SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1994-10-24** | Period of Report: **1994-08-31**
SEC Accession No. 0000900092-94-000485

FILER

SENIOR STRATEGIC INCOME FUND INC

CIK:**915886**| State of Incorp.:**NJ** | Fiscal Year End: **1231**
Type: **N-30D** | Act: **40** | File No.: **811-07131** | Film No.: **94554767**

Mailing Address	Business Address
MERRILL LYNCH ASST MGMT	*ADMINISTRATIVE OFFICES*
P.O. BOX 9011	*800 SCUDDERS MILL ROAD*
PRINCETON NJ 08543-9011	*PLAINSBORO NJ 08536*

SENIOR
STRATEGIC
INCOME
FUND,
INC.

Semi-Annual Report August 31, 1994

This report, including the financial information herein,is transmitted to the shareholders of Senior Strategic Income Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock to provide Common Stock shareholders with a potentially higher rate of return. Leverage creates risk for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of Common Stock shares, and the risk that fluctuations in short-term interest rates may reduce the Common Stock's yield.

Senior Strategic Income
Fund, Inc.
Box 9011
Princeton, NJ
08543-9011

SENIOR STRATEGIC INCOME FUND, INC.

The Benefits and
Risks of Leveraging

Senior Strategic Income Fund, Inc. has the ability to utilize leverage through borrowings or issuance of short-term debt securities or shares of Preferred Stock. The concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will be lower than the return earned by the Fund on its longer-term portfolio investments. Since the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's Common Stock shareholders are the beneficiaries of the incremental yield. Should the differential between the underlying interest rates narrow, the incremental yield "pick up" will be reduced. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the entire portfolio holdings resulting therefrom since the assets obtained from leverage do not fluctuate.

Leverage creates risks for holders of Common Stock including the likelihood of greater net asset value and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings (or in the dividend rates on any Preferred Stock, if the Fund were to issue the Preferred Stock) may reduce the Common Stock's yield and negatively impact its market price. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Fund's net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, the Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Stock shareholders will be reduced. In this case, the Fund may nevertheless decide to maintain its leveraged position in order to avoid capital losses on securities purchased with leverage. However, the Fund will not generally utilize leverage if it anticipates that its leveraged capital structure would result in a lower rate of return for its Common Stock than would be obtained if the Common Stock were unleveraged for any significant amount of time.

DEAR SHAREHOLDER

We are pleased to provide you with this first semi-annual report to shareholders for Senior Strategic Income Fund, Inc. In this and future shareholder reports, we will highlight the Fund's performance, describe recent investment activities, and examine some of the important market developments that helped shape our investment strategy for the period under review.

Senior Strategic Income Fund, Inc. seeks to provide shareholders with high current income by investing primarily in senior debt obligations of companies, including portions of corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes. These securities by and large are rated in the lower rating categories of the established rating agencies or are unrated, as is commonly the case with bank loans.

Since inception (April 8, 1994) through August 31, 1994, the Fund's total investment return was +2.89%, based on a change in per share net asset value from $9.50 to $9.52, and assuming reinvestment of $0.242 per share income dividends. During the same period, the net annualized yield of the Fund's Common Stock was 8.37%. At the end of the August period, the Fund was 26% leveraged, having borrowed $26 million of its $35 million line of credit available at an average borrowing cost of 5.68%. (For a complete explanation of the benefits and risks of leveraging, see page 1 of this report to shareholders.)

As of August 31, 1994, the Fund paid out a fixed dividend of 9.0% in order to permit the Fund to maintain a more stable level of distributions. For Federal income tax purposes, the Fund will be required to distribute substantially all of its net investment income for each calendar year. All net realized long-term and short-term capital gains, if any, will be distributed to the Fund's shareholders annually. If the increase in short-term interest rates - --including the London Interbank Offered Rate (LIBOR)--is sustained, we would expect the fixed dividend to be increased over time. The dividend has increased from 6.28% since inception of the Fund.

