

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)

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FILER

DREYFUS STRATEGIC INCOME

CIK: **797073** | State of Incorporation: **NY** | Fiscal Year End: **1031**
Type: **N-30D** | Act: **40** | File No.: **811-04748** | Film No.: **95501046**

Mailing Address
*C/O DREYFUS CORP
200 PARK AVENUE, 8TH
FLOOR
NEW YORK NY 10166*

Business Address
*144 GLENN CURTISS BLVD
UNIONDALE NY 11556
2129226795*

LETTER TO SHAREHOLDERS

Dreyfus Strategic Income completed its fiscal year on October 31, 1994, having provided shareholders with a distribution rate per share of 6.92%.* Due to price changes, the total return of the Fund was -7.44% for the period, based upon net asset value per share.**

We should go back to February 4, 1994 when reviewing the bond market. It was on that date that the Federal Reserve Board first increased the Federal Funds rate by 25 basis points. This was the first such increase in the Federal Funds rate in five years. As of the date of this letter, there have been five more. The most recent was on November 15 when the Federal Reserve raised the Federal Funds rate by another 75 basis points and the discount rate also by 75 basis points. In total, the Federal Reserve increased the Federal Funds rate by 250 basis points in 1994. As a result of these tightening moves, the 30-year Treasury bond has gone from a yield of 6.36% on February 4 to an 8.13% yield on November 18, 1994, an increase of 177 basis points.

The past year has been a period of high volatility and great uncertainty. In times such as these, bond returns are sometimes negative. We anticipated a market rally in August or September based on the fact that we felt the bond market was oversold. At that time, the bond market was performing very similarly to 1984 and 1987 when the markets sold off dramatically only to rebound after a 25-week period. Unfortunately, the 1994 market continued to trade lower for a much longer period of time. As a result, your Fund was hurt by its policy earlier this year of owning securities of longer average maturity. In October and November of this year, we took a more defensive outlook and shortened the portfolio's average maturity. Over the past year, due to defense cutbacks, we reduced our participation in the aerospace industries from 4.7% to 1.3%. Our participation in utilities also declined from 14.3% to 2.3% because of increased competition in that industry. We increased our participation in the mortgage sector by approximately 10%. Portfolio moves such as these enabled us to reduce volatility in the portfolio by reducing duration and increasing quality.

As for the Fund's foreign holdings, we felt it was important to reduce them from levels of earlier this year. The reason was that we recognized that the European economy was about a year behind the U.S. in economic recovery, which would mean higher interest rates, hence lower bond prices overseas. With this outlook, we did not want to be heavily represented in foreign debt instruments. And indeed their prices did decline as the pace of economic activity quickened in Europe.

For the future, we continue to anticipate some additional volatility in the U.S. market. As previously mentioned, we are structured defensively, having a shorter average maturity than the Merrill Lynch Domestic Master Index. This is an index that funds such as ours look to for comparative return results. There is still a possibility of one or more Federal Reserve tightenings. We do believe that the Federal Reserve Boards's stringent policies will be effective in curbing domestic inflation. Over a period of time, interest rates and prices of fixed income securities should reflect realistic values, as determined in the marketplace.

We look forward to serving your future investment needs.

Very truly yours,
(Garitt A. Kono Signature Logo)
Garitt A. Kono
Portfolio Manager

November 29, 1994
New York, N.Y.

* Distribution rate per share is based upon dividends per share paid from net investment income during the period divided by the maximum offering price per share at the end of the period, adjusted for capital gain distributions.

** Total return represents the change during the period in a hypothetical account with dividends reinvested.

<TABLE>
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PERFORMANCE
COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN DREYFUS STRATEGIC INCOME
AND THE MERRILL LYNCH DOMESTIC MASTER INDEX

[Exhibit A]

* Source: Merrill Lynch, Pierce, Fenner and Smith Inc.
AVERAGE ANNUAL TOTAL RETURNS

% RETURN
REFLECTING
MAXIMUM INITIAL

% RETURN WITHOUT

PERIOD ENDED 10/31/94	SALES CHARGE	SALES CHARGE (3.0%)
<S>	<C>	<C>
1 Year	(7.44)%	(10.25)%
5 Years	8.18	7.53
From Inception (10/3/86)	8.98	8.57

</TABLE>

Past performance is not predictive of future results.

