

Edgar Filing: DNP SELECT INCOME FUND INC - Form N-30B-2

DNP SELECT INCOME FUND INC
Form N-30B-2
May 11, 2004

Dear Fellow Shareholders:

Performance Review: Despite periodic stock market volatility, your Fund has had a three-year cumulative total return (market price change plus income) through the quarter ended March 31, 2004 of 37.2%. In comparison, the S&P Utilities Index had a total return of -30.4%. A composite of the S&P Utilities Index and the Lehman Utility Bond Index, reflecting the stock and bond ratio of the Fund, had a total return of -20.1%.

We are also pleased to report that your Fund had a total return of 6.0% for the quarter ended March 31, 2004. In comparison, the S&P Utilities Index had a total return of 5.2%. A composite of the S&P Utilities Index and the Lehman Utility Bond Index, had a total return of 4.7%.

During the first quarter of 2004, your Fund paid three monthly 6.5 cent per share dividends. The 6.5 cent per share monthly rate, without compounding, would be 78 cents annualized, or a 6.84% common stock dividend yield based on the March 31, 2004 closing price of \$11.40. This compares favorably with the quarter-end yields of 3.52% on the Dow Jones Utility Index and 3.66% on the S&P Utilities Index.

Annual Shareholders' Meeting: The annual meeting of shareholders was held on April 20, 2004 in Naples, Florida. Nathan Partain, the Fund's President and Chief Executive Officer, addressed shareholders in regard to the investment environment and outlook. The following excerpts reflect and reinforce the views of the analytical staff presented to the Board in February and reported to you in the annual shareholder report.

The year 2003 presented geopolitical challenges for America, but the economy and equity markets have finally begun to recover appreciably from a multi-year cycle of recession and stagnation. Despite the solid economic rebound, employment has lagged prior recoveries. Productivity gains have been significant and conservative corporate managements have been hesitant to add to payrolls without firm conviction of an enduring expansion. The year also was marked by continuing investigations into financial improprieties committed by corporate executives and improper trading practices by some mutual fund companies.

Regardless of stock market conditions, the Fund's investment management team continues its basic fundamental analysis to identify the most appropriate investments to meet your Fund's objectives.

Utilities continue to adapt to the stringent credit conditions that developed in 2002, largely as a result of the Enron debacle. In general, utility companies have shed non-core investments and devoted their energies to their basic bread-and-butter businesses, resulting in a renewed focus on liquidity, cash flow, balance sheet strength, dividends and dividend growth, and expense control.

For the electric industry, 2003 was the first year since 1999 that news was not dominated by negative headlines. The industry has endured the California energy crisis, some scandals in energy marketing and trading, and investigations into accounting irregularities. The path to the industry's recovery has been paved with the shift to "back to basics" strategies--as companies return to their core regulated utility businesses. Non-core operations, such as merchant

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generating plants, international investments, marketing and trading activities, and telecom ventures have been shut down, sold, or otherwise disposed of. We expect that state agencies and regional issues will once again play a dominant role in utility regulation.

One of the biggest disappointments of last year was the failure of Congress to pass the Energy Bill. The electric component of the bill contained some positive measures that would have spurred needed investment in the nation's transmission system and improved its reliability. The August 14, 2003, blackout highlighted the need for such investment. Given that 2004 is an election year, we think it is unlikely that there will be passage of a bill containing comprehensive energy legislation. Nonetheless, we expect to see an increased focus on electric reliability issues by the Federal Energy Regulatory Commission and by state regulatory agencies.

Electric companies have long been among the highest dividend-paying companies in the S&P 500. The newly-reduced tax rate on dividends, coupled with utility "back to basics" strategies, have resulted in renewed emphasis on dividend payouts by electric company managements. We view this trend as good for the sector and good for your Fund. Our electric holdings are weighted toward those companies that are committed to dividend payments and dividend growth.

When we think of gas, the first thing that comes to mind is "premium prices." Gasoline prices are certainly getting a lot of attention from consumers and lawmakers, but natural gas prices are also dominant in energy headlines. Oil prices tend to be higher when there is geopolitical uncertainty, and doubts about the ability of natural gas supply to meet growing demand has raised consumer concerns about future prices.