The Environment

The five months ended August 31, 1994 were characterized by an interest rate environment that proved a mixed blessing for the Fund's investments. The steady rise in interest rates that began in February, and has been the overriding factor in the volatility in the US financial markets and the poor performance of the fixed-income sector in general, has had a positive effect on the floating rate portion of the Fund, while eroding the high-yield market further in sympathy with intermediate-term and long-term US Treasury securities. On August 16, 1994, the Federal Reserve Board raised short-term interest rates for the fifth time this year by increasing the discount rate it charges on loans to its member banks by 50 basis points (0.50%) to 4% and by pushing the Federal Funds target rate to 4.75% from 4.25% in its effort to remove some uncertainty in the financial markets and keep inflation at bay. However, selected higher-than-expected economic indicators subsequent to the end of the period have reflected continued strong growth in the economy and the likelihood of further increases in short-term interest rates.

Portfolio Strategy

In light of the current market environment, our focus over the last six months has been on weighting the Fund more toward senior secured floating rate bank loans in order to take advantage of the rise in short-term interest rates. More than 99% of the Fund's investments in corporate loans are currently accruing interest at a yield spread above LIBOR, the rate that major international banks charge each other for US dollar-denominated deposits outside of the United States. LIBOR has historically tracked very closely with other short-term interest rates in the United States, particularly the Federal Funds rate. Since the first tightening of monetary policy by the Federal Reserve Board in February, three-month LIBOR has risen from 3.25% to 5.25%, an increase of 200 basis points. Since the average reset on the Fund's floating rate investments is 47 days, their yields are likely to continue to benefit from the latest interest rate increase as they move through their resets during the next quarter. At the end of the period under review, floating rate securities made up 49% of the Fund's investments, with an additional 49% invested in fixed-rate high-yield bonds. Approximately $9 million in availability remains under the leverage facility.

In the senior secured bank loan market, secondary issues continue to be well bid as banks, insurance companies and non-bank funds aggressively look to book floating rate assets in the current environment. At the same time, there has been a substantial increase in leveraged primary transactions as corporate borrowers tap the bank loan market rather than pay the higher yields demanded in today's high-yield bond market. At a yield spread over LIBOR without call protection, bank loans are a more attractive alternative than they were during the "hot" public markets of one year ago.

The high-yield bond market, on the other hand, continued to suffer from the overhang from the battered US Treasury market, even though overall credit quality in many sectors is improving with the strengthening economy. This environment of soft bond prices created buying opportunities for the Fund. During the later part of the August period, we focused on selectively trading out of lower-yielding coupons into higher-yielding new issues or secondary names trading at attractive relative spreads. New-issue placement overall was down for the first eight months of 1994 compared to 1993 for two reasons. First, there was a perceived reluctance on the part of issuers to tap the market in advance of expected Federal Reserve Board interest rate action, and second, there was a significant slowdown of cash inflows into high-yield mutual funds. We expect this environment to continue for the remainder of the year with some week-to-week volatility based on supply pressures from the new-issue calendar. However, overall fundamentals remain positive for this asset class as favorable quarterly earnings comparisons occur with increasing regularity.

We continue to focus on buying higher-yielding, improving-quality cyclical credits. This is reflected in the Fund's large holdings of names, such as Jefferson Smurfit/Container Corp. of America and American Standard, Inc., while the healthcare and energy industries also reflect higher industry concentrations.

At August 31, 1994, cash equivalents totaled 0.4% of net assets. The Fund's average stated maturity was 7.1 years but has a shorter average life as a result of the shorter average life of bank loans which are freely prepayable without call protection. The Fund is diversified in the floating rate portion in 13 investments across 8 industries, and in the fixed-rate portion in 31 investments across 20 industries.

Both the bond and loan markets continue to be characterized by improving credit quality as the economy expands improving profits. Stronger companies are taking advantage of attractive public debt and equity markets to improve their balance sheets. These trends have translated into lower default rates in both the bank loan and bond markets. We believe that low default rates will continue through the remainder of 1994.

