Holdings, Gtd. Notes	8.13	6/15/12	2,550,000 <sup>a</sup>	2,569,125
				<b>8,771,052</b>
<b>Health Care—9.7%</b>				
Alliance Imaging, Sr. Unscd. Notes, Ser. B	7.25	12/15/12	140,000	132,300
Bausch & Lomb, Sr. Unscd. Notes	9.88	11/1/15	3,605,000 <sup>b</sup>	3,677,100
Community Health Systems, Gtd. Notes	8.88	7/15/15	2,120,000 <sup>a</sup>	2,138,550
DaVita, Gtd. Notes	7.25	3/15/15	1,720,000 <sup>a</sup>	1,685,600
Hanger Orthopedic Group, Gtd. Notes	10.25	6/1/14	845,000	853,450
HCA, Sr. Unscd. Notes	6.30	10/1/12	3,535,000	3,163,825
HCA, Sr. Unscd. Notes	8.75	9/1/10	1,282,000 <sup>a</sup>	1,288,410
HCA, Notes	9.00	12/15/14	4,000,000	3,724,612
HCA, Sr. Scd. Notes	9.13	11/15/14	1,695,000 <sup>a</sup>	1,750,087
HCA, Sr. Scd. Notes	9.25	11/15/16	4,120,000 <sup>a</sup>	4,284,800
Psychiatric Solutions, Gtd. Notes	7.75	7/15/15	2,712,000 <sup>a</sup>	2,712,000
Tenet Healthcare, Sr. Unscd. Notes	6.38	12/1/11	995,000	902,962
Tenet Healthcare, Sr. Unscd. Notes	9.88	7/1/14	2,000,000	1,945,000
				<b>28,258,696</b>
<b>Lodging &amp; Entertainment—8.5%</b>				
AMC Entertainment, Sr. Sub. Notes	8.00	3/1/14	1,701,000 <sup>a</sup>	1,450,102

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Lodging &amp; Entertainment (continued)</b>				
Cinemark, Sr. Discount Notes	9.75	3/15/14	3,300,000 a,f	2,986,500
Gaylord Entertainment, Gtd. Notes	6.75	11/15/14	1,775,000 a	1,553,125
Gaylord Entertainment, Gtd. Notes	8.00	11/15/13	1,550,000 a	1,445,375
Mandalay Resort Group, Sr. Sub. Notes	9.38	2/15/10	4,000,000 a	4,140,000
Marquee Holdings, Sr. Discount Notes	9.51	8/15/14	820,000 a,f	617,050
MGM Mirage, Gtd. Notes	8.38	2/1/11	625,000 a	629,688
MGM Mirage, Gtd. Notes	8.50	9/15/10	2,233,000 a	2,316,738
Pokagon Gaming Authority, Sr. Notes	10.38	6/15/14	3,258,000 a,b	3,453,480
Scientific Games, Gtd. Notes	6.25	12/15/12	2,105,000 a	1,968,175
Seneca Gaming, Sr. Unscd. Notes, Ser. B	7.25	5/1/12	1,675,000	1,587,063
Speedway Motorsports, Sr. Sub. Notes	6.75	6/1/13	2,100,000 a	2,058,000
Trump Entertainment Resorts, Sr. Scd. Notes	8.50	6/1/15	810,000	550,800
				<b>24,756,096</b>
<b>Machinery—2.8%</b>				
Case, Notes	7.25	1/15/16	1,925,000 a	1,876,875
Columbus McKinnon, Gtd. Notes	8.88	11/1/13	615,000	639,600
Douglas Dynamics, Gtd. Notes	7.75	1/15/12	2,835,000 a,b	2,140,425
Terex, Gtd. Notes	7.38	1/15/14	3,415,000 a	3,397,925
				<b>8,054,825</b>



<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Manufacturing-2.4%</b>				
Bombardier, Sr. Unscd. Notes	6.30	5/1/14	2,200,000 <sup>a,b</sup>	2,101,000
Bombardier, Sr. Unscd. Notes	8.00	11/15/14	675,000 <sup>a,b</sup>	698,625
J.B. Poindexter & Co., Gtd. Notes	8.75	3/15/14	1,235,000 <sup>a</sup>	810,469
Mueller Water Products, Gtd. Notes	7.38	6/1/17	1,300,000	1,127,750
RBS Global & Rexnord, Gtd. Notes	9.50	8/1/14	1,825,000	1,715,500
RBS Global & Rexnord, Gtd. Notes	11.75	8/1/16	665,000	578,550
				<b>7,031,894</b>
<b>Media-9.0%</b>				
CCH I Holdings, Gtd. Notes	11.00	10/1/15	2,190,000 <sup>a</sup>	1,533,000
CCH II, Sr. Unscd. Notes	10.25	9/15/10	5,315,000 <sup>a</sup>	4,863,225
CSC Holdings, Sr. Unscd. Notes, Ser. B	8.13	7/15/09	4,650,000 <sup>a</sup>	4,708,125
Dex Media West/Finance, Sr. Unscd. Notes, Ser. B	8.50	8/15/10	720,000 <sup>a</sup>	703,800
Dex Media West/Finance, Gtd. Notes, Ser. B	9.88	8/15/13	5,300,000 <sup>a</sup>	4,624,250
Echostar DBS, Gtd. Notes	6.38	10/1/11	1,130,000	1,087,625
General Cable, Gtd. Notes	7.13	4/1/17	1,990,000	1,910,400
ION Media Networks, Sr. Sub. Notes, Ser. A	11.00	7/31/13	31,028	8,765
ION Media Networks, Sr. Sub. Notes	11.00	7/31/13	33,232 <sup>b</sup>	9,388
Kabel Deutschland, Gtd. Notes	10.63	7/1/14	2,093,000 <sup>a</sup>	2,064,221