The above graph compares a \$10,000 investment made in Dreyfus Strategic Income on October 3, 1986 (Inception Date) to a \$10,000 investment made in the Merrill Lynch Domestic Master Index on that date. For comparative purposes, the value of the Index on 9/30/86 is used as the beginning value on 10/3/86. All dividends and capital gain distributions are reinvested. The Fund invests primarily in debt securities of domestic and foreign issuers. The Fund's performance takes into account the maximum initial sales charge and all other applicable fees and expenses. Unlike the Fund, the Merrill Lynch Domestic Master Index is an unmanaged performance benchmark for portfolios that include U.S. Government, mortgage and BBB or higher-rated corporate securities with maturities greater than or equal to one year; corporate and Treasury securities in the Index must have par amounts outstanding greater than or equal to \$25 million; for generic mortgage-backed securities, \$200 million per coupon. The Index does not take into account charges, fees and other expenses. Further information relating to Fund performance, including expense reimbursements, if applicable, is contained in the Condensed Financial Information section of the Prospectus and elsewhere in this report.

<TABLE>

<CAPTION>

DREYFUS STRATEGIC INCOME
STATEMENT OF INVESTMENTS

OCTOBER 31, 1994

BONDS AND NOTES--87.8%		PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>	<C>
AEROSPACE--1.3%	McDonnell Douglas, Notes, 9 1/4%, 2002.....	\$ 4,000,000	\$ 4,099,164
AIRLINES--1.4%	Qantas Airways, Sr. Notes, 7 1/2%, 2003.....	5,000,000 (a)	4,496,000
BANKING--6.5%	BankAmerica, Sub. Notes, 9.70%, 2000.....	5,000,000	5,333,815
	First Chicago, Sub. Notes, 11 1/4%, 2001.....	3,500,000	3,983,788
	Fleet Financial Group, Sub. Notes, 8 1/8%, 2004.....	6,000,000	5,831,202
	NationsBank, Sub. Notes, 7 3/4%, 2004.....	5,000,000	4,731,250
	Republic New York, Sub. Notes, 7 7/8%, 2001.....	1,000,000	984,317
			20,864,372
CONSUMER--15.1%	Cablevision Systems, Sr. Sub. Deb., 9 7/8%, 2023.....	5,500,000	5,005,000
	News America Holdings (Gtd. by News): Sr. Deb., 9 1/4%, 2013.....	5,000,000	4,830,245
	Sr. Notes, 9 1/8%, 1999.....	3,000,000	3,068,388
	Paramount Communications, Sr. Notes, 7 1/2%, 2002.....	5,000,000	4,513,475
	Rite Aid, Sr. Deb., 6 7/8%, 2013.....	8,000,000	6,488,688
	Rogers Cablesystems, Sr. Secured Second Priority Deb., 10 1/8%, 2012.....	5,000,000	4,837,500
	Tele-Communications, Sr. Deb.: 7 7/8%, 2013.....	3,500,000	2,975,781
	9 7/8%, 2022.....	5,500,000	5,584,376
	9 1/4%, 2023.....	5,000,000	4,708,810
	Time Warner Entertainment, L.P., Sr. Deb., 8 3/8%, 2023.....	8,000,000	6,813,544
			48,825,807

FINANCE--17.0%	Abbey National First Capital B.V., Sub. Notes (Gtd. by Abbey National plc), 8.20%, 2004	3,000,000	2,949,357
	Associates Corp. Of North America: Medium-Term Sr. Notes, Ser. G, 8 1/4%, 2004	5,000,000	4,915,910
	Sr. Notes, 7 7/8%, 2001.....	5,000,000	4,905,390
	Chrysler Financial, Floating Rate Notes, 5 1/4%, 1996....	10,000,000 (b)	10,026,200
	Commercial Credit, Deb., 10%, 2009.....	1,000,000	1,103,673

DREYFUS STRATEGIC INCOME
STATEMENT OF INVESTMENTS (CONTINUED)