Over the longer-term, we expect new supply sources to develop--such as expanded liquefied natural gas facilities. The derailed energy bill also included provisions addressing increased supplies of natural gas. Nevertheless, new sources typically take years to significantly increase total supply. In the meantime, we expect prices to experience continued volatility, as production from existing wells wanes and additional supply is more difficult and expensive to come by.

A number of natural gas pipeline companies that had impaired their financial strength in 2001 and 2002 as a result of their unsuccessful efforts to become national energy merchants refocused on their basic businesses in 2003 and enjoyed significant stock price rebounds. Many of them are still very high risk, despite their refocus on core businesses, and have not regained the earnings potential they had

2

before they ventured away from their core competencies. Moreover, they pay little or no dividends, so owning their equity is not consistent with the income objective of your Fund. Rather, your Fund continues to emphasize low-risk companies with stable growth rates that we believe will be able to maintain or grow their dividends annually.

Like the electric and gas sectors, the telecommunications sector has suffered through a rough patch for the past few years, but 2003 offered a measure of stability. Balance sheet problems caused by heavy investment in new technologies have been largely resolved, leading to increased returns to shareholders in the form of dividends and share buybacks. In addition, operating fundamentals in the local wireline sector are showing stabilization.

The wireless sector of the telecommunications industry is undergoing its own

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transition. Last year was a banner year for subscriber growth and market penetration, and we expect growth to continue in 2004. Consolidation, which has long been expected, finally arrived in 2004, with Cingular's announced acquisition of AT&T Wireless. We believe that the sector should benefit from a reduction in the number of competitors.

Clearly, the telecommunications industry continues to experience a major transformation. Regulation, industry structure, competitive threats, both new and old, and the lack of a recovery in telecom demand will make this year yet another year of transition for the industry. We remain confident in our holdings of financially strong incumbent local telecommunications companies and are encouraged by their managements' actions to return value to shareholders in the form of increased dividends.

2003 was the 10/th/ year that stocks of Real Estate Investment Trusts--REITs--were included in the Fund's portfolio, and these holdings continued to be a bright spot. REIT yields are currently among the highest in the stock market. For the last ten years, more than 60% of the return from the NAREIT Equity Index has been generated from income. We believe this trend will continue in the future.

REITs also provide an opportunity to diversify the Fund's portfolio and reduce risk. Studies published by Ibbotson Associates indicate that REITs can provide meaningful diversification benefits in portfolios. Our REIT holdings are weighted to reflect the stronger property types. We continue to like the attributes REITs bring to the Fund's portfolio.

Again, we want to emphasize that our management team's investment philosophy remains consistent regardless of market conditions, investigative trends, industry evolution, what have you. Our goal is to employ sound fundamental research to identify the best investments to achieve our primary objectives --current income and growth in current income--for you, our shareholders.

We appreciate your support and investment in the DNP Select Income Fund Inc.

3

Also at the meeting, the Chairman of the Board expressed his appreciation to the two retiring directors, Gordon B. Davidson and Franklin A. Cole, for many years of outstanding service to the Fund. Mr. Davidson had served as a director of the Fund since 1989 and was Chairman of the nominating committee. Mr. Cole also had served as a director since 1989 and was a Member of the executive committee and Chairman of the contracts committee.

Shareholders elected the three nominees for director. Two of the three, Robert J. Genetski and Francis E. Jeffries, are continuing their service to the Fund. The third director, Stewart E. Conner, is new to the Board. Mr. Conner is a partner in the Louisville, Kentucky law firm, Wyatt Tarrant & Combs LLP, and he also serves as Director of the Hilliard Lyons Growth Fund, Inc.

Board of Directors Meeting: At the February 2004 Board of Directors' meeting, the Board declared the following monthly dividends:

Cents Per Share	Record Date	Payable Date
-----	-----	-----
6.5.....	June 30	July 12
6.5.....	July 30	August 10

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Automatic Dividend Reinvestment Plan and Direct Deposit Service--The Fund has a dividend reinvestment plan available as a benefit to all registered shareholders. As long as the market price of the common stock of the Fund exceeds or is equal to the net asset value per share, new shares for the dividend reinvestment program are issued at the greater of either 95% of the market price or net asset value. If the market price per share of common stock is below the net asset value per share, shares are purchased in the open market at prevailing market prices, plus any brokerage commissions paid by The Bank of New York.

