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CAPITAL & INCOME STRATEGIES FUND INC

Form N-Q

May 26, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY

Investment Company Act File number 811-21506

Name of Fund: Capital and 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, Capital and 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: 12/31/2006

Date of reporting period: 01/01/06 - 03/31/06

Item 1 - Schedule of Investments

Capital and Income Strategies Fund, Inc.

Schedule of Investments as of March 31, 2006

Preferred Securities

Industry	Face Amount	Capital Trusts
Commercial Banks - 4.3%	\$ 1,000,000	Dresdner Funding Trust I, 8.151% due 6/30/2031 (a)
	2,000,000	Lloyds TSB Bank Plc, 6.90% (d)
	3,000,000	Mizuho JGB Investment LLC, 9.87% (a) (c) (d)
	3,000,000	SB Treasury Co. LLC, 9.40% (a) (c) (d)
	2,000,000	Westpac Capital Trust III, 5.819% (a) (c) (d)
		Total Capital Trusts (Cost - \$11,985,095) - 4.3%

	Shares Held	Preferred Stocks
Capital Markets - 1.5%	80,000	Goldman Sachs Group, Inc. Series A, 3.91%
	40,000	Lehman Brothers Holdings, Inc., 6.50%
	40,000	Lehman Brothers Holdings, Inc. Series G, 3%

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Commercial Banks - 4.1%	60,000	Banco Santander Central Hispano SA, 6.41%
	27,734	First Republic Bank, 6.25%
	1,674	First Tennessee Bank NA, 3.90% (a)
	80,000	HSEC USA, Inc., 3.50%
	20,000	Royal Bank of Scotland Group Plc Series L, 5.75%
	60,000	Royal Bank of Scotland Group Plc Series N, 6.35%
	2,000	SG Preferred Capital II, 6.302%
	40,000	US Bancorp Series B, 5.56%
Diversified Financial Services - 0.5%	50,000	CIT Group, Inc. Series A, 6.35%
Electric Utilities - 4.0%	11,109	Connecticut Light & Power, 5.28%
	11,394	Delmarva Power & Light, 4.20%
	11,250	Delmarva Power & Light, 4.28%
	40,000	Duquesne Light Co., 6.50%
	6,800	Entergy Arkansas, Inc., 6.45%
	22,000	Entergy Louisiana LLC, 6.95% (a)
	40,000	Interstate Power & Light Co. Series B, 8.375%
	10,000	Peco Energy Co. Series D, 4.68%
	20,000	Southern California Edison Co., 5.349%
Food Products - 1.5%	2,000	General Mills, Inc., 4.50%
	20	HJ Heinz Finance Co., 6.226% (a)
Gas Utilities - 0.3%	35,000	Southern Union Co., 7.55%
Insurance - 5.3%	80,000	ACE Ltd. Series C, 7.80%
	80,000	Aegon NV, 6.375%
	40,000	Arch Capital Group Ltd., 8%
	8,000	Axis Capital Holdings Ltd., 7.25%
	48,000	Endurance Specialty Holdings Ltd., 7.75%
	30,000	Genworth Financial, Inc. Series A, 5.25%
	72,000	Metlife, Inc. Series B, 6.50%
	80,000	Prudential Plc, 6.75%
	2,200	Zurich RegCaPS Funding Trust, 6.58% (a)
Multi-Utilities - 1.2%	80,000	Pacific Gas & Electric Co. Series A, 6%
	12,400	Public Service Electric & Gas Series E, 5.28%
Oil, Gas & Consumable Fuels - 0.7%	19,500	Apache Corp. Series B, 5.68% (f)
Thrifts & Mortgage Finance - 4.7%	45,000	Fannie Mae, 7%
	25,000	Fannie Mae Series I, 5.375%
	59,350	Fannie Mae Series L, 5.125%
	150,000	Freddie Mac, 3.93%

