NEUBERGER BERMAN HIGH YIELD STRATEGIES FUND
Form N-CSR
March 08, 2010
As filed with the Securities and Exchange Commission on March 8, 2010

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21342

NEUBERGER BERMAN HIGH YIELD STRATEGIES FUND
(Exact Name of the Registrant as Specified in Charter)
c/o Neuberger Berman Management LLC
605 Third Avenue, 2nd Floor
New York, New York 10158-0180
(Address of Principal Executive Offices – Zip Code)

Registrant's telephone number, including area code: (212) 476-8800

Robert Conti, Chief Executive Officer
c/o Neuberger Berman Management LLC
Neuberger Berman High Yield Strategies Fund
605 Third Avenue, 2nd Floor
New York, New York 10158-0180

Arthur C. Delibert, Esq.
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1601 K Street, N.W.
Washington, D.C. 20006-1600
(Names and Addresses of agents for service)

Date of fiscal year end: December 31, 2009

Date of reporting period: December 31, 2009

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0609. The

OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Shareholders

Neuberger Berman
High Yield Strategies Fund

Annual Report

December 31, 2009

Contents

THE FUND

President's Letter

Dear Shareholder:

I am pleased to present the annual report for Neuberger Berman High Yield Strategies Fund for year ended December 31, 2009. The report includes a portfolio commentary, a listing of the Fund's investments and its audited financial statements for the reporting period.

The Fund's investment objective is to seek high total return through income plus capital appreciation by investing primarily in high yield debt securities. Its performance is dependent on several factors, including fluctuating bond prices, the rate of interest received on securities held by the Fund, the cost of any borrowings and financing arrangements utilized by the Fund and the impact of interest rate hedges that the Fund may use in seeking to manage short-term interest rate costs.

I would like to review briefly the Fund's tender offer activity. During the fiscal year, the Fund implemented a semi-annual tender offer program consisting of up to four tender offers over a two-year period. Under the Fund's tender offer program, if the Fund's common shares trade at an average daily discount to net asset value per share (NAV) of greater than 10% during a 12-week measurement period, the Fund will conduct a tender offer for between 5% and 20% of its outstanding common shares at a price equal to 98% of its NAV, determined on the day the tender offer expires. The first measurement period under the Fund's tender offer program commenced June 5, 2009 and ended on August 28, 2009. Over this measurement period, the Fund traded at an average discount of less than 10% and, therefore, in accordance with the tender offer program, was not required to conduct a tender offer.

In addition, in February 2010, the Fund's Board of Trustees approved a proposal to reorganize the Fund and Neuberger Berman Income Opportunity Fund Inc. into a newly formed fund pursuant to an Agreement and Plan of Reorganization, pending shareholder approval. The Fund currently anticipates that shareholders will consider this proposal at the Fund's 2010 annual meeting of shareholders.

Thank you for your trust in Neuberger Berman High Yield Strategies Fund. We will continue to do our best to earn it.

Sincerely,

Robert Conti
President and CEO
Neuberger Berman High Yield Strategies Fund

High Yield Strategies Fund Commentary

For the year ended December 31, 2009, Neuberger Berman High Yield Strategies Fund posted a strong absolute return and substantially outperformed its benchmark, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index, on a net asset value basis. One of the reasons for the Fund's strong results was the use of leverage, as it served to magnify the Fund's positive performance.

Following its weak performance the previous year, the high yield bond market produced unprecedented gains in 2009. Looking back, the high yield market faltered in 2008 due to the fallout from the financial crisis, a weakening global economy and forced selling into illiquid markets. Collectively, these factors triggered several flights to quality, as investors were drawn to the safety of short-term Treasuries and avoided securities that were perceived to be risky. In this environment, high yield bond prices fell sharply and spreads widened to all-time high levels.

In many ways, market conditions in 2009 were a complete reversal of the prior year. Early in 2009, conditions started to improve, as the government's aggressive initiatives to stabilize financial markets began to bear fruit. In addition, as the reporting period progressed, optimism grew regarding the outlook for the U.S. economy and corporate profits. The market also benefitted from an improvement in the new-issue market, which allowed high yield issuers to repair their balance sheets by extending maturities and increasing liquidity. These factors caused investor sentiment to reverse course, and risk aversion was replaced with increased risk appetite. Against this backdrop, non-Treasuries (or spread sectors) rallied sharply, especially high yield bonds.

High yield investors who stayed the course in 2008 were richly rewarded in 2009. In the past year, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index gained 58.76%. Over that time, high yield spreads narrowed from 1,794 to 662 basis points. From a credit quality perspective, higher-rated securities lagged their lower-rated counterparts, as BB and CCC rated bonds returned 45.88% and 95.28%, respectively.

When the fiscal year began, our portfolio had a somewhat defensive posture, given the weak economy, periods of illiquidity and expectations for rising high yield defaults. This was evident in the Fund's quality biases, as we began the period with an overweight in BB rated bonds and an underweight in CCC rated bonds. As financial conditions improved and the economy stabilized, we pared some of our more defensive exposures and increased our exposure to more cyclical areas. By the end of the fiscal year, we had an underweight in BB rated bonds and overweights in B and CCC rated bonds. This adjustment was beneficial for the Fund's performance as investors' appetite for risk rose sharply during the reporting period.

From an industry perspective, security selection in wireless, sector positioning in autos and security selection in metals and mining were the largest contributors to the Fund's performance relative to the benchmark. In contrast, underweights in banking and insurance and security selection in consumer cyclical services were the largest detractors from relative results.

Even with the sector's impressive gains during the reporting period, we remain positive in our outlook for high yield bond performance. We believe yield spreads between high yield securities and Treasuries have the potential to tighten further in 2010 and have positioned the portfolio accordingly. It is our belief that the sector will be supported by continued modest economic growth, lower-than-expected default rates and better-than-expected recovery rates (the percentage of a bond's par value that is repaid in event of default).

Sincerely,

Ann H. Benjamin and Thomas P. O'Reilly
Portfolio Co-Managers

High Yield Strategies Fund

TICKER SYMBOL

Common Shares	NHS

RATING SUMMARY

(% by Ratings)	
BBB	5.2%
BB	14.1
B	44.0
CCC	25.1
CC	7.2
C	0.9
Not Rated	3.5
Total	100.0%

AVERAGE ANNUAL TOTAL RETURN3

NAV1,4	Inception Date	1 Year	5 Year	Life of Fund
High Yield Strategies Fund	07/28/2003	92.44%	7.96%	10.06%
Market Price2,4				
High Yield Strategies Fund	07/28/2003	113.27%	5.74%	8.46%

Closed-end funds, unlike open-end funds, are not continuously offered. There is an initial public offering and, once issued, common shares of closed-end funds are sold in the open market through a stock exchange.

The composition, industries and holdings of the Fund are subject to change. Investment return will fluctuate. Past performance is not indicative of future results.

Portfolios that invest in bonds and other fixed income securities can provide regular income and have historically been less volatile than most stock funds. However, they are subject to risks including credit risk, default on principal or interest payments and interest rate fluctuations. High yield bonds, also known as "junk bonds," are subject to additional risks such as the increased risk of default.

Endnotes

1 Returns based on Net Asset Value ("NAV") of the Fund.

2 Returns based on market price of Fund common shares on the New York Stock Exchange.

3 Unaudited performance data current to the most recent month-end are available at www.nb.com.

4 Neuberger Berman Management LLC ("Management") has voluntarily agreed to waive a portion of the management fees that it is entitled to receive from the Fund. Please see the notes to the financial statements for specific information regarding the rate of the management fees waived by Management. Absent such a waiver, the performance of the Fund would be lower.

Glossary of Indices

Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index:	An unmanaged index that is an unmanaged sub-index of Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, taxable, fixed rate, non-investment grade corporate bond market, capped such that no single issuer accounts for more than 2% of the index weight.

Please note that the index does not take into account any fees and expenses or any tax consequences of investing in the individual securities that it tracks and that individuals cannot invest directly in any index. Data about the performance of this index is prepared or obtained by Management and includes reinvestment of all income dividends and distributions. The Fund may invest in securities not included in the above-described index.