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Media (continued)</b>				
LBI Media, Sr. Sub. Notes	8.50	8/1/17	1,930,000 <sup>a,b</sup>	1,681,513
Mediacom, Sr. Unscd. Notes	9.50	1/15/13	695,000	642,875
Nexstar Broadcasting, Gtd. Notes	7.00	1/15/14	180,000	155,925
Nexstar Finance Holdings, Sr. Discount Notes	11.38	4/1/13	2,245,000 <sup>a,f</sup>	2,191,681
				<b>26,184,793</b>
<b>Oil &amp; Gas—6.9%</b>				
ANR Pipeline, Sr. Notes	7.00	6/1/25	110,000 <sup>a</sup>	115,532
Chesapeake Energy, Gtd. Notes	7.00	8/15/14	2,140,000 <sup>a</sup>	2,156,050
Chesapeake Energy, Gtd. Notes	7.50	6/15/14	800,000 <sup>a</sup>	824,000
Chesapeake Energy, Gtd. Notes	7.63	7/15/13	600,000 <sup>a</sup>	618,000
Cimarex Energy Gtd. Notes	7.13	5/1/17	2,375,000 <sup>a</sup>	2,369,063
Dynegy Holdings, Sr. Unscd. Notes	8.38	5/1/16	3,845,000 <sup>a</sup>	3,825,775
Dynegy Holdings, Sr. Unscd. Notes	8.75	2/15/12	280,000 <sup>a</sup>	289,100
Whiting Petroleum, Gtd. Notes	7.25	5/1/13	2,225,000 <sup>a</sup>	2,202,750
Williams Cos., Sr. Unscd. Notes	6.73	10/1/10	3,000,000 <sup>a,b,d</sup>	3,075,000
Williams Cos., Sr. Unscd. Notes	7.13	9/1/11	1,925,000 <sup>a</sup>	2,054,938
Williams Cos., Sr. Unscd. Notes	7.63	7/15/19	500,000	536,250
Williams Cos., Sr. Unscd. Notes	7.88	9/1/21	1,900,000 <sup>a</sup>	2,068,625
				<b>20,135,083</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Packaging &amp; Containers—6.3%</b>				
Crown Americas, Gtd. Notes	7.63	11/15/13	1,941,000	1,989,525
Crown Americas/Capital, Gtd. Notes	7.75	11/15/15	3,925,000 <sup>a</sup>	4,052,563
Norampac, Gtd. Notes	6.75	6/1/13	3,554,000 <sup>a</sup>	3,051,998
Owens Brockway Glass Container, Gtd. Notes	6.75	12/1/14	445,000	445,000
Owens Brockway Glass Container, Gtd. Notes	8.25	5/15/13	450,000 <sup>a</sup>	468,000
Owens-Illinois, Debs.	7.50	5/15/10	1,400,000 <sup>a</sup>	1,438,500
Plastipak Holdings, Sr. Notes	8.50	12/15/15	2,590,000 <sup>a,b</sup>	2,369,850
Smurfit-Stone Container, Sr. Unscd. Notes	8.00	3/15/17	3,265,000	2,758,925
Stone Container, Sr. Unscd. Notes	8.38	7/1/12	2,100,000	1,911,000
				<b>18,485,361</b>
<b>Paper &amp; Forest Products—3.8%</b>				
Georgia-Pacific, Gtd. Notes	7.00	1/15/15	3,600,000 <sup>a,b</sup>	3,393,000
Georgia-Pacific, Sr. Unscd. Notes	8.00	1/15/24	805,000 <sup>a</sup>	712,425
Newpage, Gtd. Notes	12.00	5/1/13	3,542,000	3,568,565
Rock-Tenn, Sr. Notes	9.25	3/15/16	1,350,000 <sup>b</sup>	1,404,000
Verso Paper, Gtd. Notes, Ser. B	11.38	8/1/16	2,085,000	1,923,413
				<b>11,001,403</b>
<b>Real Estate Investment Trusts—2.0%</b>				
B.F. Saul REIT, Sr. Scd. Notes	7.50	3/1/14	2,210,000 <sup>a</sup>	1,972,425