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		Total Preferred Stocks (Cost - \$63,200,883) - 23.1%
		Real Estate Investment Trusts
Real Estate - 0.5%	52,000	Alexandria Real Estate Equities, Inc. Series C, 8.00% due 12/15/2008
		Total Real Estate Investment Trusts (Cost - \$1,300,000) - 1.2%
	Face Amount	Trust Preferreds
Commercial Banks - 0.8%	\$ 2,000,000	ABN AMRO North America Capital Funding Trust I, 6.968% due 9/15/2010 (c)
Gas Utilities - 0.4%	1,000,000	Southwest Gas Capital II, 7.70% due 9/15/2043
		Total Trust Preferreds (Cost - \$3,127,236) - 1.2%
		Total Preferred Securities (Cost - \$79,613,214) - 23.1%
		Corporate Bonds
Automobiles - 0.4%	1,200,000	Hyundai Motor Manufacturing Alabama LLC, 5.30% due 12/19/2008
Beverages - 0.1%	250,000	Coca-Cola Femsa SA de CV, 8.95% due 11/01/2006
Commercial Banks - 2.6%	500,000	Alfa MTN Issuance Ltd., 7.75% due 2/09/2007
	750,000	Banco Nacional de Desenvolvimento Economico e Social, 5.727% due 6/16/2008 (c)
	450,000	Bancomext Trust Division, 11.25% due 5/30/2006
	1,350,000	Bangkok Bank Public Co. Ltd. (Hong Kong), 8.75% due 3/15/2007
	500,000	Bayerische Hypo - und Vereinsbank AG for MDM Bank, 9.375% due 9/23/2006
	700,000	The Export-Import Bank of Korea, 4.25% due 11/27/2008
	750,000	ICICI Bank Ltd., 4.75% due 10/22/2008
	465,000	Korea Development Bank, 7.25% due 5/15/2006
	575,000	Korea Development Bank, 5.25% due 11/16/2006
	1,070,000	Sberbank, 6.38% due 10/24/2006 (c)
Diversified Financial Services - 1.1%	900,000	AC International Finance Ltd., 8.125% due 2/21/2009
	1,920,000	Salomon Brothers AG for OAO Gazprom, 9.125% due 4/15/2009
Diversified Telecommunication Services - 1.4%	750,000	Empresa Brasileira de Telecom SA Series B, 11% due 12/15/2008
	675,000	Excelcomindo Finance Company BV, 8% due 1/27/2009
	1,410,000	Philippine Long Distance Telephone, 9.25% due 6/30/2008
	300,000	Philippine Long Distance Telephone, 7.85% due 3/01/2009
	500,000	Telefonica de Argentina SA, 9.875% due 7/01/2006

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Independent Power Producers & Energy Traders - 0.1%	150,000	Aes Dominicana Energia Finance SA, 11% due 12/13/2011
Metals & Mining - 0.1%	320,000	Companhia Siderurgica Pa, 7.25% due 11/07/2006
Oil, Gas & Consumable Fuels - 2.0%	630,000	Gazprom International SA, 7.201% due 2/01/2020
	750,000	MEI Euro Finance Ltd., 10% due 3/19/2007
	900,000	Pemex Project Funding Master Trust, 8.85% due 9/1/2011
	300,000	Pemex Project Funding Master Trust, 6.125% due 8/1/2011
	610,000	Petrobras Energia SA, 9% due 1/30/2007
	175,000	Petroliaam Nasional Berhad, 7.75% due 8/15/2015
	1,750,000	YPF SA Series A, 7.75% due 8/27/2007
Paper & Forest Products - 0.1%	250,000	SINO-FOREST Corp., 9.125% due 8/17/2011 (a)
Real Estate - 0.1%	250,000	SM Investments Corp., 8% due 10/16/2007
Wireless Telecommunication Services - 0.8%	625,000	Mobile Telesystems Finance SA, 9.75% due 1/30/2007
	1,425,000	Total Access Communication Public Co. Ltd., 8.375% due 11/04/2006

