

NEUBERGER BERMAN HIGH YIELD STRATEGIES FUND
Form N-CSR
March 09, 2009

As filed with the Securities and Exchange Commission on March 9, 2009

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, 2008

Date of reporting period: December 31, 2008

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. Reports to Shareholders

Neuberger Berman High Yield Strategies Fund

Annual Report

December 31, 2008

Contents

THE FUND

President's Letter	1
PORTFOLIO COMMENTARY	2
SCHEDULE OF INVESTMENTS	7
FINANCIAL STATEMENTS	14
FINANCIAL HIGHLIGHTS/PER SHARE DATA	27
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	29
DIVIDEND REINVESTMENT PLAN	30
Directory	31
Trustees and Officers Table	32
Proxy Voting Policies and Procedures	42
Quarterly Portfolio Schedule	42
Changes to Bylaws	42
Certification	42
Board Consideration of the Investment Advisory and Sub-Advisory Agreements	42
Board Consideration of New and Interim Investment Advisory and Sub-Advisory Agreements	44

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President's Letter

Dear Shareholder:

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We are pleased to present you with the annual report for Neuberger Berman High Yield Strategies Fund,¹ covering the fiscal year ended December 31, 2008. The report includes 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.

Since February 2008, the market for auction rate preferred securities has experienced significant disruption that has resulted in failed auctions for many of these securities, including the Money Market Cumulative Preferred Shares (MMCPs) issued by the Fund. Moreover, the difficult markets experienced throughout the reporting period grew more extreme leading up to and during the fourth quarter and caused the Fund to experience increased asset depreciation and extreme volatility in the prices of its portfolio securities. This volatility caused the value of the Fund's portfolio securities, and correspondingly the asset coverage on its leverage, to rise and fall.

On September 23, 2008, the Fund announced a new financing arrangement that would provide it with the ability to redeem 100% of its MMCPs. In light of the challenges presented by the markets, in November the Fund redeemed all of its MMCPs and determined that it was appropriate to reduce its leverage, utilizing the new financing arrangement to refinance some of its MMCPs by issuing privately placed preferred shares and notes. The Fund may reduce its leverage further should market conditions warrant. In light of the challenges faced by the Fund and the continued economic uncertainty, the Board decided to reduce the Fund's monthly distribution rate beginning with its first distribution paid in 2009.

On February 6, 2009, the Fund announced that it will conduct a tender offer for 10% of its outstanding common shares at a price equal to 98% of its net asset value (NAV) per share determined on the day the tender offer expires. The date on which the tender offer will commence has not yet been determined. Additionally, the Fund announced that the Board has authorized a semi-annual tender offer program consisting of up to four tender offers over a two-year period. Under the tender offer program, if the Fund's common shares trade at an average daily discount to NAV per share of greater than 10% for a 12-week measurement period, the Fund would conduct a tender offer for between 5% and 20% of its outstanding common shares at a price equal to 98% of its NAV per share determined on the day the tender offer expires.

While there can be no assurances, the tender offer and tender offer program may benefit common shareholders by enabling them to tender a portion of their shares at a price that is greater than what they could realize in the secondary market at that time, may increase liquidity for common shareholders, may have a marginally accretive impact to NAV for common shareholders and may assist in narrowing the discount to NAV at which common shares trade at certain times. To offset some of the expense associated with the tender offer program, Neuberger Berman Management LLC, the Fund's investment manager, will implement a new voluntary waiver of 0.05% of its fees. The voluntary fee waiver will provide an additional benefit to common shareholders who remain invested in the Fund by keeping expenses lower than they otherwise would have been and will mitigate some increases in expenses that may result from a decrease in the Fund's size due to its tender offers.

Thank you for entrusting your assets with Neuberger Berman. We will continue to work hard to preserve and grow your capital.

Sincerely,

ROBERT CONTI
PRESIDENT AND CEO
NEUBERGER BERMAN HIGH YIELD STRATEGIES FUND

¹ On December 16, 2008, Lehman Brothers/First Trust Income Opportunity Fund announced that its name would change to Neuberger Berman High Yield Strategies Fund. The Fund's investment objective and philosophy and portfolio management team have not changed.

High Yield Strategies Fund Commentary

During 2008, Neuberger Berman High Yield Strategies Fund posted a negative return in a difficult market environment. It also underperformed its benchmark, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index. As noted below, the Fund's underperformance relative to

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the index was largely the result of its use of leverage.