Schedule of Investments High Yield Strategies Fund

PRINCIPAL AMOUNT		VALUE†
Bank Loan Obligations (8.5%)		
Airlines (2.2%)		
$ 3,899,200	United Airlines, Inc., Term Loan B, 2.28%, due 2/1/14	$ 3,062,276^
Electric—Generation (4.7%)		
7,957,603	Texas Competitive Electric Holdings Co. LLC, Term Loan DD, 3.51%, due 10/10/14	6,428,629
Media—Cable (0.6%)		
833,737	Cequel Communication LLC, Term Loan B, 6.28%, due 5/5/14	830,610
Software/Services (1.0%)		
353,193	First Data Corp., Term Loan B1, 3.25%, due 9/24/14	313,216
1,235,390	First Data Corp., Term Loan B2, 3.00%, due 9/24/14	1,095,210
		1,408,426
	Total Bank Loan Obligations (Cost $10,287,866)	11,729,941
Corporate Debt Securities (129.9%)		
Airlines (3.3%)		
1,155,000	American Airlines, Inc., Senior Secured Notes, 10.50%, due 10/15/12	1,206,975ñ
455,000	American Airlines, Inc., Pass-Through Certificates, Ser. 2009-1A, 10.38%, due 7/2/19	502,775
895,000	Delta Air Lines, Inc., Pass-Through Certificates, Ser. 2001-1, Class B, 7.71%, due 9/18/11	881,575
930,000	Delta Air Lines, Inc., Senior Secured Notes, 9.50%, due 9/15/14	966,037ñ
1,224,288	United Airlines, Inc., Pass-Through Certificates, Ser. 2007-1, Class A, 6.64%, due 7/2/22	1,040,645
		4,598,007
Auto Loans (3.3%)		
795,000	Ford Motor Credit Co. LLC, Senior Unsecured Notes, 7.00%, due 10/1/13	793,803
2,570,000	Ford Motor Credit Co. LLC, Senior Unsecured Notes, 8.70%,	2,686,915

	due 10/1/14	
1,135,000	Ford Motor Credit Co. LLC, Senior Unsecured Notes, 8.13%, due 1/15/20	1,115,363
		4,596,081
Auto Parts & Equipment (1.8%)		
2,380,000	Navistar Int'l Corp., Guaranteed Notes, 8.25%, due 11/1/21	2,439,500
Automotive (1.4%)		
315,000	Ford Holdings, Inc., Guaranteed Notes, 9.38%, due 3/1/20	296,888
1,295,000	Ford Holdings, Inc., Guaranteed Notes, 9.30%, due 3/1/30	1,191,400
505,000	Ford Motor Co., Senior Unsecured Notes, 9.98%, due 2/15/47	469,650
		1,957,938

See Notes to Schedule of Investments 6

PRINCIPAL AMOUNT		VALUE†
Banking (10.2%)		
$ 475,592	CIT Group, Inc., Senior Secured Notes, 7.00%, due 5/1/13	$ 443,489È
713,391	CIT Group, Inc., Senior Secured Notes, 7.00%, due 5/1/14	662,562
713,391	CIT Group, Inc., Senior Secured Notes, 7.00%, due 5/1/15	638,485
1,513,986	CIT Group, Inc., Senior Secured Notes, 7.00%, due 5/1/16	1,332,308
4,169,580	CIT Group, Inc., Senior Secured Notes, 7.00%, due 5/1/17	3,617,111
470,000	GMAC LLC, Senior Unsecured Notes, 0.00%, due 12/1/12	351,325
1,655,000	GMAC LLC, Guaranteed Notes, 6.75%, due 12/1/14	1,572,250ñ
610,000	GMAC LLC, Senior Unsecured Notes, 0.00%, due 6/15/15	334,737
2,495,000	GMAC LLC, Subordinated Notes, 8.00%, due 12/31/18	2,195,600ñ
1,875,000	GMAC LLC, Guaranteed Notes, 8.00%, due 11/1/31	1,687,500ñ
1,180,000	Lloyds Banking Group PLC, Junior Subordinated Notes, 6.27%, due 11/14/16	708,000ñµ
490,000	Lloyds Banking Group PLC, Junior Subordinated Notes, Ser. A, 6.41%, due 10/1/35	294,000ñµ
350,000	Lloyds Banking Group PLC, Junior Subordinated Notes, 6.66%, due 5/21/37	210,000ñµ
		14,047,367
Building & Construction (0.7%)		
925,000	Standard Pacific Escrow LLC, Senior Secured Notes, 10.75%, due 9/15/16	943,500ñ
Building Materials (3.5%)		
2,170,000	Goodman Global Group, Inc., Senior Discount Notes, 0.00%, due 12/15/14	1,231,475ñ
325,000	Owens Corning, Inc., Guaranteed Notes, 9.00%, due 6/15/19	362,433
2,145,000	Ply Gem Industries, Inc., Senior Secured Notes, 11.75%, due 6/15/13	2,145,000
1,050,000	USG Corp., Guaranteed Notes, 9.75%, due 8/1/14	1,120,875ñ

		4,859,783
Chemicals (3.4%)		
620,000	Huntsman Int'l LLC, Guaranteed Notes, 7.88%, due 11/15/14	606,050
2,115,000	MacDermid, Inc., Senior Subordinated Notes, 9.50%, due 4/15/17	2,115,000ñ
1,804,000	Momentive Performance Materials, Inc., Guaranteed Notes, 12.50%, due 6/15/14	1,984,400ñ
		4,705,450
Consumer/Commercial/Lease Financing (4.1%)		
1,015,000	American General Finance Corp., Senior Unsecured Medium-Term Notes, Ser. H, 5.38%, due 10/1/12	816,173
2,265,000	American General Finance Corp., Senior Unsecured Medium-Term Notes, Ser. I, 5.85%, due 6/1/13	1,789,796
1,340,000	American General Finance Corp., Senior Unsecured Medium-Term Notes, Ser. I, 5.40%, due 12/1/15	921,266
3,080,000	American General Finance Corp., Senior Unsecured Medium-Term Notes, Ser. J, 6.90%, due 12/15/17	2,138,610
		5,665,845
Diversified Capital Goods (0.7%)		
1,045,000	Mueller Water Products, Inc., Guaranteed Notes, 7.38%, due 6/1/17	966,625
Electric—Generation (9.4%)		
5,025,000	Dynegy-Roseton Danskammer, Pass-Through Certificates, Ser. B, 7.67%, due 11/8/16	4,849,125
495,000	Edison Mission Energy, Senior Unsecured Notes, 7.00%, due 5/15/17	391,050
570,000	Edison Mission Energy, Senior Unsecured Notes, 7.20%, due 5/15/19	431,775
3,070,000	Edison Mission Energy, Senior Unsecured Notes, 7.63%, due 5/15/27	2,079,925
4,024,290	Energy Future Holdings Corp., Guaranteed Notes, 11.25%, due 11/1/17	2,847,185
175,200		171,696

	Homer City Funding LLC, Senior Secured Notes, 8.14%, due 10/1/19	
895,000	NRG Energy, Inc., Guaranteed Notes, 7.38%, due 2/1/16	896,119
1,305,000	NRG Energy, Inc., Guaranteed Notes, 7.38%, due 1/15/17	1,308,262
		12,975,137

See Notes to Schedule of Investments

PRINCIPAL AMOUNT			VALUE†
Electronics (1.7%)			
$ 675,000	Advanced Micro Devices, Inc., Senior Unsecured Notes, 8.13%, due 12/15/17	$	672,469ñ
725,000	NXP BV Funding LLC, Senior Secured Floating Rate Notes, 3.03%, due 1/15/10		601,750µÈ
1,120,000	NXP BV Funding LLC, Senior Secured Notes, 7.88%, due 10/15/14		1,016,400
			2,290,619
Energy—Exploration & Production (2.8%)			
395,000	Atlas Energy Operating Co. LLC, Guaranteed Notes, 10.75%, due 2/1/18		436,475
635,000	Chesapeake Energy Corp., Guaranteed Notes, 9.50%, due 2/15/15		696,912
1,440,000	Chesapeake Energy Corp., Guaranteed Notes, 6.88%, due 1/15/16		1,440,000
280,000	Chesapeake Energy Corp., Guaranteed Notes, 7.25%, due 12/15/18		282,100
1,065,000	Cimarex Energy Co., Guaranteed Notes, 7.13%, due 5/1/17		1,075,650
			3,931,137
Food & Drug Retailers (2.1%)			
450,000	Ingles Markets, Inc., Senior Unsecured Notes, 8.88%, due 5/15/17		468,000
745,000	Rite Aid Corp., Senior Secured Notes, 9.75%, due 6/12/16		808,325
1,050,000	Rite Aid Corp., Senior Secured Notes, 10.38%, due 7/15/16		1,113,000
525,000	Rite Aid Corp., Senior Secured Notes, 10.25%, due 10/15/19		553,875ñ
			2,943,200
Forestry/Paper (1.1%)			
1,355,000	PE Paper Escrow GmbH, Senior Secured Notes, 12.00%, due 8/1/14		1,497,275ñ
Gaming (8.9%)			
345,000	Chukchansi Economic Development Authority, Senior Unsecured Notes, 8.00%, due		251,850ñ