Looking forward, we expect to continue to emphasize senior secured floating rate bank loans in order to take advantage of the rising interest rate environment while being opportunistic in our high-yield bond purchases. We believe the Fund is well positioned to provide shareholders with the benefit of an increase in short-term interest rates.

In Conclusion
We appreciate your ongoing investment in Senior Strategic Income Fund, Inc., and we look forward to reviewing our strategy with you again in our next report to shareholders.

Sincerely,

(Arthur Zeikel)
Arthur Zeikel
President

(R. Douglas Henderson)
R. Douglas Henderson
Vice President and Portfolio Manager

October 7, 1994

<TABLE>
SCHEDULE OF INVESTMENTS
<CAPTION>

INDUSTRIES	S&P Rating	Moody's Rating	Face Amount	Corporate Debt Obligations	Cost	Value (Note 1b)
<S>	<S>	<S>	<C>	<S>	<C>	<C>
Aerospace--3.3%	BB-	Ba3	$2,500,000	BE Aerospace Inc., Senior Notes, 9.75% due 3/01/2003	$ 2,400,000	$ 2,412,500

Apparel--2.7%	NR	NR	2,000,000	London Fog Industries, Term Loan C, due 6/30/2002, 8.19% to 9/27/1994*	2,000,000	2,000,000
Automotive Products--4.8%	B	B3	1,000,000	Doehler Jarvis, Inc., Senior Notes, 11.875% due 6/01/2002	998,125	995,000
	B	B2	1,500,000	Harvard Industries, Inc., Senior Notes, 12.00% due 7/15/2004	1,500,000	1,511,250
	B	B2	1,000,000	JPS Automotive Products Corp., Senior Notes, 11.125% due 6/15/2001	1,000,000	1,000,000
					-----------	-----------
					3,498,125	3,506,250
Broadcast/ Media--3.4%	B	Caa	2,650,000	Marcus Cable, Senior Debentures, 11.875% due 10/01/2005	2,630,125	2,477,750
Building & Construction--5.1%	B	B2	1,000,000	NVR, Inc., Senior Notes, 11.00% due 4/15/2003	990,000	920,000
	B-	B2	2,000,000	Presley Companies, Senior Notes, 12.50% due 7/01/2001	2,000,000	1,950,000
	B+	Ba3	1,000,000	US Home Corp., Senior Notes, 9.75% due 6/15/2003	950,000	902,500
					-----------	-----------
					3,940,000	3,772,500
Building Products--4.8%	BB-	B1	3,500,000	USG Corp., Senior Secured Notes, 10.25% due 12/15/2002	3,482,500	3,574,375
Carbon & Graphite Products--2.8%	B+	B3	2,000,000	Carbide/Graphite Group, Senior Notes, 11.50% due 9/01/2003	2,080,000	2,035,000
Chemicals--2.8%	BB-	B1	2,000,000	Huntsman Chemical, Senior Notes, 11.00% due 4/15/2004	2,000,000	2,085,000
Computers--2.1%	BB-	B1	1,500,000	Dell Computer Corp., Senior Notes, 11.00% due 8/15/2000	1,528,125	1,575,000
Consumer Food Products--4.0%				Specialty Foods Corp., Term Loan B, due 8/31/1999:		
	NR	NR	17,760	9.75% (1)	17,760	17,760
	NR	NR	1,488,000	7.69% to 10/18/1994*	1,488,000	1,488,000
	NR	NR	1,448,320	8.19% to 10/18/1994*	1,448,320	1,448,320
					-----------	-----------
					2,954,080	2,954,080
Consumer Products--1.4%	B+	B2	1,000,000	Drypers Corp., Senior Notes, 12.50% due 11/01/2002	1,055,000	1,055,000
Diversified--25.8%				American Standard, Inc., Term Loan A, due 6/01/2000:		
	NR	NR	4,444,444	8.00% to 12/02/94*	4,444,444	4,444,444
	NR	NR	494,407	8.0625% to 12/02/94*	494,407	494,407
	NR	NR	4,420,697	Interco, Term Loan B, due 8/03/2004, 9.50% (1) to 9/01/1994	4,420,697	4,420,697
	NR	NR	814,815	Intermetro Industries, Term Loan B, due 6/30/2001, 8.32% to 1/03/1995*	814,815	814,815
	NR	NR	1,185,185	Intermetro Industries, Term Loan C, due 12/31/2001, 8.82% to 1/03/1995*	1,185,185	1,185,185
	B	B2	1,000,000	JB Poindexter & Co., Inc., Senior Notes, 12.50% due 5/15/2004	995,000	985,000
				TDII Company, Term Loan B, due 2/01/2001:		
	NR	NR	17,786	9.50% (1)	17,786	17,786
	NR	NR	5,836,598	6.937% to 9/02/1994*	5,836,598	5,836,598
	NR	NR	828,866	7.812% to 11/03/1994*	828,866	828,866
					-----------	-----------
					19,037,798	19,027,798
Electrical Instruments--4.1%				Berg Electronics Inc., Term Loan B, due 6/30/2001:		
	NR	NR	12,500	9.50% (1)	12,500	12,500