Total Corporate Bonds (Cost - \$23,796,199) - 8.8%

### Foreign Government Obligations

179,375	Argentina Government International Bond, 4.889% due 11/15/2015
1,376,500	Argentina Government International Bond, 1.33% due 11/15/2015
1,670,000	Brazilian Government International Bond, 10% due 11/15/2015
2,290,000	Brazilian Government International Bond, 11.50% due 11/15/2015
1,540,000	Brazilian Government International Bond, 10% due 11/15/2015
800,000	Brazilian Government International Bond, 10.50% due 11/15/2015
650,000	Brazilian Government International Bond, 8% due 11/15/2015
585,000	Brazilian Government International Bond, 10.125% due 11/15/2015
200,000	Brazilian Government International Bond, 8.25% due 11/15/2015
115,000	Brazilian Government International Bond, 7.125% due 11/15/2015
450,000	Brazilian Government International Bond, 11% due 11/15/2015
30,000	Bulgaria Government International Bond, 8.25% due 11/15/2015
1,000,000	Chile Government International Bond, 5.625% due 11/15/2015
110,000	Chile Government International Bond, 5.50% due 11/15/2015
740,000	Colombia Government International Bond, 10.50% due 11/15/2015
1,420,000	Colombia Government International Bond, 8.625% due 11/15/2015
340,000	Colombia Government International Bond, 10% due 11/15/2015
300,000	Colombia Government International Bond, 11.75% due 11/15/2015
138,947	Dominican Republic International Bond, 9.04% due 11/15/2015
965,000	Indonesia Government International Bond, 7.75% due 11/15/2015
325,000	Indonesia Government International Bond, 7.50% due 1/15/2016 (a)
1,170,000	Mexico Government International Bond, 9.875% due 11/15/2015
950,000	Mexico Government International Bond, 8.375% due 11/15/2015
375,000	Mexico Government International Bond, 8.125% due 11/15/2015
1,050,000	Mexico Government International Bond Series A, 6.5% due 3/03/2015
1,150,000	Mexico Government International Bond Series A, 6.5% due 9/27/2034
1,425,000	Panama Government International Bond, 8.25% due 11/15/2015
150,000	Panama Government International Bond, 7.25% due 11/15/2015

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435,000	Panama Government International Bond, 8.875% due
1,090,000	Peru Government International Bond, 9.125% due 1/
135,800	Peru Government International Bond, 5% due 3/07/2
240,000	Peru Government International Bond, 8.75% due 11/
250,000	Philippine Government International Bond,
	5.625% due 11/19/2006
1,700,000	Philippine Government International Bond, 7.50% d
763,880	Philippine Government International Bond, 5.438%
460,000	Philippine Government International Bond, 8.375%
180,000	Philippine Government International Bond,
	8.875% due 3/17/2015
65,000	Philippine Government International Bond,
	10.625% due 3/16/2025
750,000	Philippine Government International Bond, 9.50% d
230,000	Philippine Government International Bond, 7.75% d
2,595,000	Russia Government International Bond, 10% due 6/2
975,000	Russia Government International Bond, 11% due 7/2
	(Regulation S) (g)
100,000	Russia Government International Bond, 12.75% due
	(Regulation S)
580,000	Russia Government International Bond, 5% due 3/31
650,000	Turkey Government International Bond, 11.375% due
2,080,000	Turkey Government International Bond, 10% due 9/1
715,000	Turkey Government International Bond, 11.50% due
500,000	Turkey Government International Bond, 7.375% due
225,000	Turkey Government International Bond, 11.875% due
930,000	Turkey Government International Bond, 6.875% due
690,753	Ukraine Government International Bond, 11% due 3/
50,000	Ukraine Government International Bond, 7.65% due
200,000	Uruguay Government International Bond, 9.25% due
270,639	Uruguay Government International Bond, 7.875% due
1,710,000	Venezuela Government International Bond, 9.125% d
380,920	Venezuela Government International Bond, 5.563%
	due 12/18/2007
360,000	Venezuela Government International Bond, 5.375% d
725,000	Venezuela Government International Bond, 10.75% d
495,000	Venezuela Government International Bond, 9.375% d

Total Foreign Government Obligations  
(Cost - \$44,170,968) - 16.7%

Municipal Bonds

500,000	Dresdner Bank AG for City of Kiev, 8.75% due 8/08
450,000	Dresdner Bank AG for Kyivstar GSM, 10.375% due 8/
100,000	Dresdner Bank AG for Kyivstar GSM, 7.75% due 4/27
793,000	Santa Fe de Bogota DC, 9.50% due 12/12/2006

Total Municipal Bonds  
(Cost - \$1,943,855) - 0.7%

Shares  
Held Common Stocks

Aerospace & Defense - 6.0%	89,200	Honeywell International, Inc.
	33,600	Lockheed Martin Corp.
	68,200	Northrop Grumman Corp.
	113,600	Raytheon Co.