Despite several rallies during the reporting period, high yield bonds ultimately fell victim to the turmoil in the financial markets, the weakening economy and heightened investor risk aversion. As the year began, high yield spreads (the difference between comparable maturity U.S. Treasuries and high yield bonds) were about 600 basis points (6.00%). This was somewhat above their 10-year average of roughly 500 basis points. High yield spreads then widened — and their prices fell — during the first quarter of 2008. Coinciding with the collapse of Bear Stearns, high yield spreads widened to over 800 basis points in March 2008.

Hopes that this would represent the bottom of the high yield market's descent proved to be premature. While high yield prices rallied in April and May — with spreads moving as low as 650 basis points in mid-June — they again weakened in June and they largely tread water in July and August. This proved to be the calm before the storm, as the financial markets then experienced a three-month period that often rivaled the tumultuous events of the Great Depression. This period was characterized by high profile corporate bankruptcies, plunging stock prices, stalled credits markets, forced deleveraging, illiquidity and massive government intervention in an attempt to stabilize the financial markets.

This turmoil triggered a massive flight to quality into short-term Treasuries; meanwhile virtually every spread (non-Treasury) sector performed poorly. Nowhere was this more evident than in the high yield bond market. After prices fell sharply and spreads reached 1,088 basis points in September, weakness in the high yield market accelerated in October and November. At one point, spreads soared to a record high 2,127 basis points. During September, October and November, the overall high yield market fell (7.98%), (15.91%) and (9.31%), respectively. To put this in perspective, all three months eclipsed the previous worst month ever in the high yield market — a (7.37%) decline that occurred in June 2002.

Conditions then began to improve somewhat in December. The market was supported by continued government policy intervention aimed at unfreezing the credit markets and warding off a prolonged and deep recession. In addition, the government's support of the automobile industry was viewed as a positive for the high yield market. During December, the benchmark index rose 7.04% and spreads ended the year at 1,796 basis points. Even with the year-end rally, our benchmark index declined 25.88% in 2008.

Looking more closely at our performance, the Fund was unable to avoid the severe downturn in the high yield market. In addition, as mentioned, the use of leverage negatively impacted results as it magnified the Fund's negative performance. Given the high yield market's continued weakness and expectations for rising defaults, we reduced the Fund's leverage during the reporting period.

With regard to our other investment strategies, we maintained a defensive posture, which included underweighting CCC rated securities and overweighting BB rated issues. We also maintained an emphasis on companies that historically have had superior cash flow stability and avoided those cyclical issues that we think would likely be hurt by both a recession and weaker consumer spending. These positioning strategies were all beneficial for the Fund's relative results during the reporting period. From an industry perspective, security selection in the Cable sector and underweight positions in the Paper, Building Materials and Real Estate Investment Trust (REIT) sectors contributed positively to performance. On the downside, security selection in Utilities, Health Care and Telecom and sector weights in Financial Services detracted from results.

Looking ahead, we believe the high yield market will continue to be influenced by significant economic headwinds in 2009. These include negative economic growth, very weak consumer spending, poor manufacturing end-market demand, lower corporate earnings and continued deleveraging within the financial system. However, it is our belief that recent worldwide government action to improve liquidity and reinvigorate the global economy is an important step to

2

stabilizing financial markets, improving labor markets and restoring investor confidence, although no one can know to what extent.

Given this outlook, we expect to maintain our defensive positioning and emphasize issuers that have a history of superior cash flow stability. We also plan to continue underweighting cyclical sectors that, in our view, will be the most adversely affected by the recession and the pullback in consumer spending.

Sincerely,

ANN H. BENJAMIN AND THOMAS P. O'REILLY
PORTFOLIO CO-MANAGERS

3

Neuberger Berman High Yield Strategies Fund

TICKER SYMBOL

Common Shares	NHS
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RATING DIVERSIFICATION

BBB	8.7%
BB	46.9
B	34.0
CCC	7.7
CC	0.5
C	0.2
Not Rated	1.3
Short Term	0.7

PERFORMANCE HIGHLIGHTS

NAV ^{1,3}	Inception	Average Annual Total Return		
	Date	1 Year	5 Years	Since Inception
High Yield Strategies Fund	07/28/2003	(35.32%)	(3.11%)	(0.69%)

Market Price ^{2,3}	Inception	Average Annual Total Return		
	Date	1 Year	5 Years	Since Inception
High Yield Strategies Fund	07/28/2003	(37.75%)	(6.47%)	(4.23%)

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 portfolios. 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 shares on the New York Stock Exchange.

3 Performance for NAV and Market Price assumes reinvestment of all dividends and capital gain distributions. Shares of the Fund fluctuate in value. Fund performance changes over time and currently may be different from that shown as of 12/31/08. Past performance is no guarantee of future results. More current Fund performance information can be obtained by visiting the Fund's website at www.nb.com.