	11/15/13	
1,350,000	FireKeepers Development Authority, Senior Secured Notes, 13.88%, due 5/1/15	1,532,250ñ
3,440,000	Harrah's Operating Co., Inc., Guaranteed Notes, 10.75%, due 2/1/16	2,803,600
315,000	MGM Mirage, Inc., Guaranteed Notes, 6.75%, due 4/1/13	271,687
510,000	MGM Mirage, Inc., Senior Secured Notes, 10.38%, due 5/15/14	553,350ñ
875,000	MGM Mirage, Inc., Guaranteed Notes, 7.50%, due 6/1/16	682,500
860,000	MGM Mirage, Inc., Senior Secured Notes, 11.13%, due 11/15/17	952,450ñ
620,000	Peninsula Gaming LLC, Senior Secured Notes, 8.38%, due 8/15/15	618,450ñ
705,000	Peninsula Gaming LLC, Senior Unsecured Notes, 10.75%, due 8/15/17	708,525ñ
595,000	Pinnacle Entertainment, Inc., Senior Notes, 8.63%, due 8/1/17	606,900ñ
1,781,000	Pokagon Gaming Authority, Senior Notes, 10.38%, due 6/15/14	1,852,240ñ
665,000	San Pasqual Casino Development Group, Inc., Notes, 8.00%, due 9/15/13	621,775ñ
1,115,000	Shingle Springs Tribal Gaming Authority, Senior Notes, 9.38%, due 6/15/15	847,400ñ
		12,302,977
Gas Distribution (10.3%)		
755,000	AmeriGas Partners L.P., Senior Unsecured Notes, 7.13%, due 5/20/16	755,000
2,985,000	El Paso Energy Corp., Medium-Term Notes, 7.80%, due 8/1/31	2,810,178
1,462,000	Ferrellgas L.P., Senior Unsecured Notes, 6.75%, due 5/1/14	1,440,070
690,000	Ferrellgas Partners L.P., Senior Unsecured Notes, 8.75%, due 6/15/12	698,625
540,000	Ferrellgas Partners L.P., Senior Unsecured Notes, 6.75%, due 5/1/14	531,900

1,155,000	Ferrellgas Partners L.P., Senior Notes, 9.13%, due 10/1/17	1,221,412ñ
985,000	MarkWest Energy Partners L.P., Guaranteed Notes, Ser. B, 6.88%, due 11/1/14	930,825
980,000	MarkWest Energy Partners L.P., Guaranteed Notes, Ser. B, 8.75%, due 4/15/18	1,009,400
690,000	Regency Energy Partners L.P., Guaranteed Notes, 8.38%, due 12/15/13	714,150
4,900,000	Sabine Pass LNG, L.P., Senior Secured Notes, 7.50%, due 11/30/16	4,079,250
		14,190,810

See Notes to Schedule of Investments

PRINCIPAL AMOUNT		VALUE†
Health Services (7.8%)		
$ 320,000	Columbia Healthcare Corp., Senior Unsecured Notes, 7.50%, due 12/15/23	$ 292,398
520,000	Columbia/HCA Corp., Senior Unsecured Notes, 7.69%, due 6/15/25	476,165
175,000	Columbia/HCA Corp., Senior Unsecured Notes, 7.05%, due 12/1/27	150,063
945,000	HCA, Inc., Secured Notes, 9.13%, due 11/15/14	996,975
2,060,000	HCA, Inc., Secured Notes, 9.25%, due 11/15/16	2,211,925
320,000	HCA, Inc., Senior Secured Notes, 8.50%, due 4/15/19	344,800ñ
3,058,150	NMH Holdings, Inc., Senior Unsecured Floating Rate Notes, 6.63%, due 3/15/10	2,278,322ñµ
2,320,000	Service Corp. Int'l, Senior Unsecured Notes, 7.50%, due 4/1/27	2,064,800
375,000	Ventas Realty L.P., Guaranteed Notes, Ser. 1, 6.50%, due 6/1/16	361,875
1,460,000	Ventas Realty L.P., Guaranteed Notes, 6.50%, due 6/1/16	1,408,900
235,000	Ventas Realty L.P., Guaranteed Notes, 6.75%, due 4/1/17	227,362
		10,813,585
Machinery (0.5%)		
735,000	Terex Corp., Senior Subordinated Notes, 8.00%, due 11/15/17	707,438
Media—Broadcast (7.3%)		
1,680,000	Allbritton Communications Co., Senior Subordinated Notes, 7.75%, due 12/15/12	1,652,700
580,000	Clear Channel Communications, Inc., Senior Unsecured Notes, 5.00%, due 3/15/12	493,000È
540,000	Clear Channel Communications, Inc., Senior Unsecured Notes, 5.75%, due 1/15/13	427,950
1,110,000	Clear Channel Communications, Inc., Guaranteed Notes, 10.75%, due 8/1/16	871,350
1,670,000	LIN Television Corp., Guaranteed Notes, Ser. B, 6.50%, due 5/15/13	1,586,500

1,390,000	Sinclair Television Group, Inc., Senior Secured Notes, 9.25%, due 11/1/17	1,445,600ñ
495,000	Sirius XM Radio, Inc., Senior Unsecured Notes, 9.63%, due 8/1/13	492,525
1,295,837	Umbrella Acquisition, Inc., Guaranteed Notes, 9.75%, due 3/15/15	1,135,477ñ
1,020,000	Univision Communications, Inc., Senior Secured Notes, 12.00%, due 7/1/14	1,123,275ñ
685,000	XM Satellite Radio, Inc., Senior Secured Notes, 11.25%, due 6/15/13	736,375ñ
90,000	XM Satellite Radio, Inc., Guaranteed Notes, 13.00%, due 8/1/13	97,763ñ
		10,062,515
Media—Cable (3.2%)		
870,000	DISH DBS Corp., Guaranteed Notes, 7.88%, due 9/1/19	912,412
1,185,000	GCI, Inc., Senior Notes, 8.63%, due 11/15/19	1,195,369ñ
1,035,000	UPC Holding BV, Senior Secured Notes, 9.88%, due 4/15/18	1,091,925ñ
345,000	Videotron Ltee, Guaranteed Senior Unsecured Notes, 6.88%, due 1/15/14	346,725
140,000	Videotron Ltee, Guaranteed Notes, 9.13%, due 4/15/18	154,000ñ
455,000	Videotron Ltee, Guaranteed Notes, 9.13%, due 4/15/18	500,500
190,000	Virgin Media Finance PLC, Guaranteed Notes, 9.13%, due 8/15/16	200,213
		4,401,144
Media—Services (3.4%)		
600,000	Nielsen Finance LLC, Guaranteed Notes, 11.50%, due 5/1/16	670,500
1,760,000	Nielsen Finance LLC, Guaranteed Notes, Step Up, 0.00%/12.50%, due 8/1/16	1,606,000^^
580,000	The Interpublic Group of Cos., Inc., Senior Unsecured Notes, 10.00%, due 7/15/17	643,800
750,000	WMG Acquisition Corp., Guaranteed Notes, 7.38%, due 4/15/14	724,687
1,000,000	WMG Acquisition Corp., Senior Secured Notes, 9.50%, due	1,071,250ñ

	6/15/16	
		4,716,237
Metals/Mining Excluding Steel (0.3%)		
410,000	Arch Coal, Inc., Guaranteed Notes, 8.75%, due 8/1/16	433,575ñ
Multi-Line Insurance (0.8%)		
1,560,000	American Int'l Group, Inc., Junior Subordinated Debentures, 8.18%, due 5/15/38	1,029,600µ