Those shareholders whose shares are held for them by a brokerage house or nominee in "street-name" may not participate in the Fund's automatic dividend reinvestment plan. For such shareholders desiring automatic dividend reinvestment, we suggest you contact your broker or other nominee.

As an added service, without cost to the shareholder, the Fund offers direct deposit service through electronic funds transfer to all registered shareholders currently receiving a monthly dividend check. This service is offered through The Bank of New York. For more information and/or an authorization form on automatic dividend reinvestment or direct deposit, please contact The Bank of New York (1-877-381-2537 or <http://stock.bankofny.com>).

Visit us on the Web--You can obtain the most recent shareholder financial report and dividend information at our web site, <http://www.dnpselectincome.com>.

4

We appreciate your interest in DNP Select Income Fund Inc., and we will continue to do our best to be of service to you.

/s/ Claire V. Hansen
 Claire V. Hansen, CFA
 Chairman

/s/ Nathan I. Partain
 Nathan I. Partain, CFA
 President and Chief
 Executive Officer

5

DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS
 (UNAUDITED)
 MARCH 31, 2004

COMMON STOCKS--86.3%

Shares	Company	Market Value
-----	-----	-----
		(Note 1)
	[_] ELECTRIC--49.0%	
1,501,000	Ameren Corp.....	\$ 69,181,090
800,000	Cinergy Corp.....	32,712,000

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500,000	Consolidated Edison, Inc.....	22,050,000
796,000	Dominion Resources Inc.....	51,182,800
1,000,000	DTE Energy Co.....	41,150,000
409,000	Duquesne Light Holdings Inc.....	7,975,500
1,100,000	Energy East Corp.....	27,896,000
1,000,000	Exelon Corp.....	68,870,000
2,000,000	FirstEnergy Corp.....	78,160,000
600,000	FPL Group Inc.....	40,110,000
1,080,000	Iberdrola S.A. (Spain).....	22,297,048
215,000	National Grid Transco PLC ADR.....	8,649,450
770,000	National Grid Transco PLC (United Kingdom).....	6,085,167
1,318,600	NSTAR.....	66,879,392
700,000	Pinnacle West Capital Corp.....	27,545,000
1,375,000	Progress Energy Inc.....	64,735,000
1,000,000	Public Service Enterprise Group Inc.....	46,980,000
1,000,000	Scottish & Southern Energy ADR.....	12,635,310
850,000	Scottish & Southern Energy PLC (United Kingdom)	10,740,016
368,700	Scottish Power PLC ADR.....	10,456,332
2,300,000	Southern Co.....	70,150,000
1,500,000	Vectren Corp.....	37,005,000
581,000	WPS Resources Corp.....	27,771,800
1,999,304	Xcel Energy Inc.....	35,607,604

		886,824,509
	 [] GAS--7.5%	
926,000	AGL Resources Inc.....	26,872,520
1,000,000	Keyspan Corp.....	38,220,000
900,000	Peoples Energy Corp.....	40,185,000
1,000,000	WGL Holdings Inc.....	30,100,000

		135,377,520

The accompanying note is an integral part of this financial statement.

6

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

Shares	Company	Market Value (Note 1)
-----	-----	-----
	[] TELECOMMUNICATION--16.2%	
1,000,000	Alltel Corp.....	\$ 49,890,000
1,100,000	BCE Inc.....	23,133,000
1,730,000	BellSouth Corp.....	47,903,700
1,250,000	Chunghwa Telecom Co. Ltd.....	22,137,500
1,642,230	SBC Communications, Inc.....	40,300,324
500,000	TDC A S ADS.....	9,200,000
856,250	Telecom Corp of New Zealand Ltd. ADR	26,774,938
1,068,400	Telstra Corp. Ltd. ADR.....	18,686,316

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1,519,000	Verizon Communications Inc.....	55,504,260