Index Glossary

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

* Effective November 3, 2008 Barclays Capital announced the combination of the existing Lehman Brothers indices with the Barclays Capital indices into a single platform under the "Barclays Capital Indices" name. The renamed Lehman Brothers indices will continue to operate under their existing methodology. The index name changes will be reflected in all reports to shareholders going forward.

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 Neuberger Berman Management LLC and includes reinvestment of all dividends and capital gain 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 (17.4%)			
Auto Parts & Equipment (1.3%)			
\$	1,850,000	Goodyear Tire & Rubber Co., Second Lien Term Loan C, 5.22%, due 4/30/14	\$ 1,168,644 [^]
Automotive (2.1%)			
	3,059,784	Ford Motor Co., Term Loan B, 5.24%, due 12/16/13	1,226,361 [^]
	1,543,165	General Motors Corp., Term Loan B, 5.80%, due 11/29/13	695,659 [^]
			1,922,020
Chemicals (1.1%)			
	1,650,000	Huntsman Int'l LLC, Term Loan B, 2.22%, due 4/19/14	1,016,400
Electric—Generation (2.1%)			
	2,830,668	Texas Competitive Electric Holdings Co. LLC, Term Loan B3, 4.62%, due 10/10/14	1,961,653
Health Services (3.4%)			
	3,738,168	HCA, Inc., Term Loan A, 6.01%, due 11/18/12	3,141,930
Media—Cable (3.8%)			
	590,000	MCC Iowa, Term Loan D1, 5.26%, due 1/31/15	389,400 [^]
	355,000	MCC Iowa, Term Loan D2, 5.26%, due 1/31/15	234,300 [^]
	3,845,353	Charter Communications Operating LLC, Term Loan, 5.06%, due 3/6/14	2,808,260
			3,431,960
Packaging (2.0%)			
	2,764,560	Berry Plastics Holding Corp., Term Loan C, 3.90%, due 4/3/15	1,780,377
Support-Services (0.8%)			
	1,415,000	Rental Services Corp., Second Lien Term Loan, 7.29%, due 11/30/13	743,583
Technology & Electronics (0.8%)			
	1,093,600	Sungard Data Systems, Inc., Term Loan B, 4.02%, due 2/28/14	731,947 [^]
		Total Bank Loan Obligations (Cost \$18,888,065)	15,898,514
Corporate Debt Securities (137.9%)			
Aerospace/Defense (1.6%)			
	165,000	L-3 Communications Corp., Guaranteed Senior Unsecured Subordinated Notes, 6.13%, due 7/15/13	151,800
	200,000	L-3 Communications Corp., Guaranteed Notes, 5.88%, due 1/15/15	180,000
	1,210,000	L-3 Communications Corp., Guaranteed Notes, Ser. B, 6.38%, due 10/15/15	1,131,350
			1,463,150
Auto Loans (4.3%)			
	2,855,000	Ford Motor Credit Co., Senior Unsecured Notes, 7.38%, due 2/1/11	2,171,119
	1,085,000	Ford Motor Credit Co., Senior Unsecured Notes, 7.25%, due 10/25/11	792,602
	1,196,766	GMAC LLC, Guaranteed Notes, 6.88%, due 9/15/11	980,463 ⁿ
			3,944,184