		OCTOBER 31, 1994	
		PRINCIPAL	VALUE
BONDS AND NOTES (CONTINUED)		AMOUNT	
		-----	-----
FINANCE (CONTINUED)	Ford Motor Credit, Notes, 7 1/2%, 2004.....	\$ 5,000,000	\$ 4,679,725
	General Motors Acceptance, Medium-Term Notes, 7 1/2%, 2000.....	5,000,000	4,819,415
	Great Western Financial, Notes, 6 3/8%, 2000.....	5,000,000	4,557,620
	KfW International Finance, Notes (Gtd. by KfW International), 7%, 2013	5,000,000	4,308,870
	McDonnell Douglas Finance: Medium-Term Floating Rate Notes, 5 9/16%, 1998.....	5,000,000 (b)	5,021,850
	Medium-Term Notes, 9.90%, 2000.....	2,000,000	2,093,300
	United States Leasing International, Medium-Term Notes, Ser. A, 9.88%, 2001	5,000,000	5,375,000

			54,756,310

INDUSTRIAL--3.4%	Bowater, Deb., 9 1/2%, 2012.....	5,000,000	5,086,455
	Harnischfeger Industries, Deb., 8.90%, 2022.....	1,000,000	990,205
	International Paper, Notes, 7 5/8%, 2004.....	5,000,000	4,756,865

			10,833,525

INSURANCE--7.8%	NAC Re, Notes, 8%, 1999.....	2,000,000	1,966,164
	NWNL Cos., Notes, 6 5/8%, 2003.....	5,000,000	4,372,895
	New York Life Insurance, Surplus Notes, 7 1/2%, 2023.....	5,000,000 (a)	4,131,000
	SunAmerica, Notes, 9%, 1999.....	5,000,000	5,159,075
	USF&G, Sr. Notes, 8 3/8%, 2001.....	7,000,000	6,767,677
	Western National, Sr. Notes, 7 1/8%, 2004.....	3,000,000	2,601,849

			24,998,660

OIL AND GAS--3.9%	Maxus Energy: Notes, 9 1/2%, 2003.....	2,000,000	1,830,000
	Sinking Fund Deb., 11 1/4%, 2013.....	254,000	254,000
	Occidental Petroleum: Floating Rate Sr. Notes, 6 5/16%, 1999	6,000,000 (b)	6,000,000
	Sr. Deb., 11 3/4%, 2011.....	1,000,000	1,087,145
	Texas Gas Transmission, Notes, 9 5/8%, 1997.....	1,000,000	1,032,500
	Transcontinental Gas Pipe Line, Sinking Fund Deb., 9 1/8%, 2017.....	1,000,000	914,098

DREYFUS STRATEGIC INCOME
STATEMENT OF INVESTMENTS (CONTINUED)

		OCTOBER 31, 1994	
		PRINCIPAL	VALUE
BONDS AND NOTES (CONTINUED)		AMOUNT	
		-----	-----
OIL AND GAS (CONTINUED)	Triton Energy, Sr. Sub. Notes, Zero Coupon, 1997....	\$ 2,000,000	\$ 1,482,500

			12,600,243

TELEPHONE--.6%	GTE North,		

	First Mortgage, 8 1/2%, 2031.....	1,000,000	954,194
	MCI Communications, Sr. Deb., 8 1/4%, 2023.....	1,000,000	938,962

			1,893,156

UTILITIES--2.3%	Dayton Power and Light, First Mortgage, 7 7/8%, 2024.....	3,000,000	2,704,824
	GG1B Funding (System Energy Resources), Secured Lease Obligation Bonds, 8.20%, 2014	5,000,000	4,286,035
	Long Island Lighting, Deb., 11 3/4%, 1994.....	500,000	500,526

			7,491,385

FOREIGN--14.8%	Banco Nacional de Comercio Exterior, S.N.C., Notes, 7 1/4%, 2004.....	7,000,000	5,752,607
	Banco Rio de la Plata S.A., Cl. lll Negotiable Obligations, 8 1/2%, 1998.....	3,000,000 (a)	2,763,750
	German Government Unity Bonds, 8%, 2002.....	1,994,681 (c)	2,031,183
	Iberdrola International B.V., Notes (Gtd. by Iberdrola, S.A.), 7 1/8%, 2003	8,500,000 (a)	7,832,750
	Province of British Columbia, Deb., Ser. BCCG-1, 7 3/4%, 2003.....	1,478,197 (d)	1,350,776
	Province of Newfoundland, Sinking Fund Deb., 10%, 2020.....	1,000,000	1,070,340
	Province of Quebec : Deb., 11%, 2015.....	1,000,000	1,137,250
	Deb., Ser. NN, 7 1/8%, 2024.....	5,000,000	4,022,500
	Province of Saskatchewan, Notes, 8%, 2004.....	5,000,000	4,860,940
	Republic of Argentina, Bonds, 8 3/8%, 2003.....	8,000,000	6,500,064
	Swedish Export Credit, Deb., 9 7/8%, 2038.....	1,500,000	1,556,193
	Telefonica de Argentina SA, Notes, 8 3/8%, 2000.....	5,000,000 (a)	4,412,500
	Tolmex, S.A. de C.V., Notes (Gtd. by Empresas Tolteca de Mexico, S.A. de C.V. and Cegusa, S. A.), 8 3/8%, 2003.....	5,200,000	4,550,000