		293,530,038
	[_] NON-UTILITY--13.6%	
39,000	Alexandria Real Estate Equities Inc.	2,457,000
181,960	Archstone Smith Trust.....	5,369,639
73,000	Arden Realty Inc.....	2,360,090
241,300	Boston Properties Inc.....	13,105,003
85,200	Camden Property Trust.....	3,829,740
118,100	CBL & Associates Properties Inc.....	7,244,254
179,816	Centerpoint Properties Corp.....	14,834,820
255,000	Chelsea Property Group Inc.....	16,049,700
163,479	Corporate Office Properties Trust...	4,086,975
320,300	Developers Diversified Realty Corp..	12,940,120
160,000	Duke Realty Corp.....	5,555,200
80,000	Equity Office Properties Trust.....	2,311,200
150,000	Equity Residential Properties Trust.	4,477,500
59,000	Essex Property Trust Inc.....	3,864,500
600,600	General Growth Properties Inc.....	21,111,090
107,200	Health Care Property Investors Inc..	3,033,760
70,000	Health Care REIT Inc.....	2,842,000
102,344	Healthcare Realty Trust Inc.....	4,370,089
80,000	Home Properties of New York Inc.....	3,260,000
76,000	Hospitality Properties Trust.....	3,526,400
193,939	iStar Financial Inc.....	8,203,620
100,000	Keystone Property Trust.....	2,431,000

The accompanying note is an integral part of this financial statement.

7

DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS--(Continued)
 (UNAUDITED)
 March 31, 2004

Shares	Company	Market Value (Note 1)
-----	-----	-----
62,001	Kimco Realty Corp.....	\$ 3,160,811
200,200	The Macerich Co.....	10,790,780
146,460	Maguire Properties Inc.....	3,749,376
188,390	Pan Pacific Retail Properties Inc.....	9,815,119
291,480	ProLogis.....	10,455,388
50,000	Realty Income Corp.....	2,232,500
60,499	Shurgard Storage Centers Inc. Class A.....	2,413,910
281,736	Simon Property Group Inc.....	16,464,652
205,800	S.L. Green Realty Corp.....	9,816,660
278,240	United Dominion Realty Trust Inc.....	5,459,069
252,000	Vornado Realty Trust.....	15,240,960
253,071	Weingarten Realty Investors.....	8,756,256

		245,619,181

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Total Common Stocks (Cost--\$1,367,136,146). 1,561,351,248

PREFERRED STOCKS--16.5%

	[_] UTILITY--16.5%		
200,000	Alltel Corp. 7 3/4% due 5/17/05.....	\$	10,144,000
750,000	Ameren Corp. 9 3/4% due 5/15/05.....		20,962,500
1,200,000	Centurytel Inc. 6 7/8% due 5/15/05.....		28,776,000
626,200	Cinergy Corp. 9 1/2% due 2/16/05.....		40,483,830
450,000	Dominion Resources Inc. 9 1/2% due 11/16/04		25,272,000
986,700	DTE Energy Co. 8 3/4% due 8/16/05.....		25,506,195
550,000	Duke Energy Corp. 8 1/4% due 5/18/04.....		8,140,000
223,500	EIX Trust II Series B 8.60% due 10/29/29...		5,755,125
500,000	FPL Group Inc. 8 1/2% due 2/16/05.....		28,860,000
412,000	Keyspan Corp. 8 3/4% due 5/16/05.....		22,042,000
775,000	Oneok Inc. 8 1/2% due 2/16/06.....		24,288,500
500,000	Sempra Energy 8 1/2% due 5/17/05.....		14,600,000
172,700	Southern Union Co. 5 3/4% due 8/16/05.....		10,325,733
400,000	TXU Corp. 8 3/4% due 11/16/05.....		14,648,000
500,000	TXU Corp. 8 1/8% due 5/16/06.....		18,975,000

