

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

PREFERRED INCOME STRATEGIES FUND INC

Form N-Q

April 02, 2007

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act File number 811-21286

Name of Fund: BlackRock Preferred Income Strategies Fund, Inc.

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

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

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

Date of fiscal year end: 10/31/2007

Date of reporting period: 11/01/06 - 01/31/07

Item 1 - Schedule of Investments

BlackRock Preferred Income Strategies Fund, Inc.
Schedule of Investments as of January 31, 2007 (in U.S. dollars)

Preferred Securities

| Industry | Face Amount | Capital Trusts |
|--------------------------|----------------|--|
| Commercial Banks - 12.2% | \$ 12,035,000 | ABN AMRO North America Holding Preferred Capital Trust I, 6.523% (a) (b) (c) |
| | 2,000,000 | Bank One Capital III, 8.75% due 9/01/2030 |
| | 16,455,000 | Chase Capital II Series B, 5.871% due 2/01/2030 |
| | 3,630,000 | First Empire Capital Trust II, 8.277% due 6/01/2030 |
| | 2,000,000 | HSBC America Capital Trust I, 7.808% due 12/15/2030 |
| | 15,835,000 | HSBC Capital Funding LP/Jersey Channel Island Trust I, 10.176% (a) (b) (c) |
| | 7,300,000 | HSBC Finance Capital Trust IX, 5.911% due 11/15/2030 |
| | 12,275,000 | Hubco Capital Trust II Series B, 7.65% due 6/01/2030 |
| | 998,000 | JPM Capital Trust I, 7.54% due 1/15/2027 |
| | 2,000,000 | Lloyds TSB Bank Plc, 6.90% (c) |
| | 18,470,000 | Nationsbank Capital Trust III, 5.91% due 1/15/2030 |
| | 2,000,000 | Republic New York Corp., 7.53% due 12/04/2026 |
| | 4,500,000 | ST George Funding Co. LLC, 8.485% (a) (c) |

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\$ 9,775,000 Webster Capital Trust I, 9.36% due 1/29/2027

Total Capital Trusts (Cost - \$397,542,242) -

| | Shares Held | Preferred Stocks |
|---------------------------------------|----------------|--|
| Capital Markets - 6.3% | 7,600,000 | Ameriprise Financial, Inc., 7.518% (b) |
| | 510,000 | Deutsche Bank Capital Funding Trust VIII, 6.3% |
| | 96,000 | Goldman Sachs Group, Inc. Series A, 3.91% (b) |
| | 720,000 | Goldman Sachs Group, Inc. Series D, 6.03% (b) |
| | 600,000 | Lehman Brothers Holdings, Inc., 6.50% |
| Commercial Banks - 12.1% | 4,000,000 | Barclays Bank Plc, 6.278% (b) |
| | 4,650 | First Tennessee Bank NA, 3.90% (a) (b) |
| | 5,000,000 | HBOS Plc, 5.92% (a) (b) |
| | 8,000,000 | ICICI Bank Ltd., 7.25% (a) |
| | 319,000 | KeyCorp Capital IX, 6.75% |
| | 166,800 | Provident Financial Group, Inc., 7.75% |
| | 20,000,000 | Resona Preferred Global Securities Ltd., 7.19% |
| | 4,800,000 | Royal Bank of Scotland Group Plc, 9.118% |
| | 23,000 | SG Preferred Capital II, 6.302% (b) |
| | 800,000 | Santander Finance Preferred SA Unipersonal, 6% |
| | 250,000 | Santander Finance Preferred SA Unipersonal, 6% |
| Diversified Financial Services - 8.1% | 152,400 | Bank of America Corp. Series D, 6.20% |
| | 636,075 | Bank of America Corp. Series E, 5.718% (b) |
| | 655,000 | CIT Group, Inc. Series A, 6.35% |
| | 272,000 | Cobank ACB, 7% (a) |
| | 22,900,000 | JPMorgan Chase Capital XXI Series U, 6.25% (b) |
| Electric Utilities - 2.6% | 14,000 | Alabama Power Co., 5.83% |
| | 114,400 | Entergy Arkansas, Inc., 6.45% |
| | 89,850 | Entergy Louisiana LLC, 6.95% |
| | 80,000 | Interstate Power & Light Co. Series B, 8.375% |
| | 204,000 | PPL Electric Utilities Corp., 6.25% |
| | 140,000 | Pacific Gas & Electric Co. Series A, 6% |
| Gas Utilities - 1.5% | 556,000 | Southern Union Co., 7.55% |
| Insurance - 13.8% | 880,000 | ACE Ltd. Series C, 7.80% |
| | 5,950,000 | AXA SA, 6.379% (a) (b) |
| | 100,000 | Aegon NV Series 1, 6.235% (b) |
| | 165,000 | Aspen Insurance Holdings Ltd., 7.401% (b) |
| | 140,000 | Axis Capital Holdings Ltd. Series A, 7.25% |
| | 36,000 | Axis Capital Holdings Ltd. Series B, 7.50% (b) |
| | 139,200 | Endurance Specialty Holdings Ltd. Series A, 7% |
| | 6,930,000 | Financial Security Assurance Holdings Ltd., 6% |