			47,840,853

DREYFUS STRATEGIC INCOME
STATEMENT OF INVESTMENTS (CONTINUED)

BONDS AND NOTES (CONTINUED)

		OCTOBER 31, 1994	
		PRINCIPAL AMOUNT	VALUE
		-----	-----
OTHER--.6%	GPA Holland B.V., Medium-Term Notes (Gtd. by GPA Group PLC), Ser. B, 9.06%, 1999.....	\$ 1,000,000 (a)	\$ 787,500
	Rural Electric Cooperative Grantor Trust Ctfs. (Soyland), 9.70%, 2017.....	1,000,000	1,095,439

			1,882,939

U.S. GOVERNMENT AND AGENCIES--13.1%	Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Ctfs., Ser. 1166, Cl. 1166-PG, 8%, 2020.....	5,000,000	5,056,050
	Federal National Mortgage Association, Real Estate Mortgage Investment Conduit Trust, Pass-Through Ctfs. (Collateralized by FNMA Pass-Through Ctfs.), Ser. 1992-136, Cl. 136-PD, 6%, 2016..	4,240,000	3,812,692
	Government National Mortgage Association 1: 7%, 7/15/2023.....	10,000,000	8,971,800
	8%, 8/15/2024.....	10,185,646	9,778,220
	8%, 9/15/2024.....	12,963,149	12,444,623
	U.S. Treasury Coupon Strips, Zero Coupon, 8/15/2012.....	10,000,000	2,349,700

			42,413,085

	TOTAL BONDS AND NOTES (cost \$307,021,204).....		\$282,995,499

SHORT-TERM INVESTMENTS--14.7%
TIME DEPOSITS:

Bankers Trust (London), 4 11/16%, 11/1/1994.....	\$ 15,800,000	\$ 15,800,000
Chemical Bank (London), 4 3/4%, 11/1/1994.....	15,800,000	15,800,000
Republic National Bank of New York (London), 4 3/4%, 11/1/1994.....	15,800,000	15,800,000
TOTAL SHORT-TERM INVESTMENTS (cost \$47,400,000).....		\$ 47,400,000
TOTAL INVESTMENTS (cost \$354,421,204).....	102.5%	\$330,395,499
LIABILITIES, LESS CASH AND RECEIVABLES.....	(2.5%)	\$ (7,908,751)
NET ASSETS.....	100.0%	\$322,486,748

</TABLE>

NOTES TO STATEMENT OF INVESTMENTS:

- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 1994, these securities amounted to \$24,423,500 or 7.6% of net assets.
 - (b) Variable rate security-interest rate subject to periodic change.
 - (c) Denominated in German Deutsche Marks.
 - (d) Denominated in Canadian Dollars.
- See notes to financial statements.

<TABLE>
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DREYFUS STRATEGIC INCOME
STATEMENT OF ASSETS AND LIABILITIES
<S>

	OCTOBER 31, 1994
	<C> <C>
ASSETS:	
Investments in securities, at value (cost \$354,421,204)_see statement.....	\$330,395,499
Cash.....	446,935
Receivable for investment securities sold.....	9,799,954
Interest receivable.....	5,519,780
Receivable for shares of Beneficial Interest subscribed.....	19,425
Prepaid expenses.....	16,333

	346,197,926
LIABILITIES:	
Due to The Dreyfus Corporation.....	\$ 226,886
Payable for investment securities purchased.....	21,501,489
Payable for shares of Beneficial Interest redeemed.....	1,815,751
Accrued expenses.....	167,052

NET ASSETS	\$322,486,748

REPRESENTED BY:	
Paid-in capital.....	\$360,098,071
Accumulated net realized capital losses and distributions in excess of net realized gain on investments.....	(13,585,618)
Accumulated net unrealized (depreciation) on investments_Note 4(b).....	(24,025,705)

NET ASSETS at value applicable to 24,911,719 outstanding shares of Beneficial Interest, equivalent to \$12.95 per share (unlimited number of \$.001 par value shares authorized).....	\$322,486,748

</TABLE>

See notes to financial statements.