	Total Preferred Stocks (Cost--\$290,141,593)		298,778,883

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8

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

BONDS--39.2%

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
-----	-----	-----	-----	-----	-----
	[_] ELECTRIC--11.0%				
\$18,050,000	Comed Financing II				
	8 1/2%, due 1/15/27.....	Not Rated	Baa2	BBB	\$ 20,886,251
7,500,000	Commonwealth Edison Co.				
	9 7/8%, due 6/15/20.....	A-	A3	A-	8,308,718
24,000,000	Dominion Resources Capital Trust				
	7.83%, due 12/01/27.....	Not Rated	Baa2	BBB-	27,047,328
5,000,000	El Paso Electric Co., Series E				
	9.40%, due 5/01/11.....	Not Rated	Baa3	BBB-	5,858,240
5,000,000	Illinois Power Co.				
	7 1/2%, due 7/15/25.....	CCC+	B1	B	5,125,000
15,825,000	Niagara Mohawk Power Corp.				
	8 7/8%, due 5/15/07.....	Not Rated	Baa3	A-	18,634,254

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5,000,000	Progress Energy Inc. 7 3/4%, due 3/01/31.....	BBB-	Baa2	BBB-	6,062,890
9,000,000	PSEG Power LLC 8 5/8%, due 4/15/31.....	BBB+	Baa1	BBB	11,921,463
22,750,000	Puget Capital Trust 8.231%, due 6/01/27.....	Not Rated	Ba1	BB	22,227,182
25,000,000	Southern California Edison Co. 8.00%, due 2/15/07.....	BBB+	Baa2	BBB	28,702,400
13,000,000	Southern Co. Capital Trust II 8.14%, due 2/15/27.....	Not Rated	Baa1	BBB+	15,144,129
10,000,000	Virginia Electric & Power Co. 8 5/8%, due 10/01/24.....	Not Rated	A2	A-	10,702,250
17,700,000	Virginia Electric & Power Co. 8 1/4%, due 3/01/25.....	Not Rated	A2	A-	19,251,688

					199,871,793
	[_] GAS--4.5%				
5,000,000	KN Energy Inc. 7 1/4%, due 3/01/28.....	BBB	Baa2	BBB	5,720,150

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9

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
\$10,000,000	Northern Border Partners LP 8 7/8%, due 6/15/10.....	BBB+	Baa2	BBB+	\$12,243,720
15,000,000	Panhandle Eastern 8 5/8%, due 4/15/25.....	BBB-	Baa3	BBB-	16,298,340
6,488,000	Southern Union Co. 7.60%, due 2/01/24.....	BBB	Baa3	BBB	7,430,395
8,850,000	Southern Union Co. 8 1/4%, due 11/15/29.....	BBB	Baa3	BBB	11,022,294
10,000,000	TE Products Pipeline Co. 7.51%, due 1/15/28.....	Not Rated	Baa3	BBB	10,957,090
15,500,000	Trans-Canada Pipeline 9 1/8%, due 4/20/06.....	Not Rated	A3	BBB+	17,614,526

					81,286,515
	[_] TELECOMMUNICATION--8.2%				
15,000,000	AT&T Corporation 8.35%, due 1/15/25.....	BBB	Baa2	BBB	15,983,895
22,000,000	British Telecom PLC 8 3/8%, due 12/15/10.....	A	Baa1	A-	27,229,928

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5,000,000	Centurytel Inc. 6 7/8%, due 1/15/28.....	BBB+	Baa2	BBB+	5,353,210
10,000,000	Centurytel Inc. 8 3/8%, due 10/15/10.....	BBB+	Baa2	BBB+	12,117,130
10,000,000	France Telecom 7 3/4%, due 3/01/11.....	BBB+	Baa2	BBB+	12,232,880
13,250,000	GTE California Inc. 8.07%, due 4/15/24.....	AA	A1	A+	13,821,804
17,625,000	GTE Corp. 7.90%, due 2/01/27.....	A+	A3	A+	19,878,339
5,000,000	GTE North Inc., Series C 7 5/8%, due 5/15/26.....	AA	A1	A+	5,458,045
12,243,000	TCI Communications Inc. 8.65%, due 9/15/04.....	BBB	Baa3	BBB	12,671,003
4,314,000	Tritel PCS Inc. 10 3/8%, due 1/15/11.....	BBB	Baa2	BBB	5,137,292