	NR	NR	2,987,500	7.875% to 11/25/1994*	2,987,500	2,987,500
					-----------	-----------
					3,000,000	3,000,000
Energy--8.9%	BB-	B1	2,500,000	Ferrellgas Partners, L.P., Series B Senior Notes, 7.875% due 8/01/2001***	2,487,706	2,475,000
	B	B2	2,500,000	Gerrity Oil & Gas Corp., Senior Sub Notes, 11.75% due 7/15/2004	2,500,000	2,450,000
	B-	B3	1,725,000	Presidio Oil Company, Senior Secured Notes, 11.50% due 9/15/2000	1,727,156	1,638,750
					-----------	-----------
					6,714,862	6,563,750
Fuel Distribution--3.9%				Petrolane Inc., Term Loan, due 12/31/1999*:		
	NR	NR	37,429	6.812% to 9/28/1994	37,429	37,429
	NR	NR	146,463	6.937% to 9/30/1994	146,463	146,463
	NR	NR	2,727,829	6.937% to 10/28/1994	2,727,829	2,727,829
					-----------	-----------
					2,911,721	2,911,721
Grocery--3.4%	B+	NA	2,500,000	Homeland Stores, Inc., Floating Rate Notes, 7.625% due 2/28/1997***	2,450,000	2,512,708
Health Services--7.7%	B	B2	2,000,000	Charter Medical Corp., Senior Sub Notes, 11.25% due 4/15/2004++	2,000,000	2,060,000
	B	B2	1,000,000	Integrated Health Services, 10.75% due 7/15/2004	1,000,000	1,000,000
	B+	B1	2,650,000	MEDIQ/PRN Life Support Services Inc., Senior Secured Notes, 11.125% due 7/01/1999	2,659,125	2,650,000
					-----------	-----------
					5,659,125	5,710,000
Leisure & Entertainment--1.4%	B	B3	1,000,000	Plitt Theatres, Inc., Senior Sub Notes, 10.875% due 6/15/2004	1,000,000	995,000
Paper--19.8%	NR	NR	5,000,000	Container Corp. of America, Term Loan B, due 4/30/2002, 7.875% to 10/24/1994*	5,000,000	5,000,000
	NR	NR	5,000,000	Fort Howard, Term Loan B, due 5/01/1997, 7.63% to 10/21/1994*	5,000,000	5,000,000
	B	B3	2,000,000	Gaylord Container Corp., Senior Notes, 11.50% due 5/15/2001	2,042,500	2,045,000
	B	B1	2,500,000	Riverwood International Corp., Senior Sub Notes, 10.375% due 6/30/2004	2,500,000	2,550,000
					-----------	-----------
					14,542,500	14,595,000
Retail Specialty--5.9%	B	B2	2,000,000	Color Tile, Inc., Senior Notes, 10.75% due 12/15/2001	1,970,000	1,880,000
	NR	NR	2,500,000	Saks & Co., Term Loan B, due 6/30/2000, 7.88% to 11/09/1994*	2,500,000	2,500,000
					-----------	-----------
					4,470,000	4,380,000
Shipping--1.0%	B	B2	800,000	OMI Corp., Senior Notes, 10.25% due 11/01/2003	754,000	728,000