See Notes to Schedule of Investments

7

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PRINCIPAL AMOUNT			VALUE†
Automotive (1.1%)			
\$	1,965,000	Ford Motor Co., Senior Unsecured Notes, 7.45%, due 7/16/31	\$ 550,200
	1,930,000	General Motors Corp., Senior Unsecured Notes, 7.20%, due 1/15/11	405,300
			955,500
Beverage (1.1%)			
	1,030,000	Constellation Brands, Inc., Guaranteed Notes, 8.38%, due 12/15/14	978,500
Chemicals (2.9%)			
	885,000	Airgas, Inc., Guaranteed Notes, 7.13%, due 10/1/18	756,675ñ
	1,860,000	MacDermid, Inc., Senior Subordinated Notes, 9.50%, due 4/15/17	967,200ñ
	990,000	Momentive Performance Materials, Inc., Guaranteed Notes, 9.75%, due 12/1/14	420,750
	1,586,834	Momentive Performance Materials, Inc., Guaranteed Notes, 10.13%, due 12/1/14	491,919
			2,636,544
Electric—Generation (18.1%)			
	5,990,000	Dynegy-Roseton Danskammer, Pass-Through Certificates, Ser. B, 7.67%, due 11/8/16	4,256,644
	735,000	Edison Mission Energy, Senior Unsecured Notes, 7.50%, due 6/15/13	672,525
	4,515,000	Edison Mission Energy, Senior Unsecured Notes, 7.63%, due 5/15/27	3,499,125
	1,565,000	Energy Future Holdings Corp., Guaranteed Notes, 10.88%, due 11/1/17	1,111,150ñ
	3,275,000	Energy Future Holdings Corp., Guaranteed Notes, 11.25%, due 11/1/17	1,588,375ñ
	735,000	Mirant Americas Generation, Inc., Senior Unsecured Notes, 8.50%, due 10/1/21	558,600
	1,925,000	NRG Energy, Inc., Guaranteed Notes, 7.25%, due 2/1/14	1,799,875
	2,545,000	NRG Energy, Inc., Guaranteed Notes, 7.38%, due 1/15/17	2,341,400
	1,230,000	Texas Comargin-right: 10px; padding-right: 10px;mpetitive Electric Holdings Co. LLC, Guaranteed Notes, 10.50%, due 11/1/16	615,000 ñ
			16,442,694
Electric—Integrated (4.7%)			
	2,890,000	CMS Energy Corp., Senior Unsecured Notes, 6.88%, due 12/15/15	2,464,682
	2,205,000	IPALCO Enterprises, Inc., Senior Secured Notes, 7.25%, due 4/1/16	1,808,100ñ
			4,272,782
Electronics (2.7%)			
	2,090,000	Flextronics Int'l, Ltd., Senior Subordinated Notes, 6.25%, due 11/15/14	1,557,050
	2,535,000	Freescale Semiconductor, Inc., Guaranteed Notes, 9.13%, due 12/15/14	583,050
	980,000	NXP BV/NXP Funding LLC, Senior Secured Floating Rate Notes, 7.50%, due 1/15/09	325,850μ
			2,465,950
Energy—Exploration & Production (9.1%)			
	1,590,000	Chesapeake Energy Corp., Guaranteed Notes, 7.50%, due 9/15/13	1,367,400
	2,535,000	Chesapeake Energy Corp., Guaranteed Notes, 7.50%, due 6/15/14	2,142,075
	195,000	Chesapeake Energy Corp., Guaranteed Notes, 6.38%, due 6/15/15	154,050

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1,945,000	Chesapeake Energy Corp., Guaranteed Notes, 6.88%, due 1/15/16	1,556,000
840,000	Cimarex Energy Co., Guaranteed Notes, 7.13%, due 5/1/17	655,200
640,000	Newfield Exploration Co., Senior Subordinated Notes, 6.63%, due 4/15/16	508,800
2,660,000	Pioneer Natural Resources Co., Senior Unsecured Notes, 6.65%, due 3/15/17	1,898,179
		8,281,704
Environmental (0.7%)		
635,000	Allied Waste North America, Inc., Senior Secured Notes, 7.25%, due 3/15/15	590,550

See Notes to Schedule of Investments

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PRINCIPAL AMOUNT			VALUE†
Food & Drug Retailers (1.6%)			
\$	855,000	Rite Aid Corp., Senior Secured Notes, 10.38%, due 7/15/16	\$ 628,425
	2,385,000	Rite Aid Corp., Guaranteed Notes, 9.50%, due 6/15/17	828,787
			1,457,212
Gaming (7.3%)			
	765,000	Chukchansi Economic Development Authority, Senior Unsecured Notes, 8.00%, due 11/15/13	353,812ñ
	2,450,000	FireKeepers Development Authority, Senior Secured Notes, 13.88%, due 5/1/15	1,519,000ñ
	905,000	Harrah's Operating Co., Inc., Guaranteed Notes, 10.75%, due 2/1/16	257,925ñ
	980,000	MGM Mirage, Inc., Senior Secured Notes, 13.00%, due 11/15/13	933,450ñ
	250,000	MGM Mirage, Inc., Guaranteed Notes, 7.50%, due 6/1/16	158,438
	1,781,000	Pokagon Gaming Authority, Senior Notes, 10.38%, due 6/15/14	1,531,660ñ
	1,755,000	San Pasqual Casino, Notes, 8.00%, due 9/15/13	1,272,375ñ
	1,205,000	Shingle Springs Tribal Gaming Authority, Senior Notes, 9.38%, due 6/15/15	602,500ñ
			6,629,160
Gas Distribution (16.2%)			
	1,380,000	AmeriGas Partners L.P., Senior Unsecured Notes, 7.13%, due 5/20/16	1,104,000
	1,325,000	El Paso Natural Gas Co., Senior Unsecured Notes, 8.38%, due 6/15/32	1,143,331
	1,635,000	Ferrellgas Partners L.P., Senior Unsecured Notes, 8.75%, due 6/15/12	1,144,500