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10

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch	Moody's	Standard and Poor's	
\$10,500,000	Verizon Global Funding Corp. 7 3/4%, due 12/01/30.....	A+	A2	A+	\$ 12,803,238
5,000,000	Vodafone Group PLC 7 7/8%, due 2/15/30.....	A	A2	A	6,358,885
					149,045,649
	[_] NON-UTILITY--15.5%				
#15,000,000	American General Finance Corp. 1.36%, due 5/28/04.....	A+	A1	A+	15,000,000
#50,000,000	Bear Stearns Companies Inc. Master Note 1.212%, due 4/01/04.....	A+	A1	A	50,000,000
#25,000,000	Belford U.S. Capital Co. LLC 1.07%, due 3/08/05.....	AAA	Not Rated	AAA	25,001,450
#25,000,000	CIT Group Inc. 1.90%, due 4/08/04.....	A	A2	A	25,001,625
#25,000,000	Countrywide Home Loans Inc. 1.19%, Series L, due 1/18/05.....	A	A3	A	25,003,925
7,361,000	Continental Cablevision Inc. 9.50%, due 8/01/13.....	Not Rated	Baa3	BBB	8,386,431
8,000,000	Dayton Hudson Corp. 9 7/8%, due 7/01/20.....	A	A2	A+	11,670,104
#20,000,000	General Electric Capital Corp. 1.313%, due 5/14/04.....	Not Rated	Aaa	AAA	20,005,540

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#25,000,000	Household Finance Corp. 1.47%, due 5/28/04.....	A	A1	A	25,016,750
#10,000,000	Liberty Lighthouse U.S. Capital Co. LLC 1.16%, due 7/15/04.....	AAA	Not Rated	AAA	10,003,350
#25,000,000	Morgan Stanley Dean Witter & Co. 1.45%, Series C, due 5/18/04.....	AA-	Aa3	A+	25,014,900
#25,000,000	Salomon Smith Barney Holdings Inc. 1.45%, Series K, due 5/07/04.....	AA+	Aa1	AA-	25,007,200
#15,000,000	Sigma Finance Inc. 1.20%, due 1/28/05.....	AAA	AAA	AAA	15,000,000

					280,111,275

	Total Bonds (Cost--\$688,397,913).....				710,315,232

The accompanying note is an integral part of this financial statement.

11

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

Par Value/ Shares		Market Value (Note 1)
-----	-	-----
U.S. TREASURY OBLIGATION--0.1%		
\$2,000,000	U.S. Treasury Bond 10 3/4%, due 8/15/05.....	\$ 2,257,580
	Total U.S. Treasury Obligation (Cost--\$2,394,375).....	2,257,580

U.S. GOVERNMENT AGENCY OBLIGATIONS--11.5%		
25,000,000	Federal Home Loan Mortgage Corp. 9%, due 11/15/13.....	26,132,125
120,000,000	Federal National Mortgage Assn. 8 1/2%, due 5/26/05.....	125,690,880
#13,223,842	Overseas Private Investment Corp., Series A 1 1/2%, due 12/16/06.....	13,223,842
#8,408,828	Overseas Private Investment Corp., Series B 1 1/2%, due 12/16/06.....	8,408,828
#2,206,105	Overseas Private Investment Corp., Series C 1 1/2%, due 12/16/06.....	2,206,105
#910,147	Overseas Private Investment Corp., Series D 1 1/2%, due 12/16/06.....	910,147
#8,910,723	Overseas Private Investment Corp., Series E 1 1/2%, due 12/16/06.....	8,910,723
#4,418,734	Overseas Private Investment Corp., Series F 1 1/2%, due 12/16/06.....	4,418,734
#4,030,911	Overseas Private Investment Corp., Series G 1 1/2%, due 12/16/06.....	4,030,911
#2,904,433	Overseas Private Investment Corp., Series H 1 1/2%, due 12/16/06.....	2,904,433

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#6,705,421	Overseas Private Investment Corp., Series I 1 1/2%, due 12/16/06.....	6,705,421
#2,903,447	Overseas Private Investment Corp., Series J 1 1/2%, due 12/16/06.....	2,903,447
#1,279,885	Overseas Private Investment Corp., Series K 1 1/2%, due 12/16/06.....	1,279,885
	Total U.S. Government Agency Obligations (Cost--\$210,480,726)	207,725,481

MONEY MARKET INSTRUMENTS--14.2%		
#13,849,679	AIM STIC Liquid Assets Portfolio.....	13,849,679
#34,090,000	Alpine Securitization Corp. 1.03%, due 4/02/04.....	34,089,025
#50,000,000	Deutsche Bank Securities Inc. Repurchase Agreement, 1.123%, dated 3/31/04, due 4/01/04, collateralized by \$51,000,000 AHM 2003-1 A 1.49% CMO due 2/25/34.....	50,000,000

The accompanying note is an integral part of this financial statement.