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Beverages - 1.1%	145,800	Coca-Cola Enterprises, Inc.
Capital Markets - 4.3%	120,000	The Bank of New York Co., Inc.
	116,700	Morgan Stanley
Chemicals - 2.0%	107,200	E.I. du Pont de Nemours & Co.
	13,700	PPG Industries, Inc.
Commercial Banks - 4.6%	129,327	Bank of America Corp.
	103,000	Wells Fargo & Co.
Communications Equipment - 0.9%	116,600	Nokia Oyj (f)
Computers & Peripherals - 4.5%	99,600	Hewlett-Packard Co.
	73,600	International Business Machines Corp.
	528,100	Sun Microsystems, Inc. (b)
Diversified Financial Services - 5.0%	109,190	Citigroup, Inc.
	196,972	JPMorgan Chase & Co.
Diversified Telecommunication Services - 3.7%	174,600	AT&T, Inc.
	80,300	BellSouth Corp.
	70,500	Verizon Communications, Inc.
Electric Utilities - 2.4%	68,200	FPL Group, Inc.
	113,300	The Southern Co.
Energy Equipment & Services - 3.2%	57,100	BJ Services Co.
	71,700	GlobalSantaFe Corp.
	31,800	Halliburton Co.
Food & Staples Retailing - 0.4%	57,600	The Kroger Co.
Food Products - 4.1%	54,600	ConAgra Foods, Inc.
	90,400	General Mills, Inc.
	65,200	Kraft Foods, Inc.
	45,300	Unilever NV (f)
Health Care Equipment & Supplies - 1.3%	89,100	Baxter International, Inc.

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Hotels, Restaurants & Leisure - 1.1%	87,900	McDonald's Corp.
Household Durables - 1.0%	80,300	Koninklijke Philips Electronics NV
Household Products - 1.6%	75,900	Kimberly-Clark Corp.
IT Services - 1.0%	397,400	Unisys Corp. (b)
Industrial Conglomerates - 3.2%	118,300	General Electric Co.
	163,200	Tyco International Ltd.
Insurance - 6.0%	36,000	The Allstate Corp.
	59,400	American International Group, Inc.
	106,700	Genworth Financial, Inc. Class A
	24,500	Hartford Financial Services Group, Inc.
	70,500	The St. Paul Travelers Cos., Inc.
	26,400	XL Capital Ltd. Class A
Machinery - 1.0%	32,300	Deere & Co.
Media - 5.1%	117,900	Comcast Corp. Special Class A (b)
	319,100	Interpublic Group of Cos., Inc. (b)
	279,400	Time Warner, Inc.
	104,300	Walt Disney Co.
Metals & Mining - 1.7%	145,200	Alcoa, Inc.
Multi-Utilities - 2.3%	52,900	Consolidated Edison, Inc.
	24,600	Dominion Resources, Inc.
	92,300	Energy East Corp.
Office Electronics - 0.6%	99,500	Xerox Corp. (b)
Oil, Gas & Consumable Fuels - 4.0%	15,800	Anadarko Petroleum Corp.
	15,500	Chevron Corp.
	135,000	Exxon Mobil Corp.
Paper & Forest Products - 1.2%	96,800	International Paper Co.
Pharmaceuticals - 5.1%	39,300	Eli Lilly & Co.
	61,500	GlaxoSmithKline Plc (f)
	37,800	Johnson & Johnson
	133,300	Pfizer, Inc.
	145,800	Schering-Plough Corp.
Semiconductors & Semiconductor Equipment - 2.6%	121,300	Fairchild Semiconductor International, Inc. (b)
	330,300	LSI Logic Corp. (b)
	36,400	Novellus Systems, Inc. (b)

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Software - 0.2%	40,700	Oracle Corp. (b)
Specialty Retail - 1.0%	141,200	The Gap, Inc.
		Total Common Stocks (Cost - \$202,332,693) - 82.2%
		Warrants
Foreign Government Obligations - 0.0%	3,000	Argentina Government International Bond (expires 12/15/2035)
		Total Warrants (Cost - \$13,883) - 0.0%
	Beneficial Interest	Short-Term Securities
	\$ 4,961,172	Merrill Lynch Liquidity Series, LLC Cash Sweep Series I, 4.56% (c)(e)
		Total Short-Term Securities (Cost - \$4,961,172) -
		Total Investments (Cost - \$356,831,984*) - 140.0%
		Liabilities in Excess of Other Assets - (40.0%)
		Net Assets - 100.0%

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

Aggregate cost	\$ 357,026,094
	=====
Gross unrealized appreciation	\$ 25,914,904
Gross unrealized depreciation	(6,691,099)
	-----
Net unrealized appreciation	\$ 19,223,805
	=====

- (a) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (b) Non-income producing security.
- (c) Floating rate note.
- (d) The security is a perpetual bond and has no definite maturity date.
- (e) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

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

By: /s/ Robert C. Doll, Jr.  
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Robert C. Doll, Jr.  
Chief Executive Officer  
Capital and Income Strategies Fund, Inc.

Date: May 22, 2006

By: /s/ Donald C. Burke  
-----

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

Date: May 22, 2006