See Notes to Schedule of Investments 9

PRINCIPAL AMOUNT			VALUE†
Non-Food & Drug Retailers (4.1%)			
$ 605,000	Blockbuster, Inc., Guaranteed Notes, 9.00%, due 9/1/12		$ 344,850
2,054,000	Blockbuster, Inc., Senior Secured Notes, 11.75%, due 10/1/14		1,951,300ñ
670,000	Macy's Retail Holdings, Inc., Guaranteed Unsecured Notes, 7.00%, due 2/15/28		589,600
1,100,000	Macy's Retail Holdings, Inc., Senior Guaranteed Notes, 6.90%, due 4/1/29		968,000
445,000	Macy's Retail Holdings, Inc., Guaranteed Notes, 6.38%, due 3/15/37		376,025
1,355,000	Toys "R" Us Property Co. I LLC, Guaranteed Notes, 10.75%, due 7/15/17		1,483,725ñ
			5,713,500
Packaging (0.1%)			
195,000	Berry Plastics Corp., Secured Notes, 8.88%, due 9/15/14		189,638
Printing & Publishing (2.2%)			
405,000	Gannett Co., Inc., Guaranteed Notes, 8.75%, due 11/15/14		419,175ñ
1,040,000	Gannett Co., Inc., Guaranteed Notes, 9.38%, due 11/15/17		1,073,800ñ
1,610,000	TL Acquisitions, Inc., Senior Notes, 10.50%, due 1/15/15		1,539,563ñ
			3,032,538
Real Estate Dev. & Mgt. (3.2%)			
950,000	American Real Estate Partners L.P., Senior Unsecured Notes, 8.13%, due 6/1/12		969,000
2,125,000	American Real Estate Partners L.P., Guaranteed Notes, 7.13%, due 2/15/13		2,167,500
1,535,000	Realogy Corp., Guaranteed Notes, 10.50%, due 4/15/14		1,327,775
			4,464,275
Restaurants (0.3%)			
310,000	NPC Int'l, Inc., Guaranteed Notes, 9.50%, due 5/1/14		306,900
150,000	OSI Restaurant Partners, Inc., Guaranteed Notes, 10.00%, due 6/15/15		132,375
			439,275

Software/Services (4.7%)		
400,000	Ceridian Corp., Senior Unsecured Notes, 11.25%, due 11/15/15	381,500
1,120,200	Ceridian Corp., Guaranteed Notes, 12.25%, due 11/15/15	1,058,589
3,306,588	First Data Corp., Guaranteed Notes, 10.55%, due 9/24/15	2,934,597
195,000	SunGard Data Systems, Inc., Guaranteed Notes, 9.13%, due 8/15/13	199,875
565,000	SunGard Data Systems, Inc., Guaranteed Notes, 10.63%, due 5/15/15	622,206
1,200,000	SunGard Data Systems, Inc., Guaranteed Notes, 10.25%, due 8/15/15	1,278,000ØØ
		6,474,767
Steel Producers/Products (1.6%)		
1,995,000	Tube City IMS Corp., Guaranteed Notes, 9.75%, due 2/1/15	1,927,669
370,000	United States Steel Corp., Senior Unsecured Notes, 6.65%, due 6/1/37	297,658
		2,225,327
Support—Services (5.0%)		
985,000	Cardtronics, Inc., Guaranteed Notes, 9.25%, due 8/15/13	1,013,319
1,000,000	Cardtronics, Inc., Guaranteed Notes, Ser. B, 9.25%, due 8/15/13	1,028,750
615,000	Hertz Corp., Guaranteed Notes, 10.50%, due 1/1/16	656,512
550,000	Knowledge Learning Corp., Inc., Guaranteed Notes, 7.75%, due 2/1/15	528,000ñ
975,000	RSC Equipment Rental, Inc., Senior Notes, 10.25%, due 11/15/19	978,656ñ
1,250,000	United Rentals N.A., Inc., Guaranteed Notes, 7.75%, due 11/15/13	1,175,000
1,390,000	United Rentals N.A., Inc., Guaranteed Notes, 10.88%, due 6/15/16	1,511,625
		6,891,862

PRINCIPAL AMOUNT		VALUE†
Telecom—Integrated/Services (7.5%)		
$ 1,885,000	Citizens Communications Co., Senior Unsecured Notes, 9.00%, due 8/15/31	$ 1,852,012
565,000	Dycom Investments, Inc., Guaranteed Notes, 8.13%, due 10/15/15	519,800
780,000	Intelsat Bermuda Ltd., Guaranteed Notes, 11.50%, due 2/4/17	766,350ñ
605,000	Intelsat Jackson Holdings Ltd., Guaranteed Notes, 8.50%, due 11/1/19	623,150ñ
575,000	Intelsat Ltd., Senior Unsecured Notes, 6.50%, due 11/1/13	539,063
920,000	Intelsat Subsidiary Holdings Co., Ltd., Guaranteed Notes, 8.50%, due 1/15/13	938,400
70,000	Intelsat Subsidiary Holdings Co., Ltd., Guaranteed Notes, Ser. B, 8.88%, due 1/15/15	72,100ñ
30,000	Intelsat Subsidiary Holdings Co., Ltd., Guaranteed Notes, 8.88%, due 1/15/15	31,050
410,000	Level 3 Financing, Inc., Guaranteed Notes, 12.25%, due 3/15/13	434,600
800,000	Level 3 Financing, Inc., Guaranteed Notes, 9.25%, due 11/1/14	756,000
1,540,000	Level 3 Financing, Inc., Guaranteed Notes, 8.75%, due 2/15/17	1,405,250
1,295,000	Qwest Corp., Senior Unsecured Notes, 8.38%, due 5/1/16	1,388,887
480,000	Windstream Corp., Guaranteed Notes, 8.13%, due 8/1/13	498,000
475,000	Windstream Corp., Guaranteed Notes, 8.63%, due 8/1/16	483,313
		10,307,975
Telecom—Wireless (9.2%)		
2,500,000	Clearwire Communications LLC, Senior Secured Notes, 12.00%, due 12/1/15	2,537,500ñ
965,000	Cricket Communications, Inc., Senior Secured Notes, 7.75%, due 5/15/16	962,588È
2,335,000		2,364,187È

	MetroPCS Wireless, Inc., Guaranteed Notes, 9.25%, due 11/1/14	
820,000	Nextel Communications, Inc., Guaranteed Notes, Ser. E, 6.88%, due 10/31/13	795,400
6,025,000	Sprint Capital Corp., Guaranteed Notes, 6.88%, due 11/15/28	5,008,281
1,010,000	Telesat Canada/Telesat LLC, Senior Unsecured Notes, 11.00%, due 11/1/15	1,095,850
		12,763,806
	Total Corporate Debt Securities (Cost $166,322,926)	179,578,308
NUMBER OF SHARES		
Common Stocks (0.2%)		
Diversified Financial Services (0.2%)		
11,536	CIT Group, Inc. (Cost $285,569)	318,509*
Preferred Stocks (0.1%)		
Banking (0.1%)		
253	GMAC, Ser. G, 7.00%, due 12/31/49 (Cost $50,254)	166,759ñ
Short-Term Investments (4.6%)		
4,956,641	Neuberger Berman Securities Lending Quality Fund, LLC	5,055,774‡
1,341,587	State Street Institutional Liquid Reserves Fund Institutional Class	1,341,587ØØ
	Total Short-Term Investments (Cost $6,397,361)	6,397,361
	Total Investments (143.3%) (Cost $183,343,976)	198,190,878##
	Liabilities, less cash, receivables and other assets [(34.4%)]	(47,597,682)
	Liquidation Value of Perpetual Preferred Shares [(8.9%)]	(12,300,000)
	Total Net Assets (100.0%)	$138,293,196

See Notes to Schedule of Investments

Notes to Schedule of Investments

† The value of investments in debt securities and interest rate swaps by Neuberger Berman High Yield Strategies Fund (the "Fund") is determined by Neuberger Berman Management LLC ("Management") primarily by obtaining valuations from independent pricing services based on readily available bid quotations, or if quotations are not available, by methods which include considerations such as: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. If a valuation is not available from an independent pricing service, the Fund seeks to obtain quotations from principal market makers. The value of investments in equity securities by the Fund is determined by Management primarily by obtaining valuations from an independent pricing service based on the latest sale price when that price is readily available. Securities traded primarily on the NASDAQ Stock Market are normally valued by the Fund at the NASDAQ Official Closing Price ("NOCP") provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 p.m., Eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes. If there is no reported sale of a security on a particular day, the independent pricing service may value the security based on reported market quotations. In addition, for both debt and equity securities Management has developed a process to periodically review information provided by independent pricing services. For both debt and equity securities, if such quotations are not readily available, securities are valued using methods the Board of Trustees of the Fund (the "Board") has approved on the belief that they reflect fair value. Numerous factors may be considered when determining the fair value of a security, including available analyst, media or other reports, trading in futures or ADRs and whether the issuer of the security being fair valued has other securities outstanding. Fair value prices are necessarily estimates, and there is no assurance that such a price will be at or close to the price at which the security is next quoted or next trades. Short-term debt securities with less than 60 days until maturity may be valued at cost, which, when combined with interest earned, is expected to approximate market value.