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Real Estate Investment Trusts (continued)</b>				
Host Marriott, Sr. Scd. Notes, Ser. M	7.00	8/15/12	2,150,000 <sup>a</sup>	2,112,375
Host Marriott, Sr. Scd. Notes	7.13	11/1/13	1,390,000 <sup>a</sup>	1,369,150
Realogy, Gtd. Notes	12.38	4/15/15	735,000	330,750
				<b>5,784,700</b>
<b>Retail-2.5%</b>				
Amerigas Partners, Sr. Unscd. Notes	7.25	5/20/15	1,600,000 <sup>a</sup>	1,584,000
Central European Distribution, Sr. Scd. Bonds	EUR 8.00	7/25/12	520,000 <sup>b,e</sup>	779,906
Neiman Marcus Group, Gtd. Notes	10.38	10/15/15	2,727,000	2,740,635
Neiman-Marcus Group, Gtd. Notes	9.00	10/15/15	1,000,000	1,005,000
Rite Aid, Gtd. Notes	9.38	12/15/15	1,370,000 <sup>a</sup>	1,082,300
				<b>7,191,841</b>
<b>Technology-2.1%</b>				
Amkor Technologies, Gtd. Notes	9.25	6/1/16	1,095,000	1,059,413
Freescal Semiconductor, Gtd. Notes	8.88	12/15/14	1,980,000 <sup>a</sup>	1,559,250
Freescal Semiconductor, Gtd. Notes	10.13	12/15/16	570,000 <sup>a</sup>	387,600
Sungard Data Systems, Gtd. Notes	9.13	8/15/13	1,000	1,015
Sungard Data Systems, Gtd. Notes	10.25	8/15/15	3,164,000	3,195,640
				<b>6,202,918</b>
<b>Telecommunications-11.8%</b>				
Belden, Sr. Sub. Notes	7.00	3/15/17	700,000 <sup>a</sup>	679,000
Centennial Cellular Operating, Gtd. Notes	10.13	6/15/13	1,300,000 <sup>a</sup>	1,290,250
Centennial Communication, Sr. Notes	10.00	1/1/13	414,000	387,090

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Telecommunications (continued)</b>				
Centennial Communications, Sr. Unscd. Notes	8.13	2/1/14	940,000 <sup>d</sup>	893,000
Citizens Communications, Sr. Unscd. Notes	6.25	1/15/13	1,125,000	1,023,750
Cricket Communications I, Gtd. Notes	9.38	11/1/14	1,140,000 <sup>a</sup>	1,085,850
Digicel Group, Sr. Unscd. Notes	8.88	1/15/15	1,200,000 <sup>b</sup>	1,005,000
Digicel Group, Sr. Unscd. Notes	9.13	1/15/15	2,439,000 <sup>a,b</sup>	2,018,273
Intelsat Sr. Unscd. Notes	7.63	4/15/12	1,990,000	1,512,400
Intelsat Bermuda, Gtd. Notes	11.25	6/15/16	4,525,000	4,609,844
Intelsat Subsidiary Holding, Gtd. Notes	8.25	1/15/13	1,370,000 <sup>d</sup>	1,387,125
Intelsat Subsidiary Holding, Gtd. Notes	8.63	1/15/15	360,000 <sup>d</sup>	364,500
MetroPCS Wireless, Gtd. Notes	9.25	11/1/14	2,175,000 <sup>a</sup>	2,011,875
Nordic Telephone Holdings, Sr. Scd. Notes	EUR 8.25	5/1/16	1,450,000 <sup>b,e</sup>	2,174,737
Nordic Telephone Holdings, Sr. Scd. Bonds	8.88	5/1/16	415,000 <sup>b</sup>	404,625
Qwest, Sr. Unscd. Notes	6.05	6/15/13	2,650,000 <sup>a,d</sup>	2,398,250
Qwest, Sr. Unscd. Notes	7.50	10/1/14	1,255,000	1,229,900
Qwest, Sr. Unscd. Notes	7.88	9/1/11	200,000	200,500
Rogers Wireless, Sr. Scd. Notes	9.63	5/1/11	1,136,000 <sup>a</sup>	1,259,379
US Unwired, Gtd. Notes, Ser. B	10.00	6/15/12	2,172,000 <sup>a</sup>	2,014,621
Wind Acquisition Finance, Sr. Scd. Bonds	10.75	12/1/15	575,000 <sup>b</sup>	589,375
Windstream, Gtd. Notes	8.13	8/1/13	3,790,000 <sup>a</sup>	3,742,625

## STATEMENT OF INVESTMENTS (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Telecommunications (continued)</b>				
Windstream, Gtd. Notes	8.63	8/1/16	2,175,000 <sup>a</sup>	2,147,813
				<b>34,429,782</b>
<b>Textiles &amp; Apparel—1.9%</b>				
Invista, Sr. Unscd. Notes	9.25	5/1/12	4,405,000 <sup>a,b</sup>	4,526,138
Levi Strauss & Co., Sr. Unsub. Notes	9.75	1/15/15	1,085,000	1,086,356
				<b>5,612,494</b>
<b>Transportation—.6%</b>				
Kansas City Southern of Mexico, Sr. Unsub. Notes	7.63	12/1/13	1,100,000	1,039,500
Kansas City Southern Railway, Gtd. Notes	7.50	6/15/09	790,000 <sup>a</sup>	805,800
				<b>1,845,300</b>
<b>Total Bonds and Notes</b> (cost \$405,224,681)				<b>385,923,051</b>
<b>Preferred Stocks—.5%</b>				
			Shares	Value (\$)
<b>Media</b>				
Spanish Broadcasting System, Ser. B, Cum. \$107.5 (cost \$2,199,431)			2,125	<b>1,492,960</b>
<b>Common Stocks—.3%</b>				
<b>Cable &amp; Media—.0%</b>				
Time Warner Cable, Cl. A			6 <sup>a,g</sup>	<b>150</b>
<b>Electric Utilities—.2%</b>				
Mirant			12,912 <sup>g</sup>	<b>469,868</b>
<b>Telecommunications—.1%</b>				
Above Net			2,480 <sup>g</sup>	176,080
Above Net (warrants 9/8/2008)			1,044 <sup>g</sup>	53,244
Above Net (warrants 9/8/2010)			1,228 <sup>g</sup>	57,716
				<b>287,040</b>
<b>Total Common Stocks</b> (cost \$526,669)				<b>757,058</b>