</TABLE>

<TABLE>
SCHEDULE OF INVESTMENTS (concluded)
<CAPTION>

INDUSTRIES	S&P Rating	Moody's Rating	Face Amount	Corporate Debt Obligations	Cost	Value (Note 1b)
<S>	<S>	<S>	<C>	<S>	<C>	<C>
Steel--5.3%	B-	B3	$2,000,000	Federal Industries Ltd., 10.25% due 6/15/2000	$ 1,962,500	$ 1,875,000
	B	B2	2,000,000	Weirton Steel Corp., Senior Notes, 10.875% due 10/15/1999	2,050,000	2,020,000
					-----------	-----------
					4,012,500	3,895,000
Utilities--2.7%	B	Ba3	1,000,000	First PV Funding Corp., 10.30% due 1/15/2014	982,500	970,000
	B	B1	1,000,000	Texas--New Mexico Power Company, Secured Debentures, 10.75% due 9/15/2003	1,010,000	1,000,000
					-----------	-----------

					1,992,500	1,970,000
Warehousing & Storage--5.9%	B+	B1	1,500,000	Americold Corp., First Mortgage Bonds, Series B, 11.50% due 3/01/2005	1,357,500	1,372,500
	NR	NR	3,000,000	Pierce Leahy Corp., Term Loan B, due 6/30/2001, 7.75% to 9/01/1994*	3,000,000	3,000,000
					4,357,500	4,372,500
				Total Investments in Corporate Debt Obligations--133.0%	98,470,461	98,108,932

<CAPTION>

		Short-Term Securities		
<S>	<C>	<S>	<C>	<C>
Commercial Paper**--0.4%	325,000	General Electric Capital Corp., 4.75% due 9/01/1994	325,000	325,000
		Total Investments in Short-Term Securities--0.4%	325,000	325,000
		Total Investments--133.4%	$98,795,461	98,433,932
		Liabilities in Excess of Other Assets--(33.4%)		(24,611,202)
		Net Assets--100.0%		$73,822,730

<FN>

(1) Index is based on the prime rate of a US bank, which is subject to change daily.

++Restricted securities as to resale. The value of the Fund's investment in restricted securities was approximately $2,060,000, representing 2.79% of net assets.

Issue	Acquisition Date	Cost	Value (Note 1b)
Charter Medical Corp.	4/22/1994	$2,000,000	$2,060,000

*Floating or Variable Rate Corporate Loans--The interest rates on floating or variable rate corporate loans are subject to change periodically based on the change in the prime rate of a US Bank, LIBOR (London Interbank Offered Rate), or, in some cases, another base lending rate. The interest rates shown are those in effect at August 31, 1994.

**Commercial Paper is traded on a discount basis; the interest rate shown is the discount rate paid at the time of purchase by the Fund.

***Floating or Variable Rate Corporate Bonds--The interest rates on floating or variable rate corporate bonds are subject to change periodically based on the change in the prime rate of a US Bank, LIBOR (London Interbank Offered Rate), or, in some cases, another base lending rate. The interest rates shown are those in effect at August 31, 1994.

See Notes to Financial Statements.