In accordance with Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures" ("ASC 820"), formerly known as Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," investments held by the Fund are carried at "fair value" as defined by ASC 820. Fair value is defined as the price that a fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment under current market conditions. Various inputs, including the volume and level of activity for the asset or liability in the market are considered in determining the value of the Fund's investments, some of which are discussed above. Significant management judgement may be necessary to estimate fair value in accordance with ASC 820.

In addition to defining fair value, ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments

- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, amortized cost, etc.)

- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing an investment are not necessarily an indication of the risk associated with investing in such investments.

Notes to Schedule of Investments (cont'd)

The following is a summary, by category of Level, of inputs used to value the Fund's investments as of December 31, 2009:

Asset Valuation Inputs	Level 1	Level 2	Level 3§	Total
Bank Loan Obligations				
Airlines	$ —	$ 3,062,276	$ —	$ 3,062,276
Electric—Generation	—	6,428,629	—	6,428,629
Media—Cable	—	830,610	—	830,610
Software/Services	—	1,408,426	—	1,408,426
Total Bank Loan Obligations	—	11,729,941	—	11,729,941
Corporate Debt Securities				
Airlines	—	2,173,012	2,424,995	4,598,007
Auto Loans	—	4,596,081	—	4,596,081
Auto Parts & Equipment	—	2,439,500	—	2,439,500
Automotive	—	1,957,938	—	1,957,938
Banking	—	14,047,367	—	14,047,367
Building & Construction	—	943,500	—	943,500
Building Materials	—	4,859,783	—	4,859,783
Chemicals	—	4,705,450	—	4,705,450
Consumer/Commercial/Lease Financing	—	5,665,845	—	5,665,845
Diversified Capital Goods	—	966,625	—	966,625
Electric—Generation	—	12,975,137	—	12,975,137
Electronics	—	2,290,619	—	2,290,619
Energy—Exploration & Production	—	3,931,137	—	3,931,137
Food & Drug Retailers	—	2,943,200	—	2,943,200
Forestry/Paper	—	1,497,275	—	1,497,275
Gaming	—	12,302,977	—	12,302,977
Gas Distribution	—	14,190,810	—	14,190,810
Health Services	—	10,813,585	—	10,813,585
Machinery	—	707,438	—	707,438
Media—Broadcast	—	10,062,515	—	10,062,515
Media—Cable	—	4,401,144	—	4,401,144
Media—Services	—	4,716,237	—	4,716,237
Metals/Mining Excluding Steel	—	433,575	—	433,575
Multi-Line Insurance	—	1,029,600	—	1,029,600
Non-Food & Drug Retailers	—	5,713,500	—	5,713,500
Packaging	—	189,638	—	189,638
Printing & Publishing	—	3,032,538	—	3,032,538
Real Estate Dev. & Mgt.	—	4,464,275	—	4,464,275
Restaurants	—	439,275	—	439,275
Software/Services	—	6,474,767	—	6,474,767
Steel Producers/Products	—	2,225,327	—	2,225,327
Support—Services	—	6,891,862	—	6,891,862

Telecom—Integrated/Services	—	10,307,975	—	10,307,975
Telecom—Wireless	—	12,763,806	—	12,763,806
Total Corporate Debt Securities	—	177,153,313	2,424,995	179,578,308
Common Stocks				
Diversified Financial Services	318,509	—	—	318,509
Preferred Stocks				
Banking	—	166,759	—	166,759
Short-Term Investments	—	6,397,361	—	6,397,361
Total Investments	$318,509	$195,447,374	$2,424,995	$198,190,878

See Notes to Financial Statements 13

Notes to Schedule of Investments (cont'd)

§ The following is a reconciliation between the beginning and ending balances of investments in which significant unobservable inputs (Level 3) were used in determining value:

Investments in Securities	Beginning balance, as of 1/1/09	Accrued discounts/ (premiums)	Realized gain/loss and change in unrealized appreciation/ (depreciation)	Net purchases/ (sales)	Net transfers in and/or out of Level 3	Balance as of 12/31/09	Net change in unrealized appreciation/ (depreciation) from investments still held as of 12/31/09
Corporate Debt Securities							
Airlines	$ —	$47,959	$447,224	$1,929,812	$ —	$2,424,995	$372,378
Preferred Stocks							
Banking	63,250	—	103,530	(21)	(166,759)	—	—

Liability Valuation Inputs

The following is a summary, by category of Level, of inputs used to value the Fund's derivatives as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Interest rate swap contracts	$ —	$(1,119,006)	$ —	$(1,119,006)

At December 31, 2009, the cost of investments for U.S. federal income tax purposes was $183,946,347. Gross unrealized appreciation of investments was $17,581,913 and gross unrealized depreciation of investments was $3,337,382, resulting in net unrealized appreciation of $14,244,531, based on cost for U.S. federal income tax purposes.

ñ Restricted security subject to restrictions on resale under federal securities laws. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers under Rule 144A under the Securities Act of 1933, as amended, and have been deemed by the investment manager to be liquid. At December 31, 2009, these securities amounted to $51,973,642 or 37.6% of net assets applicable to common shareholders.

µ Floating rate securities are securities whose yields vary with a designated market index or market rate. These securities are shown at their current rates as of December 31, 2009.

È All or a portion of this security is on loan (see Note A of Notes to Financial Statements).

* Security did not produce income for the last twelve months.

‡ Managed by an affiliate of Management and could be deemed an affiliate of the Fund (see Notes A & E of Notes to Financial Statements).

ØØ All or a portion of this security is segregated in connection with obligations for interest rate swap contracts and delayed delivery purchase commitments.

^^ Denotes a step-up bond: a zero coupon bond that converts to a fixed rate of interest at a designated future date.

^ All or a portion of this security was purchased on a delayed delivery basis. As of December 31, 2009, the value of the Fund's unfunded loan commitments was $537,972, pursuant to the following loan agreement:

Borrower	Principal Amount	Value
United Airlines, Inc., Term Loan B, 2.28%, due 2/1/14	$685,000	$537,972

See Notes to Financial Statements 14

Statement of Assets and Liabilities

Neuberger Berman

	HIGH YIELD STRATEGIES FUND
	December 31, 2009
Assets	
Investments in securities, at value *† (Notes A & E)—see Schedule of Investments:	
Unaffiliated issuers	$ 193,135,104
Affiliated issuers	5,055,774
	198,190,878
Cash	99,877
Deposits with brokers for open swap contracts	1,500,000
Interest receivable	3,485,534
Receivable for securities sold	99,267
Receivable for securities lending income—net (Note A)	1,299
Prepaid expenses and other assets	403,164
Total Assets	203,780,019
Liabilities	
Notes payable (Note A)	45,900,000
Payable for collateral on securities loaned (Note A)	4,987,611
Distributions payable—preferred shares	1,078
Distributions payable—common shares	35,456
Interest rate swaps, at value (Note A)	1,119,006
Payable for securities purchased	921,031
Payable to investment manager—net (Notes A & B)	91,098
Payable to administrator (Note B)	8,282
Interest payable	2,105
Accrued expenses and other payables	121,156
Total Liabilities	53,186,823
Perpetual Preferred Shares Series A (492 shares issued and outstanding) at liquidation value	12,300,000
Net Assets applicable to Common Shareholders at value	$ 138,293,196
Net Assets applicable to Common Shareholders consist of:	
Paid-in capital—common shares	$ 160,803,923
Undistributed net investment income (loss)	608,118
Accumulated net realized gains (losses) on investments	(36,856,813)
Net unrealized appreciation (depreciation) in value of investments	13,737,968
Net Assets applicable to Common Shareholders at value	$ 138,293,196
Common Shares Outstanding (no par value; unlimited number of shares authorized)	11,029,127
Net Asset Value Per Common Share Outstanding	$ 12.54