<b>Other Investment— .3%</b>	Shares	Value (\$)
<b>Registered Investment Company;</b>		
Dreyfus Institutional Preferred Plus Money Market Fund (cost \$982,000)	982,000 <sup>h</sup>	<b>982,000</b>
<b>Total Investments</b> (cost \$408,932,781)	<b>133.0%</b>	<b>389,155,069</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(33.0%)</b>	<b>(96,655,262)</b>
<b>Net Assets</b>	<b>100.0%</b>	<b>292,499,807</b>

<sup>a</sup> Collateral for Revolving Credit and Security Agreement.

<sup>b</sup> 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, 2008, these securities amounted to \$80,957,248 or 27.7% of net assets.

<sup>c</sup> Security linked to a portfolio of debt securities.

<sup>d</sup> Variable rate security—interest rate subject to periodic change.

<sup>e</sup> Principal amount stated in U.S. Dollars unless otherwise noted.  
EUR—Euro

<sup>f</sup> Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.

<sup>g</sup> Non-income producing security.

<sup>h</sup> Investment in affiliated money market mutual fund.

<b>Portfolio Summary (Unaudited)†</b>			
	Value (%)		Value (%)
Corporate Bonds	131.5	Money Market Investment	.3
Preferred Stocks	.5	Common Stocks	.3
Asset/Mortgage-Backed	.4		<b>133.0</b>

<sup>†</sup> Based on net assets.

See notes to financial statements.

# STATEMENT OF ASSETS AND LIABILITIES

March 31, 2008

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments:		
Unaffiliated issuers	407,950,781	388,173,069
Affiliated issuers	982,000	982,000
Cash		11,654
Cash denominated in foreign currencies	49	52
Dividends and interest receivable		9,612,752
Receivable for investment securities sold		1,264,691
Prepaid expenses		60,499
		<b>400,104,717</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		240,727
Due to Shareholder Servicing Agent—Note 3(b)		16,727
Loan payable—Note 2		104,000,000
Dividend payable		2,037,386
Interest and loan fees payable—Note 2		395,199
Payable for investment securities purchased		387,320
Unrealized depreciation on forward currency exchange contracts—Note 4		254,885
Accrued expenses		272,666
		<b>107,604,910</b>
<b>Net Assets (\$)</b>		<b>292,499,807</b>
<b>Composition of Net Assets (\$):</b>		
Paid-in capital		935,861,607
Accumulated undistributed investment income—net		820,716
Accumulated net realized gain (loss) on investments		(624,162,632)
Accumulated net unrealized appreciation (depreciation) on investments and foreign currency transactions		(20,019,884)
<b>Net Assets (\$)</b>		<b>292,499,807</b>
<b>Shares Outstanding</b>		
(unlimited number of \$.001 par value shares of Beneficial Interest authorized)		71,487,233
<b>Net Asset Value, per share (\$)</b>		<b>4.09</b>

See notes to financial statements.



# STATEMENT OF OPERATIONS

Year Ended March 31, 2008

## Investment Income (\$):

### Income:

Interest	34,336,459
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### Dividends:

Unaffiliated issuers	382,931
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Affiliated issuers	487,777
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<b>Total Income</b>	<b>35,207,167</b>
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### Expenses:

Management fee–Note 3(a)	4,007,172
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Interest expense–Note 2	7,372,815
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Shareholder servicing costs–Note 3(a,b)	438,030
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Trustees' fees and expenses–Note 3(c)	166,616
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Shareholders' reports	134,424
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Professional fees	129,157
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Registration fees	68,422
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Custodian fees–Note 3(a)	59,103
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Miscellaneous	71,038
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<b>Total Expenses</b>	<b>12,446,777</b>
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Less–reduction in management fee and shareholder servicing fees due to undertaking–Note 3(a,b)	(1,335,724)
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Less–reduction in fees due to earnings credits–Note 1(c)	(6,126)
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<b>Net Expenses</b>	<b>11,104,927</b>
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<b>Investment Income–Net</b>	<b>24,102,240</b>
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## Realized and Unrealized Gain (Loss) on Investments–Note 4 (\$):

Net realized gain (loss) on investments and foreign currency transactions	(9,296,443)
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Net realized gain (loss) on swap transactions	(3,413,438)
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Net realized gain (loss) on forward currency exchange contracts	(1,280,448)
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<b>Net Realized Gain (Loss)</b>	<b>(13,990,329)</b>
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Net unrealized appreciation (depreciation) on investments, foreign currency transactions and swap transactions	(30,738,062)
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<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>(44,728,391)</b>
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<b>Net (Decrease) in Net Assets Resulting from Operations</b>	<b>(20,626,151)</b>
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*See notes to financial statements.*

# STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

<b>Cash Flows from Operating Activities (\$):</b>		
Purchases of portfolio securities	(215,530,590)	
Proceeds from sales of portfolio securities	246,015,883	
Net sale of short-term securities	17,518,167	
Interest received	33,781,516	
Dividends received	935,079	
Interest and loan fees paid	(7,722,699)	
Swap premium received	2,337,406	
Operating expenses paid	(1,187,310)	
Paid to The Dreyfus Corporation	(2,718,905)	
Realized gain from foreign exchange contracts transactions	(1,280,448)	
Realized gain from swap transactions	(3,413,438)	<b>68,734,661</b>
<b>Cash Flows from Financing Activities (\$):</b>		
Dividends paid	(24,448,634)	
Decrease in loan outstanding	(45,000,000)	<b>(69,448,634)</b>
Net (decrease) in cash		<b>(713,973)</b>
Cash at beginning of period		725,679
<b>Cash and cash denominated in foreign currencies at end of period</b>		<b>11,706</b>
<b>Reconciliation of Net Decrease in Net Assets Resulting from Operations to Net Cash Provided by Operating Activities (\$):</b>		
Net Decrease in Net Assets Resulting from Operations		(20,626,151)
<b>Adjustments to reconcile net decrease in net assets resulting from operations to net cash used by operating activities (\$):</b>		
Purchases of portfolio securities	(215,530,590)	
Proceeds from sales of portfolio securities	246,015,883	
Net sale of short-term securities	17,518,167	
Increase in interest receivable	(695,283)	
Decrease in interest and loan commitment fees	(349,884)	
Decrease in swap premium	2,337,406	
Decrease in accrued operating expenses	(66,147)	
Decrease in Due to The Dreyfus Corporation	(47,457)	
Increase in prepaid expenses	(60,499)	
Net realized loss on investments	13,990,329	
Net unrealized depreciation on investments	30,738,062	
Decrease in dividends receivable	64,371	
Net amortization of premiums on investments	140,340	
Realized gain from foreign exchange contracts transactions	(1,280,448)	
Realized gain from swap transactions	(3,413,438)	
<b>Net Cash Provided by Operating Activities</b>		<b>68,734,661</b>

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended March 31,	
	2008	2007
<b>Operations (\$):</b>		
Investment income–net	24,102,240	23,430,892
Net realized gain (loss) on investments	(13,990,329)	5,970,352
Net unrealized appreciation (depreciation) on investments	(30,738,062)	6,569,584
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(20,626,151)</b>	<b>35,970,828</b>
<b>Dividends to Shareholders from (\$):</b>		
<b>Investment income–net</b>	<b>(24,448,634)</b>	<b>(27,023,580)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>(45,074,785)</b>	<b>8,947,248</b>
<b>Net Assets (\$):</b>		
Beginning of Period	337,574,592	328,627,344
<b>End of Period</b>	<b>292,499,807</b>	<b>337,574,592</b>
Undistributed (distributions in excess of) investment income–net	820,716	(1,597,871)

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 fund's financial statements and market price data for the fund's shares.

	Year Ended March 31,				
	2008	2007	2006	2005	2004
<b>Per Share Data (\$):</b>					
Net asset value, beginning of period	4.72	4.60	4.67	4.76	3.87
Investment Operations:					
Investment income—net <sup>a</sup>	.34	.33	.37	.45	.56
Net realized and unrealized gain (loss) on investments	(.63)	.17	(.03)	(.05)	.93
Total from Investment Operations	(.29)	.50	.34	.40	1.49
Distributions:					
Dividends from investment income—net	(.34)	(.38)	(.41)	(.49)	(.60)
Net asset value, end of period	4.09	4.72	4.60	4.67	4.76
Market value, end of period	3.47	4.29	4.04	4.40	5.48
<b>Total Return (%)<sup>b</sup></b>	(11.75)	15.99	.94	(10.95)	19.92
<b>Ratios/Supplemental Data (%):</b>					
Ratio of total expenses to average net assets	3.94	4.25	3.39	2.52	2.36
Ratio of net expenses to average net assets	3.52	3.81	2.98	2.33	2.17
Ratio of net investment income to average net assets	7.64	7.14	7.98	9.50	12.35
Portfolio Turnover Rate	49.38	41.02	54.31	81.52	145.95
Net Assets, end of period (\$ x 1,000)	292,500	337,575	328,627	333,866	337,958
Average borrowings outstanding (\$ x 1,000)	129,549	149,351	135,205	138,099	137,123
Weighted average number of fund shares outstanding (\$ x 1,000)	71,487	71,487	71,487	71,294	70,406
Average amount of debt per share (\$)	1.81	2.09	1.89	1.94	1.95

<sup>a</sup> Based on average shares outstanding at each month end.

<sup>b</sup> Calculated based on market value.

See notes to financial statements.

### NOTE 1—Significant Accounting Policies:

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

On July 1, 2007, Mellon Financial Corporation and The Bank of New York Company, Inc. merged, forming The Bank of New York Mellon Corporation (“BNY Mellon”). As part of this transaction, Dreyfus became a wholly-owned subsidiary of BNY Mellon.