</TABLE>

<TABLE>

STATEMENT OF ASSETS, LIABILITIES AND CAPITAL

<CAPTION>

	As of August 31, 1994		
<S>	<S>	<C>	<C>
Assets:	Investments, at value (identified cost--$98,795,461) (Note 1b)		$ 98,433,932
	Cash		10,741
	Receivables:		
	Interest	$ 2,004,759	
	Investment adviser (Note 2)	40,467	2,045,226
	Deferred organization expenses (Note 1e)		91,000
	Prepaid expenses and other assets		60,100
	Total assets		100,640,999

Liabilities:	Payables:		
	Loans (Note 5)	26,000,000	
	Dividends to shareholders (Note 1f)	259,326	
	Interest on loans (Note 5)	4,185	26,263,511
	Deferred income (Note 1d)		386,921
	Accrued expenses and other liabilities		167,837
	Total liabilities		26,818,269
Net Assets:	Net assets		$ 73,822,730
Capital:	Common stock, par value $.10 per share; 200,000,000 shares authorized (7,750,527 shares issued and outstanding)		$ 775,052
	Paid-in capital in excess of par		72,681,054
	Undistributed investment income--net		695,344
	Undistributed realized capital gains--net		32,809
	Unrealized depreciation on investments--net (Note 3)		(361,529)
	Total Capital--Equivalent to $9.52 net asset value per share of Common Stock (market price--$8.75)		$ 73,822,730

See Notes to Financial Statements.

</TABLE>

<TABLE>

STATEMENT OF OPERATIONS

<CAPTION>

<S>	<S>	<C>	<C> For the Period April 8, 1994++ to August 31, 1994
Investment Income (Note 1d):	Interest and discount earned		$ 2,871,271
	Facility and other fees		57,222
	Total income		2,928,493
Expenses:	Loan interest expenses (Note 5)	$ 273,946	
	Investment advisory fees (Note 2)	170,447	
	Facility fee amortization (Note 5)	24,595	
	Accounting services (Note 2)	24,494	
	Professional fees	18,373	
	Directors' fees and expenses	12,241	
	Amortization of organization expenses (Note 1e)	7,468	
	Transfer agent fees (Note 2)	5,469	
	Custodian fees	5,088	
	Printing and shareholder reports	4,223	
	Pricing services	472	
	Registration fees (Note 1e)	112	
	Other	19,043	
	Total expenses before reimbursement	565,971	
	Reimbursement of expenses (Note 2)	(210,914)	
	Total expenses after reimbursement		355,057
	Investment income--net		2,573,436
Realized & Unrealized Gain (Loss) on Investments--Net (Notes 1d & 3):	Realized gain on investments--net		32,809
	Unrealized depreciation on investments--net		(361,529)
	Net Increase in Net Assets Resulting from Operations		$ 2,244,716

<FN>

++Commencement of Operations.

See Notes to Financial Statements.

</TABLE>

<TABLE>
STATEMENT OF CHANGES IN NET ASSETS
<CAPTION>

	Increase (Decrease) in Net Assets:	For the Period April 8, 1994++ to August 31, 1994
<S>	<S>	<C>
Operations:	Investment income--net	$ 2,573,436
	Realized gain on investments--net	32,809
	Unrealized depreciation on investments--net	(361,529)
	Net increase in net assets resulting from operations	2,244,716
Dividends to Shareholders:	Investment income--net	(1,878,092)
	Net decrease in net assets resulting from dividends to shareholders	(1,878,092)
Capital Share Transactions (Note 4):	Value of shares issued to Common Stock shareholders in reinvestment of dividends	73,530,000
	Offering costs resulting from the issuance of Common Stock	(173,901)
	Net increase in net assets resulting from capital share transactions	73,356,099
Net Assets:	Total increase in net assets	73,722,723
	Beginning of period	100,007
	End of period*	$ 73,822,730
	*Undistributed investment income--net	$ 695,344

<FN>
++Commencement of Operations.