†Securities on loan, at value	$	4,888,437
*Cost of Investments:		
Unaffiliated issuers	$	178,288,202
Affiliated issuers		5,055,774
Total cost of investments	$	183,343,976

See Notes to Financial Statements 15

Statement of Operations

Neuberger Berman

	HIGH YIELD STRATEGIES FUND For the Year Ended December 31, 2009
Investment Income:	
Income (Note A):	
Dividend income—unaffiliated issuers	$ 15,772
Interest income—unaffiliated issuers	19,515,676
Income from investments in affiliated issuers (Note E)	10,143
Income from securities loaned—net (Note E)	20,010
Total income	$ 19,561,601
Expenses:	
Investment management fees (Notes A & B)	1,043,667
Administration fees (Note B)	86,971
Investor service fees (Note B)	6,600
Audit fees	76,466
Basic maintenance expense (Note B)	25,417
Custodian fees (Note B)	98,527
Insurance expense	7,630
Legal fees	258,327
Shareholder reports	99,495
Stock exchange listing fees	25,000
Stock transfer agent fees	28,896
Interest expense (Note A)	1,216,193
Trustees' fees and expenses	50,113
Tender offer fees (Note F)	22,739
Miscellaneous	17,357
Total expenses	3,063,398
Investment management fees waived (Notes A & B)	(55,903)
Expenses reduced by custodian fee expense offset arrangement (Note B)	(174)
Total net expenses	3,007,321
Net investment income (loss)	$ 16,554,280
Realized and Unrealized Gain (Loss) on Investments (Note A)	
Net realized gain (loss) on:	
Sales of investment securities of unaffiliated issuers	(39,877)
Sales of investment securities of affiliated issuers	68,164

Interest rate swap contracts		(1,173,621)
Change in net unrealized appreciation (depreciation) in value of:		
Unaffiliated investment securities		58,207,708
Interest rate swap contracts		448,123
Net gain (loss) on investments		57,510,497
Distributions to Preferred Shareholders		(472,605)
Net increase (decrease) in net assets applicable to Common Shareholders resulting from operations	$	73,592,172

See Notes to Financial Statements 16

Statements of Changes in Net Assets

Neuberger Berman

	HIGH YIELD STRATEGIES FUND	
	Year Ended December 31, 2009	Year Ended December 31, 2008
Increase (Decrease) in Net Assets Applicable to Common Shareholders:		
From Operations (Note A):		
Net investment income (loss)	$ 16,554,280	$ 18,581,535
Net realized gain (loss) on investments	(1,145,334)	(34,408,343)
Change in net unrealized appreciation (depreciation) of investments	58,655,831	(35,842,074)
Distributions to Preferred Shareholders From (Note A):		
Net investment income	(472,605)	(3,339,115)
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	73,592,172	(55,007,997)
Distributions to Common Shareholders From (Note A):		
Net investment income	(14,441,783)	(14,977,866)
Tax return of capital	—	(1,198,186)
Total distributions to common shareholders	(14,441,783)	(16,176,052)
From Capital Share Transactions (Note D):		
Payments for shares redeemed in connection with tender offer (Note F)	(11,764,397)	—
Net Increase (Decrease) in Net Assets Applicable to Common Shareholders	47,385,992	(71,184,049)
Net Assets Applicable to Common Shareholders:		
Beginning of year	90,907,204	162,091,253
End of year	$ 138,293,196	$ 90,907,204
Undistributed net investment income (loss) at end of year	$ 608,118	$ —
Distributions in excess of net investment income at end of year	$ —	$ (75,907)

See Notes to Financial Statements 17

Statement of Cash Flows

Neuberger Berman

	HIGH YIELD STRATEGIES FUND For the Year Ended December 31, 2009
Increase (decrease) in cash:	
Cash flows from operating activities:	
Net increase in net assets applicable to Common Shareholders resulting from operations	$ 73,592,172
Adjustments to reconcile net increase in net assets applicable to Common Shareholders resulting from operations to net cash provided in operating activities:	
Changes in assets and liabilities:	
Purchase of investment securities	(304,293,939)
Proceeds from disposition of investment securities	314,743,835
Sale of short-term investment securities, net	6,448,388
Increase in collateral for securities loaned	(4,987,611)
Decrease in net interest on swaps	888
Increase in dividends and interest receivable	(426,985)
Increase in receivable for securities lending income	(922)
Decrease in prepaid expenses and other assets	162,588
Decrease in receivable for securities sold	781,065
Decrease in accumulated unpaid dividends on Preferred Shares	(83,713)
Increase in payable for collateral on securities loaned	4,987,611
Decrease in payable for securities lending fees	(760)
Decrease in payable for investment securities purchased	(3,445,882)
Decrease in interest payable	(224,992)
Net accretion of discount on investments	(3,919,342)
	40,454

Increase in accrued expenses and other payables		
Unrealized appreciation on securities	(58,207,708)	
Unrealized appreciation on swaps	(448,123)	
Net realized gain from investments	(28,287)	
Net realized loss from swaps	1,173,621	
Net cash provided by operating activities		$ 25,862,358
Cash flows from financing activities:		
Cash distributions paid on Common Shares	(14,406,628)	
Payout for Common Shares redeemed via tender offer	(11,764,397)	
Net cash used in financing activities		(26,171,025)
Net decrease in cash		(308,667)
Cash:		
Beginning balance		408,544
Ending balance		$ 99,877
Supplemental disclosure		
Cash paid for interest		$ 1,286,153

See Notes to Financial Statements 18

Notes to Financial Statements High Yield Strategies Fund

Note A—Summary of Significant Accounting Policies:

1 General: The Fund was organized as a Delaware statutory trust on April 8, 2003, and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. Management is the investment adviser to the Fund. Neuberger Berman Fixed Income LLC (formerly known as Lehman Brothers Asset Management LLC) ("NBFI") is the sub-adviser to the Fund. The Fund's common shares are listed on the New York Stock Exchange under the symbol NHS.

The Fund's investment objective is to seek high total return (income plus capital appreciation). The Fund pursues its investment objective by investing its assets primarily in high yield debt securities.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires Management to make estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates.

2 Portfolio valuation: Investment securities are valued as indicated in the notes following the Schedule of Investments.

3 Securities transactions and investment income: Security transactions are recorded on trade date for financial reporting purposes. Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium, where applicable, and accretion of discount on securities (adjusted for original issue discount, where applicable) is recorded on the accrual basis. Realized gains and losses from security transactions are recorded on the basis of identified cost and stated separately in the Statement of Operations. Included in net realized gain (loss) on investments are proceeds from the settlements of class action litigation in which the Fund participated as a plaintiff. The amount of such proceeds for the year ended December 31, 2009 was $5,493.

4 Income tax information: It is the policy of the Fund to continue to qualify as a regulated investment company by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its earnings to its shareholders. Therefore, no federal income or excise tax provision is required.

The Fund has adopted the provisions of ASC 740 "Income Taxes" ("ASC 740"), formerly known as FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109." ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken, or expected to be taken, in a tax return. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as an income tax expense in the Statement of Operations. The Fund is subject to examination by U.S. federal and state tax authorities for returns filed for the prior three fiscal years 2006 - 2008. As of December 31, 2009, the Fund did not have any unrecognized tax benefits.

Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund as a whole.

As determined on December 31, 2009, permanent differences resulting primarily from different book and tax accounting for income recognized on interest rate swaps, non-deductable restructuring costs, and delayed settlement compensation on bank loans were reclassified at fiscal year-end. These reclassifications had no effect on net income, net asset value applicable to common shareholders or net asset value per common share of the Fund.

The tax character of distributions paid during the years ended December 31, 2009 and December 31, 2008 was as follows:

Distributions Paid From:							
Ordinary Income		Long-Term Capital Gain		Tax Return of Capital		Total	
2009	2008	2009	2008	2009	2008	2009	2008
$14,914,388	$18,316,981	$ —	$ —	$ —	$1,198,186	$14,914,388	$19,515,167

As of December 31, 2009, the components of distributable earnings (accumulated losses) on a U.S. federal income tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-Term Gain	Unrealized Appreciation (Depreciation)	Loss Carryforwards and Deferrals	Total
$ 634,580	$ —	$13,135,597	$(36,254,442)	$(22,484,265)

The difference between book basis and tax basis distributable earnings is attributable primarily to timing differences of wash sales, distribution payments, income recognized on interest rate swaps, delayed settlement compensation on bank loans, partnership basis adjustments, post October loss deferrals, and capital loss carryforwards.