12

DNP SELECT INCOME FUND INC.
STATEMENT OF NET ASSETS--(Continued)
(UNAUDITED)
March 31, 2004

Par Value/ Shares -----		Market Value (Note 1) -----
\$30,000,000	General Electric Co. 0.95%, due 4/01/04.....	\$30,000,000
#50,000,000	Greenwich Capital Markets Inc. Repurchase Agreement, 1.143%, dated 3/31/04, due 4/01/04, collateralized by \$527,805 BCF 1997-R1 WAC 144A CMO 1.943% due 3/25/37; \$1,395,003 CCMSC 2000-FL1A F 144A CMO 3.55% due 12/12/13; \$10,626,724 GSR 2003-1 A11 CMO 4.279% due 3/25/33; \$6,106,635 HVMLT 2003-2 3A CMO 5.204% due 10/19/33; \$3,687,745 RALI 2004-QS1 A2 CMO 1.64% due 1/25/34; and \$28,489,411 SASC 2004-3 2A1 CMO 4.50% due 3/25/19.....	50,000,000
#19,191,254	Janus Institutional Cash Reserves Fund.....	19,191,254
#50,000,000	Nomura Securities International Inc. Repurchase Agreement, 1.113%, dated 3/31/04, due 4/01/04, collateralized by \$493,737 AMAC 2002-9 A2 CMO 5.75% due 12/25/32; \$64,778 AMAC 2002-6 AX CMO 6.50% due 8/25/32; \$246,051 AMAC 2003-5 A30 CMO 13.64% due 4/25/33; \$788,205 ASC 1997-D4 PS1 1.305% due 4/14/29; \$4,101,833 BOAA 2003-2 CB6 CMO 6.91% due 4/25/33; \$225,972 CWHL 2002-16 1A14 CMO 6.50% due 9/25/32; \$566,428 CWHL 2003-J3 1A2 CMO 6.36% due 5/25/33; \$1,562,519 CWALT 2002-17 A6 CMO 6.96% due 1/25/33; \$876,553 CWHL 2002-31 A11 CMO 6.00% due 1/25/33; \$82,982 CWHL 2002-36 A1 CMO 6.00% due 1/25/33; \$832,999 CSFB 2002-22 4X CMO 7.50% due 7/25/32; \$3,329,111 CSFB 2003-27 4A23 CMO 2.85% due 11/25/33;	

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\$160,549 FNT 1999-2 4X CMO 6.50% due 4/25/29;
 \$3,598,354 FHASI 2003-9 1A9 CMO 6.51% due 11/25/33;
 \$163,784 GSR 2002-8F 3ABX CMO 6.50% due 9/25/32;
 \$27,402 GSR 2002-6F 2A2 CMO 7.01% due 7/25/32;
 \$111,029 GSR 2002-6F 2A8 CMO 6.71% due 7/25/32;
 \$836,007 JPMCC 2003-C1 A1 CMO 4.275% due 1/12/37;
 \$3,812,134 MASTR 2003-7 4A36 CMO 6.01% due 9/25/33;
 \$2,966,537 MASTR 2003-2 2A7 CMO 7.01% due 3/25/18;
 \$920,809 MASTR 2003-4 PO CMO 0% due 5/25/33;
 \$1,182,100 MALT 2002-2 PO1 CMO 0% due 10/25/32;
 \$1,142,221 MALT 2003-2 3OPO CMO 0% due 3/25/33;
 \$1,103,321 MALT 2003-3 2PO CMO 0% due 5/25/33;
 \$2,124,902 MALT 2003-5 3OPO CMO 0% due 8/25/33;
 \$1,118,955 MSC 1999-WF1 A2 CMO 6.21% due 11/15/31;
 \$385,051 MSDWC 2001-IQAA3 CMO 5.72% due 12/18/32;

The accompanying note is an integral part of this financial statement.