See Notes to Financial Statements.
</TABLE>

<TABLE>
STATEMENT OF CASH FLOWS
<CAPTION>

		For the Period April 8, 1994++ to August 31, 1994
<S>	<S>	<C>
Cash Provided by Operating Activities:	Net increase in net assets resulting from operations	$ 2,244,716
	Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:	
	Increase in receivables	(2,045,226)
	Increase in other assets	(151,100)
	Increase in other liabilities	558,943
	Realized and unrealized loss on investments--net	328,720
	Amortization of discount	(191,588)
	Net cash provided by operating activities	744,465
Cash Used for Investing Activities:	Proceeds from sales of long-term investments	2,109,900
	Purchases of long-term investments	(100,545,606)
	Purchases of short-term investments--net	(135,358)
	Net cash used for investing activities	(98,571,064)
Cash Provided by Financing Activities:	Cash receipts on capital shares sold	73,356,099
	Dividends paid to shareholders	(1,618,766)
	Short-term borrowings	26,000,000
	Net cash provided by financing activities	97,737,333
Cash:	Net decrease in cash	(89,266)

	Cash at beginning of period	100,007
	Cash at end of period	$ 10,741
Cash Flow Information:	Cash paid for interest	$ 269,761

<FN>
++Commencement of Operations.

See Notes to Financial Statements.
</TABLE>

<TABLE>
FINANCIAL HIGHLIGHTS
<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

<S>	Increase (Decrease) in Net Asset Value: <S>	For the Period April 8, 1994++ to August 31, 1994 <C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 9.50
	Investment income--net	.33
	Realized and unrealized gain on investments--net	(.05)
	Total from investment operations	.28
	Less dividends:	
	Investment income--net	(.24)
	Capital charge resulting from the issuance of Common Stock	(.02)
	Net asset value, end of period	$ 9.52
	Market price per share, end of period	$ 8.75
Total Investment Return:**	Based on net asset value per share	2.89%+++
	Based on market price per share	(10.16%)+++
Ratios to Average Net Assets:	Expenses, net of reimbursement	1.16%*
	Expenses	1.85%*
	Investment income--net	8.40%*
Supplemental Data:	Net assets, end of period (in thousands)	$ 73,823
	Portfolio turnover	3.07%

<FN>
++Commencement of Operations.
+++Aggregate total investment return.
*Annualized.
**Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, result in substantially different returns. Total investment returns exclude the effects of sales loads.

See Notes to Financial Statements.
</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
Senior Strategic Income Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. Prior to commencement of operations on April 8, 1994, the Fund had no operations other than those relating to organizational matters and the issue of 10,527 capital shares of the Fund to Fund Asset Management, L.P. ("FAM") for

$100,007. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol SSN.

(a) Corporate debt obligations--The Fund invests principally in senior debt obligations ("Senior Debt") of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes.

(b) Valuation of investments--Portfolio securities are valued at the last sale price on the exchange that is the primary market for such securities, or the last quoted bid price for those securities for which the over-the-counter market is the primary market or for listed securities for which there were no sales during the day. Other portfolio securities are valued on the basis of prices furnished by one or more pricing services, which determines prices for normal, institutional-size trading units. Positions in options are valued at the last sale price on the market where any such option is principally traded. Obligations with remaining maturities of sixty days or less are valued at amortized cost unless this method no longer produces fair valuations. Securities for which there exist no price quotations or valuations and all other assets are valued at fair value as determined in good faith by or on behalf of the Board of Directors of the Fund.

(c) lncome taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Facility fees are recognized as income over the term of the related loan.

(e) Deferred organization expenses and prepaid registration fees--Deferred organization expenses are amortized on a straight-line basis over a five-year period. Prepaid registration fees are charged to expense as the related shares are issued.

(f) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. The Fund may at times pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in other periods to permit the Fund to maintain a more stable level of distributions.

2. Investment Advisory Agreement with Affiliates:
The Fund has entered into an Investment Advisory Agreement with FAM. Effective January 1, 1994, the investment advisory business of FAM was reorganized from a corporation to a limited partnership. Both prior to and after the reorganization, ultimate control of FAM was vested with Merrill Lynch & Co., Inc. ("ML & Co."). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of ML & Co. The limited partners are ML & Co. and Fund Asset Management, Inc. ("FAMI"), which is also an indirect wholly-owned subsidiary of ML & Co.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to perform the investment advisory function.