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DREYFUS STRATEGIC INCOME
STATEMENT OF OPERATIONS
<S>

	YEAR ENDED OCTOBER 31, 1994
	<C> <C>
INVESTMENT INCOME:	
INTEREST INCOME.....	\$ 27,974,897
EXPENSES:	
Management fee_Note 3(a).....	\$ 2,157,631
Shareholder servicing costs_Note 3(b).....	1,336,114

Registration fees.....	68,330	
Prospectus and shareholders' reports_Note 3(b).....	55,462	
Custodian fees.....	53,980	
Professional fees.....	51,053	
Trustees' fees and expenses_Note 3(c).....	25,583	
Miscellaneous.....	20,082	

	3,768,235	
Less_reduction in shareholder servicing costs due to undertakings_Note 3(b).....	391,394	

TOTAL EXPENSES.....		3,376,841

INVESTMENT INCOME--NET.....		24,598,056

REALIZED AND UNREALIZED (LOSS) ON INVESTMENTS--Note 4(a):		
Net realized (loss) on investments:		
Long transactions (including options transactions).....	\$ (12,001,406)	
Short sale transactions.....	(138,215)	
Net realized (loss) on forward currency exchange contracts;		
Short transactions.....	(952,005)	
Net realized (loss) on financial futures.....	(539,572)	

NET REALIZED (LOSS).....		(13,631,198)
Net unrealized (depreciation) on investments.....		(39,799,142)

NET REALIZED AND UNREALIZED (LOSS) ON INVESTMENTS.....		(53,430,340)

NET (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....		\$ (28,832,284)
		=====

</TABLE>

See notes to financial statements.

<TABLE>

<CAPTION>

DREYFUS STRATEGIC INCOME
STATEMENT OF CHANGES IN NET ASSETS

	YEAR ENDED OCTOBER 31,	
	1993	1994
	-----	-----
<S>	<C>	<C>
OPERATIONS:		
Investment income_net.....	\$ 17,478,134	\$ 24,598,056
Net realized gain (loss) on investments.....	9,177,002	(13,631,198)
Net unrealized appreciation (depreciation) on investments for the year..	13,890,150	(39,799,142)
	-----	-----
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	40,545,286	(28,832,284)
	-----	-----
DIVIDENDS TO SHAREHOLDERS:		
From investment income_net.....	(17,466,360)	(24,598,056)
From net realized gain on investments.....	(832,582)	(9,045,367)
In excess of net realized gain on investments.....	-----	(122,223)
	-----	-----
TOTAL DIVIDENDS.....	(18,298,942)	(33,765,646)
	-----	-----
BENEFICIAL INTEREST TRANSACTIONS:		
Net proceeds from shares sold.....	235,916,143	90,796,927
Dividends reinvested.....	13,989,576	25,835,418
Cost of shares redeemed.....	(46,493,330)	(107,007,060)
	-----	-----
INCREASE IN NET ASSETS FROM BENEFICIAL INTEREST TRANSACTIONS.....	203,412,389	9,625,285
	-----	-----
TOTAL INCREASE (DECREASE) IN NET ASSETS.....	225,658,733	(52,972,645)
NET ASSETS:		
Beginning of year.....	149,800,660	375,459,393
	-----	-----
End of year.....	\$375,459,393	\$322,486,748
	=====	=====
	SHARES	SHARES
	-----	-----
CAPITAL SHARE TRANSACTIONS:		
Shares sold.....	15,965,920	6,360,200
Shares issued for dividends reinvested.....	945,381	1,842,973
Shares redeemed.....	(3,143,003)	(7,743,228)
	-----	-----

</TABLE>

See notes to financial statements.

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DREYFUS STRATEGIC INCOME

FINANCIAL HIGHLIGHTS

Contained below is per share operating performance data for a share of Beneficial Interest outstanding, total investment return, ratios to average net assets and other supplemental data for each year indicated. This information has been derived from the Fund's financial statements.