13

DNP SELECT INCOME FUND INC.
 STATEMENT OF NET ASSETS--(Continued)
 (UNAUDITED)
 March 31, 2004

Par Value/ Shares -----	Mar Val (Not -----
\$1,206,319 NAA 2003-A1 APO CMO 0% due 5/25/33;	
\$77,993 PNCMS 1999-5 2X CMO 6.75% due 7/25/29;	
\$1,847,585 PRIME 2003-1 A9 CMO 6.84% due 6/25/33;	
\$2,189,239 PHMS 1993-61 A14 CMO 20.765% due 12/25/08;	
\$762,801 RALI 2002-QS12 A3 CMO 6.91% due 9/25/32;	
\$64,278 RALI 2002-QS3 A11A CMO 6.96% due 3/25/32;	
\$3,130,714 RALI 2003-QS15 A5 CMO 5.50% due 8/25/33;	
\$186,959 RFMSI 2002-S19 A9 CMO 6.86% due 12/25/32;	
\$2,737,492 RFMSI 2003-S4 A11 CMO 6.46% due 3/25/33;	
\$837,547 SASC 2002-26 1A17 CMO 5.60% due 1/25/33;	
\$1,452,512 SASC 2003-1 1A7 CMO 5.25% due 2/25/18;	
\$349,318 WAMU 2002-S8 2A3 CMO 5.25% due 1/25/18;	
\$164,881 WAMU 2002-S7 4A2 CMO 6.00% due 11/25/32;	
\$2,440,328 WAMMS 2003-MS5 1A5 CMO 6.41% due 3/25/18;	
\$166,034 WFMB5 2002-18 1A6 CMO 6.00% due 12/25/32; and	
\$548,559 WFMB5 2002-18 2AIO CMO 0.639% due 12/25/32.....	\$ 50,
#\$10,190,000..... Waterfront Funding Corp.	
1.08%, due 4/01/04.....	10,

Total Money Market Instruments (Amortized Cost--\$257,305,206).....	257,

CASH AND OTHER ASSETS LESS LIABILITIES (40.1%).....	(726,

REMARKETED PREFERRED STOCK	
(\$.001 par value per share; 100,000,000 shares authorized and 5,000 shares issued and outstanding; liquidation preference \$100,000 per share).....	(500,

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NET ASSETS APPLICABLE TO COMMON STOCK

(equivalent to \$8.25 per share of common stock based on 219,454,216 shares of common stock outstanding; authorized 250,000,000 shares)..... \$1,810, =====

This security was purchased with the cash proceeds from securities loans. The percentage shown for each investment category is the total value of that category as a percentage of the net assets applicable to common shares of the Fund.

(1)The market values for securities are determined as follows: Equity securities traded on a national securities exchange or traded over-the-counter and quoted on the NASDAQ System are valued at last sales prices. Fixed income securities and any other securities for which it is determined that market prices are unavailable or inappropriate are valued at a fair value using a procedure determined in good faith by the Board of Directors which includes the use of a pricing service. Each money market instrument having a maturity of 60 days or less is valued on an amortized cost basis, which approximates market value.

14

Board of Directors

STEWART E. CONNER

CONNIE K. DUCKWORTH

ROBERT J. GENETSKI

CLAIRE V. HANSEN, CFA

FRANCIS E. JEFFRIES, CFA

NANCY LAMPTON

CHRISTIAN H. POINDEXTER

CARL F. POLLARD

DAVID J. VITALE

Officers

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Chairman

NATHAN I. PARTAIN, CFA
President and Chief Executive Officer

T. BROOKS BEITTEL, CFA
Senior Vice President, and Secretary

MICHAEL SCHATT
Senior Vice President

JOSEPH C. CURRY, JR.
Vice President and Treasurer

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DIANNA P. WENGLER
Assistant Vice President and
Assistant Secretary

DNP Select
Income Fund Inc.

Common stock listed on the New York Stock Exchange under the symbol DNP

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(312) 368-5510

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Agent and Custodian

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Administrator

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[Artwork]