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

**(a) Portfolio valuation:** Investments in securities excluding short-term investments (other than U.S. Treasury Bills), financial futures, options, swaps and forward currency exchange contracts are valued each business day by an independent pricing service (the “Service”) approved by the Board of Trustees. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are valued as determined by the Service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions.

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, 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. Registered open-end investment companies that are not traded on an exchange 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 an independent 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.

The Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and

interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

**(b) Foreign currency transactions:** The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

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

**(c) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses 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 premium on investments is recognized on the accrual 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 gains, if any, are normally declared and paid annually. To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

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 27, 2008, the Board of Trustees declared a cash dividend of \$.0285 per share from investment income-net, payable on April 28, 2008 to shareholders of record as of the close of business on April 11, 2008.

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



in interest or currency rates or adverse investor sentiment. They may also decline because of factors that affect a particular industry.

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

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

During the current year, the fund adopted FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the fund’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The adoption of FIN 48 had no impact on the operations of the fund for the year ended March 31, 2008.

Each of the tax years in the three-year period ended March 31, 2008, remains subject to examination by the Internal Revenue Service and state taxing authorities.

At March 31, 2008, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income \$3,021,920, accumulated capital losses \$611,172,697 and unrealized depreciation \$23,375,050. In addition, the fund had \$9,798,587 of capital losses realized after October 31, 2007, which were deferred for tax purposes to the first day of the following fiscal year.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to March 31, 2008. If not applied, \$136,674,723 of the carryover 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, \$19,946,264 expires in fiscal 2014 and \$8,379,964 expires in fiscal 2016. It is uncertain that the fund will be able to utilize most of its capital loss carryovers prior to its expiration date.

The tax characters of distributions paid to shareholders during the fiscal periods ended March 31, 2008 and March 31, 2007 were as follows: ordinary income \$24,448,634 and \$27,023,580, respectively.

During the period ended March 31, 2008, as a result of permanent book to tax differences, primarily due to the tax treatment for amortization of premiums, consent fees, foreign currency transactions, real estate investment trusts and the expiration of a capital loss carryover, the fund increased accumulated undistributed investment income-net by \$2,764,981, increased accumulated net realized gain (loss) on investments by \$29,569,021 and decreased paid-in capital by \$32,334,002. Net assets and net asset value per share were not affected by this reclassification.

#### **NOTE 2—Borrowings:**

The fund has entered into a \$175,000,000 Revolving Credit and Security Agreement (the “Agreement”), which expires on November 6, 2008. 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 \$218,905,068 as of March 31, 2008; 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, 2008, \$567,001 applicable to those fees was included in interest expense.

The average daily amount of borrowings outstanding during the period ended March 31, 2008, under the Agreement, was approximately \$129,549,200, with a related weighted average annualized interest rate of 5.25%.

**NOTE 3—Management Fee and Other Transactions With Affiliates:**

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

For the period from April 1, 2007 through April 4, 2009, the Manager agreed to waive receipt of a portion of the fund's management fee in the amount of .25% of the Managed Assets. The reduction in management fee, pursuant to the undertaking, amounted to \$1,113,103 during the period ended March 31, 2008.

The fund compensates Mellon Investor Services, LLC, 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, 2008, the fund was charged \$12,000 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., a subsidiary of BNY Mellon and a Dreyfus affiliate, under a custody agreement for providing custodial services for the fund. During the period ended March 31, 2008, the fund was charged \$59,103 pursuant to the custody agreement.

(b) In accordance with the Shareholder Servicing Agreement, UBS Warburg LLC 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, 2008, the fund was charged \$445,241 pursuant to the Shareholder Servicing Agreement.

For the period from April 1, 2007 through April 4, 2009, 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 \$222,621 during the period ended March 31, 2008.

During the period ended March 31, 2008, the fund was charged \$5,541 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 \$301,080, custodian fees \$17,571, chief compliance officer fees \$2,709 and certain transfer agency fees \$3,000, which are offset against an expense reimbursement currently in effect in the amount of \$83,633.

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

cated between the Dreyfus/Laurel Funds and the fund. In the event that there is a joint telephone meeting of the Dreyfus/Laurel Funds and the fund, each Trustee attending who is not an “interested person” (as defined in the 1940 Act) receives \$150 from the fund.

#### **NOTE 4—Securities Transactions:**

The aggregate amount of purchases and sales (including paydowns) of investment securities, excluding short-term securities, forward currency exchange contracts and swap transactions, during the period ended March 31, 2008, amounted to \$211,709,370 and \$242,196,102, respectively.

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

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

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

Credit default swaps involve commitments to pay a fixed interest rate in exchange for payment if a credit event affecting a third party (the referenced company) occurs. Credit events may include a failure to pay

interest or principal, bankruptcy, or restructuring. 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. At March 31, 2008, there were no credit default swaps entered into by the fund.

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, 2008:

Forward Currency Exchange Contracts	Foreign Currency Amounts	Proceeds (\$)	Value (\$)	Unrealized (Depreciation) (\$)
<b>Sales:</b>				
Euro, Expiring 6/18/2008	5,340,000	8,150,042	8,400,066	(250,024)
Euro, Expiring 6/18/2008	100,000	152,444	157,305	(4,861)
<b>Total</b>				<b>(254,885)</b>

At March 31, 2008, the cost of investments for federal income tax purposes was \$412,124,129; accordingly, accumulated net unrealized depreciation on investments was \$22,969,060, consisting of \$5,044,395 gross unrealized appreciation and \$28,013,455 gross unrealized depreciation.