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| | |
|------------|--|
| 7,500,000 | Great West Life & Annuity Insurance Co., 7.15% |
| 10,425,000 | Metlife, Inc., 6.40% |
| 493,000 | Metlife, Inc. Series B, 6.50% |
| 5,000,000 | Oil Insurance Ltd., 7.558% (a) (b) |
| 5,700,000 | PartnerRe Finance II, 6.44% due 12/01/2066 (b) |
| 140,000 | Prudential Plc, 6.50% |
| 660,000 | RenaissanceRe Holding Ltd. Series D, 6.60% |

BlackRock Preferred Income Strategies Fund, Inc.
 Schedule of Investments as of January 31, 2007

(in U.S. dollars)

 Preferred Securities

| Industry | Shares Held | Preferred Stocks |
|---|----------------|--|
| | 9,800 | Zurich RegCaPS Funding Trust, 6.58% (a) (b) |
| ----- | | |
| Multi-Utilities - 1.0% | 8,400,000 | Dominion Resources, Inc., 7.50% (b) |
| ----- | | |
| Oil, Gas & Consumable Fuels - 0.8% | 7,225,000 | Enterprise Products Operating LP, 8.375% (b) |
| ----- | | |
| Thrifts & Mortgage Finance - 12.9% | 264,650 | Fannie Mae Series L, 5.125% |
| | 1,210,000 | Fannie Mae Series O, 7% (b) |
| | 190,000 | Freddie Mac Series Q, 3.85% (b) |
| | 105,000 | Freddie Mac Series T, 6.42% |
| | 695,000 | Freddie Mac Series V, 5.57% |
| | 8,000,000 | Roslyn Real Estate Asset Corp. Series D, 9.02% |
| | 48,000 | Sovereign Bancorp, Inc. Series C, 7.30% (d) |
| ----- | | |
| Wireless Telecommunication Services - 0.3% | 2,423 | Centaur Funding Corp., 9.08% (a) |

 Total Preferred Stocks (Cost - \$533,201,821)

Real Estate Investment Trusts

| | | |
|---------------------|-----------|---|
| Real Estate - 15.3% | 251,400 | Alexandria Real Estate Equities, Inc. Series |
| | 400,000 | CBL & Associates Properties, Inc. Series C, 7 |
| | 400,000 | Developers Diversified Realty Corp., 8% |
| | 80,000 | Duke Realty Corp. Series K, 6.50% |
| | 2,390 | First Industrial Realty Trust, Inc., 6.236% (|
| | 4,000 | Firststar Realty LLC, 8.875% (a) |
| | 448,000 | Health Care Property Investors, Inc. Series F |
| | 172,800 | Health Care REIT, Inc. Series F, 7.625% |
| | 100,000 | Kimco Realty Corp. Series F, 6.65% |
| | 1,200,000 | New Plan Excel Realty Trust Series E, 7.625% |