	YEAR ENDED OCTOBER 31,				
PER SHARE DATA:	1990	1991	1992	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of year.....	\$13.37	\$12.35	\$13.44	\$14.02	\$15.36
INVESTMENT OPERATIONS:					
Investment income_net.....	1.18	1.16	1.07	1.01	.95
Net realized and unrealized gain (loss) on investments	(1.02)	1.09	.58	1.41	(2.04)
TOTAL FROM INVESTMENT OPERATIONS.....	.16	2.25	1.65	2.42	(1.09)
DISTRIBUTIONS:					
Dividends from investment income_net.....	(1.18)	(1.16)	(1.07)	(1.01)	(.95)
Dividends from net realized gain on investments	-	-	-	(.07)	(.37)
Dividends in excess of net realized gain on investments	-	-	-	-	-
TOTAL DISTRIBUTIONS.....	(1.18)	(1.16)	(1.07)	(1.08)	(1.32)
Net asset value, end of year.....	\$12.35	\$13.44	\$14.02	\$15.36	\$12.95
TOTAL INVESTMENT RETURN*	1.32%	18.94%	12.64%	17.93%	(7.44%)
RATIOS/SUPPLEMENTAL DATA:					
Ratio of operating expenses to average net assets	.50%	.72%	.85%	.84%	.94%
Ratio of interest expense to average net assets	.32%	.15%	-	-	-
Ratio of net investment income to average net assets	9.24%	8.93%	7.58%	6.83%	6.84%
Decrease reflected in above expense ratios due to undertakings by the Manager (limited to the expense limitation provision of the management agreement)	1.00%	.78%	.40%	.24%	.11%
Portfolio Turnover Rate.....	16.40%	16.08%	72.82%	118.38%	161.35%
Net assets, end of year (000's Omitted).....	\$41,927	\$57,336	\$149,801	\$375,459	\$322,487

</TABLE>

*Exclusive of sales load.

See notes to financial statements.

DREYFUS STRATEGIC INCOME

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES:

The Fund is registered under the Investment Company Act of 1940 ("Act") as a diversified open-end management investment company. Dreyfus Service Corporation, until August 24, 1994, acted as the distributor of the Fund's shares. Dreyfus Service Corporation is a wholly-owned subsidiary of The Dreyfus Corporation ("Manager"). Effective August 24, 1994, the Manager became a direct subsidiary of Mellon Bank, N.A.

On August 24, 1994, Premier Mutual Fund Services, Inc. (the "Distributor") was engaged as the Fund's distributor. The Distributor, located at One Exchange Place, Boston, Massachusetts 02109, is a wholly-owned subsidiary of Institutional Administration Services, Inc., a provider of mutual fund administration services, the parent company of which is Boston Institutional Group, Inc.

(A) PORTFOLIO VALUATION: The Fund's investments (excluding short-term investments and U.S. Government obligations) are valued each business day by an independent pricing service ("Service") approved by the Board of Trustees. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the

Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees. Investments in U.S. Government obligations are valued at the mean between quoted bid and asked prices. Short-term investments are carried at amortized cost, which approximates value. Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

(B) SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Interest income including, where applicable, amortization of discount on investments, is recognized on the accrual basis.

(C) DIVIDENDS TO SHAREHOLDERS: It is the policy of the Fund to declare dividends daily from investment income-net. Such dividends are paid monthly. Dividends from net realized capital gain are normally declared and paid annually, but the Fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code. To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the Fund not to distribute such gain.

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

The Fund has an unused capital loss carryover of approximately \$13,753,000 available for Federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to October 31, 1994. If not applied, the carryover expires in fiscal 2002.

DREYFUS STRATEGIC INCOME

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2--BANK LINE OF CREDIT:

In accordance with an agreement with a bank, the Fund may borrow up to \$10 million under a short-term unsecured line of credit. Interest on borrowings is charged at rates which are related to Federal Funds rates in effect from time to time.

There were no borrowings during the year ended October 31, 1994.

NOTE 3--MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES:

(A) Pursuant to a management agreement ("Agreement") with the Manager, the management fee is computed at the annual rate of .60 of 1% of the average daily value of the Fund's net assets and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the Fund's aggregate expenses, exclusive of taxes, interest on borrowings (which, in the view of Stroock & Stroock & Lavan, counsel to the Fund, also contemplates interest on securities sold short), brokerage and extraordinary expenses, exceed the expense limitation of any state having jurisdiction over the Fund. The most stringent state expense limitation applicable to the Fund presently requires reimbursement of expenses in any full fiscal year that such expenses (exclusive of distribution expenses and certain expenses as described above) exceed 2 1/2% of the first \$30 million, 2% of the next \$70 million and 1 1/2% of the excess over \$100 million of the average value of the Fund's net assets in accordance with California "blue sky" regulations. There was no expense reimbursement for the year ended October 31, 1994.