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161 “Disclosures about Derivative Instruments and Hedging Activities” (“FAS 161”). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements and the accompanying notes has not yet been determined.

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, 2008, and the related statements of operations and cash flows for the year then ended, the statement 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 Fund's 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, 2008, by correspondence with the custodian and brokers. 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, 2008, and the results of its operations and its cash flows for the year then ended, 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.

**KPMG LLP**

New York, New York  
May 23, 2008



## IMPORTANT TAX INFORMATION (Unaudited)

For Federal tax purposes, the Fund hereby designates 1.48% of the ordinary dividends paid during the fiscal year ended March 31, 2008 as qualifying for the corporate dividends received deduction. Also certain dividends paid by the fund may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Of the distributions paid during the fiscal year, \$369,441 represents the maximum amount that may be considered qualifying dividend income. Shareholders will receive notification in January 2009 of the percentage applicable to the preparation of their 2008 income tax returns. The Fund designates 94.75% of the ordinary income dividends paid during the fiscal year ended March 31, 2008 as qualifying “interest related dividends”.

## SUPPLEMENTAL INFORMATION (Unaudited)

### **Certifications**

In August 2007, 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 website 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](http://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](http://www.dreyfus.com) its complete schedule of portfolio holdings as of the end of such quarter.

## INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Trustees held on February 12 and 13, 2008, the Board considered the re-approval of the fund's 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 fund's performance for some time and had requested that the Manager take steps to improve the fund's performance. To assist in monitoring fund performance, the Board members had previously asked to receive monthly statistical information which, in addition to current performance information, includes information indicating whether the fund's 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 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 Manager's representatives noted the fund's closed-end structure, the relationships the Manager has with various intermediaries complex-wide and the Manager's corresponding need for broad, deep, and diverse resources to be able to provide ongoing services to intermediaries and shareholders.

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 comparisons to a group of leveraged, high current yield, closed-end funds (the "Performance Group") and to a larger universe of funds, consisting of all leveraged, high current yield, closed-end funds (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 Performance Group and Performance Universe, as well as the Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons and noted that the fund's total return performance, on both a net asset value and market price basis, was variously above and below the Performance Group and Performance Universe medians for the 1- to 5-year time periods ended December 31, 2007. A representative of the Manager reminded the Board that David Bowser became the fund's primary portfolio manager in October 2006 and that Karen Bater was added as a co-primary portfolio manager in July 2007, and noted that the fund's total return performance, on both a net asset value and market price basis, for the one-year ended December 31, 2007 was above the Performance Group and Performance Universe medians. The Board noted that the fund's yield performance was above the Performance Group median for each of the one-year periods ended December 31st since 1999, except, on a net asset value basis, 2005 and 2007 and, on a market price basis, 2007. The Board also noted that the fund's yield performance was above the Performance Universe median for each of the one-year periods ended December 31st, since 1999, except, on a net asset value basis, 2005, 2006 and 2007 and, on a market price basis, 2007. The Manager also provided a comparison of the fund's total returns, based on net asset value, to the returns of the fund's benchmark index for the calendar years since the fund's inception.

The Board members also discussed the fund's management fee and expense ratio and reviewed the range of management fees and expense ratios of 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 Manager was voluntarily waiving a portion of its management fee in the amount of 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. The Board members noted that, based on Managed Assets and taking into account the fee waiver in place, the fund's management fee was below the Expense Group and Expense Universe medians for the one-year period ended December 31, 2007. The Board also noted that, based on Managed Assets and taking into account the fee waiver in place, the fund's expense ratio, which was provided by Lipper and included investment-related expenses such as costs associated with the fund's leverage, was above the Expense Group and Expense Universe medians for the one-year period ended December 31, 2007. Representatives of the Manager and the Board members agreed that the voluntary waiver would be extended until April 4, 2009.

Representatives of the Manager noted that there were no other leveraged, high yield, 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 also noted that there were no other accounts managed by the Manager or its affiliates with similar investment objectives, policies and strategies as the fund, noting its closed-end fund structure.

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 previously had been provided with information 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 also was informed 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. It was noted that a discussion of economies of scale is predicated on increasing assets and that because the fund is a closed-end fund without daily inflows and outflows of capital there were not at this time significant economies of scale to be realized by Dreyfus in managing the fund's assets. 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 services provided by the Manager are adequate and appropriate.
- While the Board was somewhat concerned with the fund's recent yield performance, it was generally satisfied with the fund's relative total return performance, noting the one- and five-year performance. The Board believed the Manager was seeking to continue to improve performance and was generally satisfied with the Manager's effort to do so, noting the change in portfolio managers in October 2006 and the addition of another primary portfolio manager in July 2007. The Board, however, determined to continue to closely monitor the fund's performance.
- The Board concluded, taking into account the extension of the fee waiver, that the fee paid by the fund to the Manager 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 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.