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| | |
|---------|---|
| 72,000 | PS Business Parks, Inc. Series K, 7.95% |
| 64,000 | PS Business Parks, Inc. Series M, 7.20% |
| 160,000 | Public Storage, Inc. Series I, 7.25% |
| 445,000 | Public Storage, Inc. Series L, 6.75% |
| 607,550 | Regency Centers Corp. Series C, 7.45% |
| 58,000 | Regency Centers Corp. Series D, 7.25% |
| 11,857 | Sovereign Real Estate Investment Corp., 12% |

Total Real Estate Investment Trusts
(Cost - \$135,673,035) - 15.3%

| | Face Amount | Trust Preferreds |
|---------------------------------|----------------|--|
| Capital Markets - 0.1% | \$ 875,000 | Lehman Brothers Holdings Capital Trust III Se due 3/15/2052 |
| Commercial Banks - 0.3% | 2,790,000 | National City Capital Trust II, 6.625% due 11 |
| Communications Equipment - 0.2% | 2,000,000 | Corporate-Backed Trust Certificates, 8.375% d |
| Consumer Finance - 1.9% | 16,702,000 | Capital One Capital II, 7.50% due 6/15/2066 |
| Electric Utilities - 2.7% | 4,750,000 | Georgia Power Co. Series O, 1.475% due 4/15/2 |
| | 3,000,000 | HECO Capital Trust III, 6.50% due 3/18/2034 |
| | 5,000,000 | National Rural Utilities Cooperative Finance due 2/15/2043 |
| | 10,835,000 | PPL Energy Supply LLC, 7% due 7/15/2046 |
| | 950,000 | Virginia Power Capital Trust II, 1.844% due 7 |

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Schedule of Investments as of January 31, 2007

(in U.S. dollars)

Preferred Securities

| Industry | Face Amount | Trust Preferreds |
|----------------------|----------------|--|
| Gas Utilities - 0.7% | \$ 500,000 | Dominion CNG Capital Trust I, 1.95% due 10/31 |
| | 5,750,000 | Southwest Gas Capital II, 7.70% due 9/15/2043 |
| Insurance - 2.7% | 11,000,000 | ABN AMRO North America Capital Funding Trust 5.445% (a) (b) (c) |
| | 7,375,000 | Berkley W R Capital Trust, 6.75% due 7/26/204 |
| | 1,000,000 | Everest Re Capital Trust, 1.963% due 11/15/20 |
| | 5,000,000 | Lincoln National Capital VI Series F, 6.75% d |

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| | | |
|---|---------------|---|
| Multi-Utilities - 0.1% | 397,425 | PSEG Funding Trust II, 8.75% due 12/31/2032 |
| Thrifts & Mortgage Finance - 4.2% | 4,580,000 | Countrywide Capital V, 7% due 11/01/2066 |
| | 28,362,500 | Countrywide Financial Corp., 1.50% due 4/01/2034 |
| | 6,000,000 | Dime Community Capital I, 7% due 4/14/2034 |
| Total Trust Preferreds (Cost - \$116,433,132) | | |
| Total Preferred Securities (Cost - \$1,182,850,230) - 132.1% | | |
| Corporate Bonds | | |
| Automobiles - 2.1% | 16,000,000 | DaimlerChrysler NA Holding Corp., 8.50% due 11/15/2031 |
| Diversified Financial Services - 1.6% | 15,000,000 | Sigma Finance Corp., 7.36% due 8/15/2011 (e) |
| Diversified Telecommunication Services - 3.6% | 25,500,000 | France Telecom SA, 8.50% due 3/01/2031 |
| Electric Utilities - 3.3% | 16,575,000 | Duke Energy Field Services LLC, 8.125% due 8/15/2031 |
| | 10,000,000 | FirstEnergy Corp. Series B, 6.45% due 11/15/2031 |
| Media - 3.4% | 5,000,000 | Comcast Corp., 7.05% due 3/15/2033 |
| | 5,000,000 | Time Warner, Inc., 7.625% due 4/15/2031 |
| | 18,000,000 | Time Warner, Inc., 7.70% due 5/01/2032 |
| Wireless Telecommunication Services - 5.9% | 18,000,000 | AT&T Wireless Services, Inc., 8.75% due 3/01/2032 |
| | 2,000,000 | Sprint Capital Corp., 6.90% due 5/01/2019 |
| | 24,000,000 | Sprint Capital Corp., 8.75% due 3/15/2032 |
| Total Corporate Bonds (Cost - \$173,443,756) | | |
| Beneficial Interest Short-Term Securities | | |
| | \$ 80,212,578 | BlackRock Liquidity Series, LLC Cash Sweep Series 5.29% (f) (g) |
| Total Short-Term Securities (Cost - \$80,212,578) - 8.8% | | |
| Total Investments (Cost - \$1,436,506,564*) - | | |
| Liabilities in Excess of Other Assets - (0.8%) | | |
| Preferred Stock, at Redemption Value - (60.0%) | | |