To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carryforwards, it is the policy of the Fund not to distribute such gains. As determined at December 31, 2009, the Fund had unused capital loss carryforwards available for federal income tax purposes to offset net realized capital gains, if any, as follows:

Expiring in:	
2016	2017
$30,497,592	$5,434,807

Under current tax law, certain net capital and net foreign currency losses realized after October 31 within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the year ended December 31, 2009, the Fund elected to defer $322,043 of net capital losses arising between November 1, 2009 and December 31, 2009.

5 Foreign taxes: Foreign taxes withheld represent amounts withheld by foreign tax authorities net of refunds recoverable.

6 Distributions to common shareholders: The Fund earns income, net of expenses, daily on its investments. The Fund intends to make monthly distributions of net investment income to common shareholders. In addition, at least annually, the Fund distributes any net realized capital gains. There is no assurance that the Fund will always be able to pay distributions of a particular size, or that distributions will consist solely of net investment income and realized capital gains. The composition of the Fund's distributions for the year ended December 31, 2009 will be reported to Fund shareholders on IRS Form 1099DIV. The Fund may pay additional distributions to avoid excise tax or to satisfy the requirements of Subchapter M of the Internal Revenue Code. Distributions to common shareholders are recorded on the ex-date. Net realized capital gains, if any, will be offset to the extent of any available capital loss carryforwards.

Distributions to preferred shareholders are accrued and determined as described in note A-8.

On December 31, 2009, the Fund declared a monthly distribution to common shareholders in the amount of $0.085 per share, payable after the close of the reporting period, on January 29, 2010, to shareholders of record on January 15, 2010, with an ex-date of January 13, 2010. Subsequent to December 31, 2009, the Fund declared a monthly distribution to common shareholders in the amount of $0.11 per share, payable on February 26, 2010 to shareholders of record on February 16, 2010, with an ex-date of February 11, 2010.

7 Expense allocation: Certain expenses are applicable to multiple funds. Expenses directly attributable to the Fund are charged to the Fund. Expenses borne by the complex of related investment companies, which includes open-end and closed-end investment companies for which Management serves as investment manager, that are not directly attributed to the Fund, are allocated among the Fund and the other investment companies in the complex or series thereof, on the basis of relative net assets, except where a more appropriate allocation of expenses to each investment company in the complex or series thereof can otherwise be made fairly.

8 Financial leverage: On October 22, 2003, the Fund issued 3,600 Money Market Cumulative Preferred Shares ("MMP"), each without par value, with proceeds of $90,000,000 in a public offering. On November 13, 2008, the Fund redeemed all 3,600 MMP at the liquidation price of $25,000 per share plus any accumulated and unpaid dividends.

In September 2008, the Fund entered into a Master Securities Purchase Agreement and a Master Note Purchase Agreement pursuant to which it could issue privately placed notes ("PNs") and privately placed perpetual preferred shares ("PPS" and, together with PNs, "Private Securities"). In November 2008, the Fund issued PNs with an aggregate principal value of $45,900,000 and issued 492 PPS with an aggregate liquidation preference of $12,300,000 and used those proceeds to redeem outstanding MMP.

The PNs mature in November 2013 and interest thereon is accrued daily and paid quarterly. The PPS have a liquidation preference of $25,000 per share plus any accumulated unpaid distributions, whether or not earned or declared by the Fund, but excluding interest thereon ("PPS Liquidation Value"). Distributions are accrued daily and paid quarterly for PPS. For the year ended December 31, 2009, the distribution rate on the PPS ranged from 3.15% to 4.41% and the interest rate on the PNs ranged from 1.65% to 2.86%. The Fund has paid up front offering and organizational expenses which are being amortized over the life of the PNs. The expenses are included in the interest expense that is reflected in the Statement of Operations.

The Fund may redeem PPS or prepay the PNs, in whole or in part, at its option after giving a minimum amount of notice to the relevant holders of the Private Securities but will incur additional expenses if it chooses to so redeem or prepay. The Fund is also subject to certain restrictions relating to the Private Securities. Failure to comply with these restrictions could preclude the Fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of PPS at PPS Liquidation Value and certain expenses and/or mandatory prepayment of PNs at par plus accrued but unpaid interest and certain expenses. The holders of PPS are entitled to one vote for each dollar of liquidation preference represented by PPS owned and will vote with holders of common shares as a single class, except that the holders of PPS will vote separately as a class on certain matters, as required by law or the Fund's organizational documents. The holders of PPS, voting as a separate class, are entitled at all times to elect two Trustees of the Fund, and to elect a majority of the Trustees of the Fund if the Fund fails to pay distributions on PPS for two consecutive years.

9 Security lending: A third party, eSecLending, currently serves as exclusive lending agent for the Fund. eSecLending, as agent, has assisted the Fund in conducting bidding processes to try to identify a principal that would pay a guaranteed amount to the Fund in consideration of the Fund entering into an exclusive securities lending arrangement. During the fiscal year, no principal had an exclusive securities lending arrangement with the Fund; as such, the Fund was not guaranteed any particular level of income.

Under the securities lending arrangement, the Fund receives cash collateral at the beginning of each transaction equal to at least 102% of the prior day's market value of the loaned securities (105% in the case of international securities). The Fund may invest all the cash collateral in Neuberger Berman Securities Lending Quality Fund, LLC ("Quality Fund"), a fund managed by NBFI, an affiliate of Management. Effective July 1, 2009, Dwight Asset Management

Company LLC became the Sub-Adviser to the Quality Fund. The Quality Fund is not a money market fund that is registered under the 1940 Act and does not operate in accordance with all requirements of Rule 2a-7 under the 1940 Act. There is no assurance that the Quality Fund will maintain a $1.00 share price.

The market value of the Fund's investments in the Quality Fund as of the fiscal year ended December 31, 2009, if any, is reflected in the Fund's Schedule of Investments. If it were necessary to liquidate assets in the Quality Fund to meet returns on outstanding securities loans at a time when the Quality Fund's price per share was less than $1.00, the Fund may not receive an amount from the Quality Fund that is equal to the collateral the Fund would be required to return to the borrower of the securities and the Fund would be required to make up for this shortfall. In addition, as a result of recent reduced liquidity in the credit and fixed income markets, it may be difficult to dispose quickly of some securities in the Quality Fund at the price at which the Quality Fund is carrying them.

Net income from the lending program represents any amounts received from a principal plus income earned on the cash collateral invested in Quality Fund or in other investments, if applicable, less cash collateral fees and other expenses associated with the loans. For the fiscal year ended December 31, 2009, the Fund received net income under the securities lending arrangement of approximately $20,010, which is reflected in the Statement of Operations under the caption "Income from securities loaned — net." For the fiscal year ended December 31, 2009, "Income from securities loaned — net" consisted of approximately $29,806 in income earned on cash collateral and amounts received from a principal (including approximately $4,026 of interest income earned from the Quality Fund), less fees and expenses paid of approximately $9,796.

10 Repurchase agreements: The Fund may enter into repurchase agreements with institutions that Management has determined are creditworthy. Each repurchase agreement is recorded at cost. The Fund requires that the securities purchased in a repurchase agreement be transferred to the custodian in a manner sufficient to enable the Fund to assert a perfected security interest in those securities in the event of a default under the repurchase agreement. The Fund monitors, on a daily basis, the value of the securities transferred to ensure that their value, including accrued interest, is greater than amounts owed to the Fund under each such repurchase agreement.

11 Reverse repurchase agreements: The Fund may enter into reverse repurchase agreements with institutions deemed creditworthy by Management. A reverse repurchase agreement involves the sale of a security by the Fund, with an agreement to repurchase the same or substantially similar security at an agreed upon price and date. Securities purchased subject to repurchase agreements must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. Reverse repurchase agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the Fund may decline below the price of the securities that the Fund is obligated to repurchase. There were no reverse repurchase agreements outstanding at December 31, 2009.