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, LLC (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. Each



Participant's 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 fund's shares acquired for each Participant's account. For the purpose of cash investments, the Agent may commingle each Participant's 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 Participant's 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 Agent's name or that of the Agent's 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 Participant's 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 Participant's account. In the event of termination of a Participant's account under the Plan, the Agent will adjust for any such undivided fractional interest in cash at the market value of the fund's 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 Agent's 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 may terminate their account under the Plan by notifying the Agent in writing. Such termination will be effective immediately if the Participant's 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 distribution. 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 SEC 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.

BOARD MEMBERS INFORMATION (Unaudited)

**Joseph S. DiMartino (64)**  
**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
- 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, a provider of certain outdoor-related services to homes and businesses, Director

*No. of Portfolios for which Board Member Serves:* 163

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**James M. Fitzgibbons (73)**  
**Board Member (1998)** *Current term expires in 2010*

*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:* 26

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**J. Tomlinson Fort (79)**  
**Board Member (1998)** *Current term expires in 2008*

*Principal Occupation During Past 5 Years:*

- Retired (2005-present)
- Of Counsel, Reed Smith LLP (1998-2005)

*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:* 26

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**Kenneth A. Himmel (61)**  
**Board Member (1998)** *Current term expires in 2009*

*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:* 26

**Stephen J. Lockwood (60)**

**Board Member (1998)** *Current term expires in 2009*

*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: 26*

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**Roslyn M. Watson (58)**

**Board Member (1998)** *Current term expires in 2010*

*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
- SBLI-USA, Director

*No. of Portfolios for which Board Member Serves: 26*

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**Benaree Pratt Wiley (61)**

**Board Member (1998)** *Current term expires in 2009*

*Principal Occupation During Past 5 Years:*

- Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)
- 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 (1991-2005)

*Other Board Memberships and Affiliations:*

- Boston College, Trustee
- Blue Cross Blue Shield of Massachusetts, Director
- Commonwealth Institute, Director
- Efficacy Institute, Director
- PepsiCo African-American, Chair of Advisory Board
- The Boston Foundation, Director

*No. of Portfolios for which Board Member Serves: 36*

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*Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. 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*

## OFFICERS OF THE FUND (Unaudited)

### **J. DAVID OFFICER, President since December 2006.**

Chief Operating Officer, Vice Chairman and a Director of the Manager, and an officer of 78 investment companies (comprised of 163 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since April 1998.

### **PHILLIP N. MAISANO, Executive Vice President since July 2007.**

Chief Investment Officer, Vice Chair and a director of the Manager, and an officer of 78 investment companies (comprised of 163 portfolios) managed by the Manager. Mr. Maisano also is an officer and/or Board member of certain other investment management subsidiaries of The Bank of New York Mellon Corporation, each of which is an affiliate of the Manager. He is 60 years old and has been an employee of the Manager since November 2006. Prior to joining the Manager, Mr. Maisano served as Chairman and Chief Executive Officer of EACM Advisors, an affiliate of the Manager, since August 2004, and served as Chief Executive Officer of Evaluation Associates, a leading institutional investment consulting firm, from 1988 until 2004.

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

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since October 1991.

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

Associate General Counsel and Secretary of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 41 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 79 investment companies (comprised of 180 portfolios) managed by the Manager. She is 52 years old and has been an employee of the Manager since October 1988.

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

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 46 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 79 investment companies (comprised of 180 portfolios) managed by the Manager. She is 45 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 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since February 1991.

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

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 56 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 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 42 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 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since April 1985.

**RICHARD CASSARO, Assistant Treasurer since January 2008.**

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since September 1982.

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

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since April 1991.

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

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since October 1988.

**ROBERT SALVILOLO, Assistant Treasurer since July 2007.**

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since June 1989.

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

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since November 1990.

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

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (79 investment companies, comprised of 180 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 Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 50 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.









OFFICERS AND TRUSTEES  
Dreyfus High Yield Strategies Fund

200 Park Avenue  
New York, NY 10166

**Trustees**

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

**Officers**

President  
J. David Officer  
Executive Vice President  
Phillip N. Maisano  
Vice President and Secretary  
Michael A. Rosenberg  
Vice President and Assistant Secretaries  
James Bitetto  
Joni Lacks Charatan  
Joseph M. Chioffi  
Janette E. Farragher  
John B. Hammalian  
Robert R. Mullery  
Jeff Prusnofsky  
Treasurer  
James Windels  
Assistant Treasurers  
Ricard Cassaro  
Gavin C. Reilly  
Robert S. Robol  
Robert Salviolo  
Robert Svagna

**Officers (continued)**

Chief Compliance Officer  
Joseph W. Connolly

**Portfolio Managers**

Chris Barris  
Karen Bater  
James Gual

**Investment Adviser**

The Dreyfus Corporation

**Custodian**

Mellon Bank, N.A.

**Counsel**

Kirkpatrick & Lockhart  
Preston Gates Ellis

**Transfer Agent,  
Dividend Disbursing Agent**

Mellon Investor Services LLC

**Stock Exchange Listing**

NYSE Symbol: DHF

**Initial SEC Effective Date**

4/23/98

<sup>†</sup> Effective April 12, 2008, Mr. Fort became an Emeritus Board member.

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

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

# For More Information

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**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

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**Ticker Symbol:** DHF

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

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2007, is available at <http://www.dreyfus.com> and on the SEC's website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