Dreyfus Service Corporation retained \$2,061,758 during the year ended October 31, 1994 from commissions earned on sales of Fund shares.

(B) On August 3, 1994, Fund shareholders approved a revised Service Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Pursuant to the Plan, effective August 24, 1994, the Fund (a) reimburses the Distributor for payments to certain Service Agents for distributing the Fund's shares and servicing shareholder accounts and (b) pays the Manager, Dreyfus Service Corporation or any affiliate (collectively "Dreyfus") for advertising and marketing relating to the Fund and servicing shareholder accounts, at an aggregate annual rate of .25 of 1% of the value of the Fund's average daily net assets. Each of the Distributor and Dreyfus may pay Service Agents (a securities dealer, financial institution or other industry professional) a fee in respect of the Fund's shares owned by shareholders with whom the Service Agent has a servicing relationship or for whom the Service Agent is the dealer or holder of record. Each of the Distributor and Dreyfus determine the amounts to be paid to Service Agents to which it will make payments and the basis on which such payments are made. The Plan also separately provides for the Fund to bear the costs of preparing, printing and distributing certain of the Fund's prospectuses and statements of additional information

and costs associated with implementing and operating the Plan, not to exceed the greater of \$100,000 or .005 of 1% of the Fund's average daily net assets for any full fiscal year.

Prior to August 24, 1994, the Fund's Service Plan ("prior Service Plan") provided that the Fund pay Dreyfus Service Corporation at an annual rate of .25 of 1% of the value of the Fund's average daily net assets, for costs and expenses in connection with advertising, marketing and distributing the Fund's shares and for servicing shareholder accounts. Dreyfus Service Corporation made payments to one or more Service Agents based on the value of the Fund's shares owned by clients of the Service Agent. The prior Service Plan also separately provided for the Fund to bear the costs of preparing, printing and distributing certain of the Fund's prospectuses and statements of additional information and costs associated with implementing and operating the prior Service Plan, not to exceed the greater of \$100,000 or .005 of 1% of the Fund's average daily net assets for any full fiscal year.

DREYFUS STRATEGIC INCOME

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

During the year ended October 31, 1994, \$155,810 was charged to the Fund pursuant to the Plan and \$760,609 was charged to the Fund pursuant to the prior Service Plan, of which \$391,394 was waived pursuant to an undertaking by the Manager.

(C) Prior to August 24, 1994 certain officers and trustees of the Fund were "affiliated persons," as defined in the Act, of the Manager and/or Dreyfus Service Corporation. Each trustee who is not an "affiliated person" receives an annual fee of \$2,500 and an attendance fee of \$250 per meeting.

NOTE 4--SECURITIES TRANSACTIONS:

(A) The following summarizes the aggregate amount of purchases and sales of investment securities and securities sold short, excluding short-term securities, forward currency exchange contracts and options transactions, during the year ended October 31, 1994:

	PURCHASES	SALES
<S>	<C>	<C>
Long transactions.....	\$552,298,250	\$575,824,875
Short sale transactions.....	150,820,989	130,235,899
Total.....	\$703,119,239	\$706,060,774

</TABLE>

The Fund is engaged in short-selling which obligates the Fund to replace the security borrowed by purchasing the security at current market value. The Fund would incur a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund would realize a gain if the price of the security declines between those dates. Until the Fund replaces the borrowed security, the Fund will maintain daily, a segregated account with a broker and custodian, consisting of cash and/or U.S. Government securities sufficient to cover its short position. At October 31, 1994, there were no securities sold short outstanding.

When executing forward currency exchange contracts, the Fund is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. With respect to sales of forward currency exchange contracts, the Fund would incur a loss if the value of the contract increases between the date the forward contract is opened and the date the forward contract is closed. The Fund realizes a gain if the value of the contract decreases between those dates. With respect to purchases of forward currency exchange contracts, the Fund would incur a loss if the value of the contract decreases between the date the forward contract is opened and the date the forward contract is closed. The Fund realizes a gain if the value of the contract increases between those dates. At October 31, 1994, no forward currency exchange contracts were outstanding.