For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets plus the proceeds of any outstanding borrowings used for leverage. For the period April 8, 1994 to August 31, 1994, FAM earned fees of $170,447, all of which was voluntarily waived. FAM also reimbursed the Fund $40,467 of additional expenses.

During the period June 13, 1994 to August 31, 1994, Merrill Lynch Security Pricing Service, an affiliate of Merrill Lynch, Pierce, Fenner & Smith, Inc. ("MLPF&S"), provided security price quotations to compute the net asset value of the Fund.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, FAMI, PSI, MLPF&S, and/or ML & Co.

3. Investments:
Purchases and sales of investments, excluding short-term securities, for the period April 8, 1994 to August 31, 1994 were $100,545,606 and $2,109,900, respectively.

Net realized and unrealized gains (losses) as of August 31, 1994 were as follows:

	Realized Gains (Losses)	Unrealized Losses
Long-term investments	$ 33,505	$ (361,529)
Short-term investments	(696)	--
Total	$ 32,809	$ (361,529)

As of August 31, 1994, net unrealized depreciation for financial reporting and Federal income tax purposes aggregated $361,529, of which $437,708 related to appreciated securities and $799,237 related to depreciated securities. The aggregate cost of investments at August 31, 1994 for Federal income tax purposes was $98,795,461.

4. Capital Share Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock par value $.10, all of which are initially classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of capital stock without approval of the holders of Common Stock.

For the period of April 8, 1994 to August 31, 1994, 7,740,000 shares were sold. At August 31, 1994, total paid-in capital amounted to $73,456,106.

5. Short-Term Borrowings:
On May 25, 1994, the Fund entered into a one-year revolving credit facility in the amount of $35,000,000 bearing interest at the Federal Funds rate plus 1%--3% on the outstanding balance. From May 25, 1994 to August 31, 1994, the maximum amount borrowed was $31,000,000, the average amount borrowed was approximately $12,737,374, and the daily weighted average interest rate was 5.44%. For the period April 8, 1994 to August 31, 1994, facility and commitment fees aggregated approximately $23,619.

PER SHARE INFORMATION

<TABLE>
Per Share Selected Quarterly Financial Data*
<CAPTION>

For the Period	Net Investment Income	Realized Gains (Losses)	Unrealized Gains (Losses)	Dividends Net Investments Income
<S>	<C>	<C>	<C>	<C>
April 8, 1994++ to May 31, 1994	$.09	--	--	$.09
June 1, 1994 to August 31, 1994	.24	--	$(.05)	.15

<CAPTION>

For the Period	Net Asset Value High	Net Asset Value Low	Market Price** High	Market Price** Low	Volume***
<S>	<C>	<C>	<C>	<C>	
April 8, 1994++ to May 31, 1994	--	--	$9.875	$9.50	819
June 1, 1994 to August 31, 1994	$9.65	$9.44	9.50	8.75	210

<FN>
++Commencement of Operations.
*Calculations are based upon shares of Common Stock outstanding at the end of each period.
**As reported in the consolidated transaction reporting system.
***In thousands.
</TABLE>

OFFICERS AND DIRECTORS

Arthur Zeikel, President and Director
Ronald W. Forbes, Director
Cynthia A. Montgomery, Director
Charles C. Reilly, Director
Kevin A. Ryan, Director
Richard R. West, Director
Terry K. Glenn, Executive Vice President
N. John Hewitt, Senior Vice President
Donald C. Burke, Vice President
R. Douglas Henderson, Vice President
Gerald M. Richard, Treasurer
Patrick D. Sweeney, Secretary

Custodian
The Bank of New York
110 Washington Street
New York, New York 10286

Transfer Agent
The Bank of New York
101 Barclay Street
New York, New York 10286

NYSE Symbol
SSN