12 Transactions with other funds managed by Neuberger Berman Management LLC: Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund may invest in a money market fund managed by Management or an affiliate. Through August 10, 2009, the Fund invested in Neuberger Berman Prime Money Fund ("Prime Money"), as approved by the Board. Prime Money sought to provide the highest available current income consistent with safety and liquidity. For any cash that the Fund invested in Prime Money, Management waived a portion of its management fee equal to the management fee it received from Prime Money on those assets (the "Arrangement"). For the year ended December 31, 2009, management fees waived under this Arrangement amounted to $3,901 and are reflected in the Statement of Operations under the caption "Investment management fees waived." For the year ended December 31, 2009, income earned under this Arrangement amounted to $10,143 and is reflected in the Statement of Operations under the caption "Income from investments in affiliated issuers."

On August 10, 2009, the Fund ceased investing in Prime Money. On this date, the Fund's shares of Prime Money were redeemed in exchange for portfolio holdings of Prime Money, which were used to purchase Institutional Class shares of State Street Institutional Liquid Reserves Fund.

13 Concentration of credit risk: The Fund will normally invest at least 80% of its Managed Assets (as defined in Note B) in investments offering high current income, which generally will be in the lower rating categories of recognized rating agencies. These investments are regarded as predominantly speculative with respect to the issuer's

capacity to pay interest and repay principal in accordance with the terms of the obligations and will generally involve more credit risk than securities in the higher rating categories. In addition, the trading market for high yield investments may be relatively less liquid than the market for higher-rated investments.

Due to the inherent volatility and illiquidity of the high yield securities in which the Fund invests and the real or perceived difficulty of issuers of those high yield securities to meet their payment obligations during economic downturns or because of negative business developments relating to the issuer or its industry in general, the value and/or price of the Fund's common shares may fluctuate more than would be the case if the Fund did not concentrate in high yield securities.

14 Risk associated with the use of leverage: The Fund's use of leverage through the issuance of Private Securities, as well as the economic leverage inherent in certain derivatives, including credit default swaps, creates risks for holders of common shares. There is no assurance that the Fund's leveraging strategies will be successful. If the Fund issues Private Securities to make additional investments and the income and capital appreciation from those investments exceed the distributions payable on the PPS or the interest payable on the PNs, the Fund's investment return will be greater than if leverage had not been used. However, if the distributions payable on the PPS or the interest payable on the PNs exceed the income and capital appreciation from the additional investments, the Fund would lose money and its investment return will be lower than if leverage had not been used. Leverage creates risk which may adversely affect the return for holders of common shares, including:

(a) the likelihood of greater volatility of net asset value and market price of the Fund's common shares;

(b) the possibility either that common share income will fall if the PPS distribution rate or the PN interest rate rises or the Fund's borrowing costs increase, or that common share income will fluctuate because of changes in the Private Securities distribution and interest rates or borrowing costs.

15 Derivative instruments: The Fund is exposed to interest rate risk due to its use of leverage. During the year ended December 31, 2009, the Fund's use of derivatives was limited to interest rate swap contracts. The Fund adopted ASC 815 "Derivatives and Hedging" ("ASC 815"), formerly known as FASB Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities," effective January 1, 2009.

Interest Rate Swaps: The Fund may enter into interest rate swap transactions, with institutions that Management has determined are creditworthy, to reduce the risk that an increase in short-term interest rates could reduce common share net earnings as a result of leverage. Under the terms of an interest rate swap contract, the Fund agrees to pay the swap counter party a fixed-rate payment in exchange for the counter party's paying the Fund a variable-rate payment that is intended to approximate all or a portion of the Fund's variable-rate payment obligations on the Fund's Private Securities. The fixed-rate and variable-rate payment flows are netted against each other, with the difference being paid by one party to the other on a monthly basis. The Fund segregates cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked to market daily.

Risks may arise if the counter party to a swap contract fails to comply with the terms of its contract. The loss incurred by the failure of a counter party is generally limited to the net interest payment to be received by the Fund and/or the termination value at the end of the contract. Additionally, risks may arise if there is no liquid market for these agreements or from movements in interest rates unanticipated by Management.

Periodic expected interim net interest payments or receipts on the swaps are recorded as an adjustment to unrealized gains/losses, along with the fair value of the future periodic payment streams on the swaps. The unrealized gains/losses associated with the periodic interim net interest payments are reclassified to realized gains/losses in conjunction with the actual net receipt or payment of such amounts. The reclassifications do not impact the Fund's total net assets applicable to common shareholders or its total net increase (decrease) in net assets applicable to common shareholders resulting from operations. At December 31, 2009, the Fund had an outstanding interest rate swap contract as follows:

			Rate Type				
Swap Counter Party	Notional Amount(1)	Termination Date	Fixed-rate Payments Made by the Fund	Variable-rate Payments Received by the Fund(2)	Accrued Net Interest Receivable (Payable)	Unrealized Appreciation (Depreciation)	Total Fair Value
Citibank, N.A.	$45,000,000	January 28, 2011	2.92%	0.23%	$(10,072)	$(1,108,934)	$(1,119,006)

(1) The notional amount at period end is indicative of the volume throughout the period.

(2) 30 day LIBOR (London Interbank Offered Rate) at December 24, 2009.

At December 31, 2009, the Fund held the following derivatives (not designated as hedging instruments under ASC 815) as open contracts, which are grouped by primary risk exposure below:

Liability Derivatives

	Interest Rate Risk
Interest Rate Swap Contract(1)	$(1,119,006)
Total Value	$(1,119,006)

(1) "Interest Rate Swap Contract" reflects the appreciation (depreciation) of the interest rate swap contract plus accrued interest, which is reported as "Interest rate swaps, at value" within the Statement of Assets and Liabilities.

The impact of the use of derivative instruments as reflected in the Statement of Operations during the year ended December 31, 2009, was as follows:

Realized Gain (Loss)(1)

	Interest Rate Risk
Interest Rate Swap Contract	$(1,173,621)
Total Realized Gain (Loss)	$(1,173,621)

Change in Appreciation (Depreciation)(2)

	Interest Rate Risk

Interest Rate Swap Contract	$448,123
Total Change in Appreciation (Depreciation)	$448,123

(1) Statement of Operations location: Net realized gain (loss) on interest rate swap contracts.

(2) Statement of Operations location: Change in net unrealized appreciation (depreciation) in value of interest rate swap contracts.

16 Indemnifications: Like many other companies, the Fund's organizational documents provide that its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, both in some of its principal service contracts and in the normal course of its business, the Fund enters into contracts that provide indemnifications to other parties for certain types of losses or liabilities. The Fund's maximum exposure under these arrangements is unknown as this could involve future claims against the Fund.

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Note B—Management Fees, Administration Fees, Distribution Arrangements, and Other Transactions with Affiliates:

The Fund pays all expenses incurred in connection with the operations of the Fund. These expenses, among others, include custodian and fund accounting and administrative fees, legal and audit fees, fees and expenses of the Trustees who are not "interested persons" within the meaning of the 1940 Act ("Independent Fund Trustees"), and printing expenses.

The Fund pays Management a monthly fee computed at an annual rate of 0.60% of the Fund's average daily "Managed Assets" (net assets, including assets attributable to any outstanding preferred shares, plus the aggregate principal amount of any borrowings). Management is responsible for developing, implementing and supervising the Fund's investment program and providing certain administrative services to the Fund. Management has retained NBFI to serve as the sub-adviser of the Fund and to manage the Fund's investment portfolio. Management compensates NBFI for its services as sub-adviser. Management pays NBFI a monthly sub-advisory fee calculated at the following annual percentage rates of the Fund's average daily Managed Assets: 0.55% on the Fund's first $25 million of Managed Assets, 0.45% on the next $25 million of Managed Assets, 0.35% on the next $50 million of Managed Assets, and 0.30% on Managed Assets that are in excess of $100 million.

In connection with the May 2009 tender offer and the tender offer program, effective June 9, 2009, Management has agreed to voluntarily waive a portion of the management fee it is entitled to receive from the Fund at a rate of 0.05% of the average daily Managed Assets. For the year ended December 31, 2009, such waived fees amounted to $52,002.

Until January 30, 2009, First Trust Portfolios L.P. ("First Trust") served as the Fund's distribution and marketing agent, and investor servicing agent. As the Fund's distribution and marketing agent, First Trust provided certain distribution and marketing services for the Fund's common shares including preparing marketing materials and presentations, developing contacts with brokers whose clients may have an interest in acquiring Fund shares and replying to information requests from prospective investors. In consideration for these services, First Trust received a fee paid by Management.

First Trust, as the investor servicing agent, developed and maintained a website for