In addition, the following table summarizes the Fund's call/put options written transactions for the year ended October 31, 1994:

OPTIONS WRITTEN:	NUMBER OF CONTRACTS	PREMIUMS RECEIVED	OPTIONS TERMINATED	
			COST	NET REALIZED GAIN

<S>	<C>	<C>	<C>	<C>
Contracts outstanding October 31, 1993.....		\$		
Contracts written.....	1240	778,047		
	-----	-----		
	1240	778,047		
	-----	-----		
Contracts terminated:				
Closed.....	990	617,891	\$293,594	\$324,297
Expired.....	250	160,156	-----	160,156
	-----	-----	-----	-----
Total contracts terminated.....	1240	778,047	\$293,594	\$484,453
	-----	-----	=====	=====
Contracts outstanding October 31, 1994.....	-----	\$	-----	-----
	-----	-----	-----	-----

</TABLE>

DREYFUS STRATEGIC INCOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As a writer of call options, the Fund receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the Fund would incur a gain, to the extent of the premiums, if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. Generally, the Fund would realize a loss, if the price of the financial instrument increases between those dates. At October 31, 1994, there were no call options written outstanding.

As a writer of put options, the Fund receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the Fund would incur a gain, to the extent of the premiums, if the price of the underlying financial instrument increases between the date the option is written and the date on which the option is terminated. Generally, the Fund would realize a loss, if the price of the financial instrument declines between those dates. At October 31, 1994, there were no put options written outstanding.

The Fund is engaged in trading financial futures contracts. The Fund is exposed to market risk as a result of changes in the value of the underlying financial instruments. Investments in financial futures require the Fund to "mark to market" on a daily basis, which reflects the change in market value of the contract at the close of each day's trading. Accordingly, variation margin payments are made or received to reflect daily unrealized gains or losses. When the contracts are closed, the Fund recognizes a realized gain or loss. These investments require initial margin deposits with a custodian, which consist of cash or cash equivalents, up to approximately 10% of the contract amount. The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change. At October 31, 1994 there were no financial futures contracts outstanding.

(B) At October 31, 1994, accumulated net unrealized depreciation on investments was \$24,025,705 consisting of \$498,636 gross unrealized appreciation and \$24,524,341 gross unrealized depreciation.

At October 31, 1994, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

DREYFUS STRATEGIC INCOME
REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS
SHAREHOLDERS AND BOARD OF TRUSTEES
DREYFUS STRATEGIC INCOME

We have audited the accompanying statement of assets and liabilities of Dreyfus Strategic Income, including the statement of investments, as of October 31, 1994, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used

and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Strategic Income at October 31, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with generally accepted accounting principles.

(Ernst & Young LLP Signature Logo)

New York, New York
December 5, 1994

IMPORTANT TAX INFORMATION (UNAUDITED)

For Federal Tax purposes the Fund hereby designates \$.1525 per share as a long-term capital gain distribution of the \$.366 per share paid on November 30, 1993.

(Dreyfus 'D' Logo)

DREYFUS STRATEGIC INCOME
144 Glenn Curtiss Boulevard
Uniondale, NY 11556
MANAGER
The Dreyfus Corporation
200 Park Avenue
New York, NY 10166
CUSTODIAN
The Bank of New York
90 Washington Street
New York, NY 10286
TRANSFER AGENT &
DIVIDEND DISBURSING AGENT
The Shareholder Services Group, Inc.
P.O. Box 9671
Providence, RI 02940

Further information is contained
in the Prospectus, which must
precede or accompany this report.

Printed in U.S.A.

031AR9410

(Dreyfus Logo)

Strategic
Income
Annual Report
October 31, 1994

(Dreyfus Lion Logo)

COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT
 IN DREYFUS STRATEGIC INCOME AND THE
 MERRILL LYNCH DOMESTIC MASTER INDEX

EXHIBIT A:

PERIOD	MERRILL LYNCH DOMESTIC MASTER INDEX *	DREYFUS STRATEGIC INCOME
10/3/86	10,000	9,698
10/31/86	10,141	9,737
10/31/87	10,360	9,907
10/31/88	11,543	11,562
10/31/89	12,891	13,117
10/31/90	13,711	13,290
10/31/91	15,867	15,806
10/31/92	17,479	17,804
10/31/93	19,580	20,998
10/31/94	18,871	19,435

* Source: Merrill Lynch, Pierce, Fenner and Smith Inc.