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Net Assets Applicable to Common Stock - 100.0

BlackRock Preferred Income Strategies Fund, Inc.
 Schedule of Investments as of January 31, 2007 (in U.S. dollars)

* The cost and unrealized appreciation (depreciation) of investments as of January 31, 2007, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------|------------------|
| Aggregate cost | \$ 1,434,760,875 |
| | ===== |
| Gross unrealized appreciation | \$ 53,594,898 |
| Gross unrealized depreciation | (12,110,880) |
| | ----- |
| Net unrealized appreciation | \$ 41,484,018 |
| | ===== |

- (a) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (b) Floating rate security.
- (c) The security is a perpetual bond and has no stated maturity date.
- (d) Depositary receipts.
- (e) Restricted security as to resale, representing 1.6% of net assets, was as follows:

| Issue | Acquisition Date | Cost | V |
|--|---------------------|---------------|--------|
| Sigma Finance Corp., 7.36% due 8/15/2011 | 2/13/2004 | \$ 15,000,000 | \$ 15, |

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

| Affiliate | Net Activity |
|---|---------------|
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ 59,671,077 |

- (g) Represents the current yield as of January 31, 2007.
- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.

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- o Financial futures contracts sold as of January 31, 2007 were as follows:

| Number of Contracts | Issue | Expiration Date | F V |
|-------------------------------|-----------------------------|--------------------|--------|
| 2,558 | 10-Year U.S. Treasury Notes | March 2007 | \$ 277 |
| 509 | 30-Year U.S. Treasury notes | March 2007 | \$ 57 |
| ----- | | | |
| Total Unrealized Appreciation | | | |

- o Swaps outstanding as of January 31, 2007 were as follows:

| | Notional Amount |
|--|--------------------|
| ----- | |
| Sold credit default protection on a basket of preferred securities and receive 2.03% | |
| Broker, Lehman Brothers Special Finance | |
| Expires September 2007 | \$ 36,000,000 |
| Pay a fixed rate of 5.132% and receive a floating rate based on 3-month LIBOR | |
| Broker, JPMorgan Chase | |
| Expires September 2016 | \$ 125,000,000 |
| ----- | |
| Total | |

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - As of September 29, 2006, with the conclusion of the combination of Merrill Lynch's asset management business with BlackRock, the registrant was migrated to BlackRock's trading and compliance monitoring systems, and various personnel changes occurred. In conjunction with these business improvements, there were no changes in the registrants internal control over financial reporting (as defined in Rule 30a-3(d) under Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal half-year of the period covered by this report that has materially affected, or is

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reasonably likely to affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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

BlackRock Preferred Income Strategies Fund, Inc.

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

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

Date: March 26, 2007

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

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

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

Date: March 26, 2007

By: /s/ Donald C. Burke

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

Date: March 26, 2007