

DNP SELECT INCOME FUND INC

Form N-30B-2

November 16, 2006

**Dear Fellow Shareholders:**

**Performance Review:** Consistent with its primary objective of current income, the Fund paid three monthly dividends of 6.5 cents per share during the third quarter. The 6.5 cent per share monthly rate, without compounding, would be 78 cents annualized, or a 7.29% common stock dividend yield based on the September 29, 2006, closing price of \$10.70 per share. That yield compares favorably with the September 29 yields of 3.13% on the Dow Jones Utility Index and 3.16% on the S&P Utilities Index.

Your Fund had a total return (income plus change in market price) of 6.9% for the quarter ended September 29, 2006. In comparison, the S&P Utilities Index had a total return of 6.1% . 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 5.9% .

On a longer-term basis, as of September 29, 2006, your Fund had a five-year cumulative total return of 46.8% . In comparison, the S&P Utilities Index had a total return during that period of 37.8%, while 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 34.2% .

**Economic Outlook:** The rate of domestic economic growth, as measured by Gross Domestic Product (GDP), declined to a 1.6% annualized rate in the third quarter of 2006 from 2.5% in the second quarter and 5.6% in the first quarter. The current economic soft patch is the result of the combined effect of high energy prices, higher interest rates, and a weak residential construction and pricing environment. The American consumer is facing those issues from the added perspective of low real wage growth, high debt levels, and low savings.

Although the cooling in aggregate consumption has been concentrated largely in the housing and auto related sectors, policy makers at the Federal Reserve (Fed) are keenly aware of the risks associated with declining growth and deteriorating consumer sentiment. As a result, short-term interest rates were left unchanged by the Fed for a third consecutive meeting in late October.

Meanwhile, strong corporate balance sheets, earnings, and profit margins indicate strength in the broad-based business operating environment, and provide support for high capacity utilization and continued low unemployment. The favorable employment outlook and recently moderating energy prices are expected to boost disposable income growth and very likely fourth quarter GDP. As long as any upturn in economic growth is accompanied by moderating core inflation, exclusive of energy and housing, monetary policy makers are unlikely to move interest rates higher.

Given the current elevated inflation rates and the uncertainty over the effects of recent monetary policy actions, we do not anticipate that short-term interest rates will be guided lower near-term either. The Fed has made it absolutely clear that it expects moderating economic growth to be reflected in moderating core inflation. Unfortunately, monetary policy drives while looking into the rear-view mirror at inflection points of the economy. Inflation lags economic activity and economic activity lags monetary

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policy. Therefore, it may be some time before the Fed concludes its policies have been successful in moderating core inflation.

The capital markets so far this year are expressing optimism on both the economy and inflation. Long-term bond yields have declined since the beginning of the year, and the broad stock market and your Fund are posting positive returns. Regardless of the economic and investment environment, your Fund managers will continue to seek high quality companies with favorable dividend policies.

**Mergers in the News:** Merger and acquisition activity has been increasing in the utility sector. WPS Resources recently announced the proposed acquisition of Peoples Energy, MDU Resources Group announced the proposed acquisition of Cascade Natural Gas, and Duquesne Light Holdings is being acquired by an Australian infrastructure fund led by Macquarie Bank. Of special interest in these transactions is that they involve medium-to-small capitalization utilities. Last year when the Energy Policy Act was passed, repealing the Public Utility Holding Company Act, some industry observers believed that large capitalization utilities would be combining to form mega utilities.

From the viewpoint of your Fund's managers, mergers of large utilities will face the same challenges that the recently failed Exelon's Public Service Enterprise Group and the FPL Group's Constellation Energy Group combinations encountered. In the rush to deregulate and disaggregate the electric industry and open electricity markets to competition in the 1990's, regulators encouraged low cost generation, especially nuclear facilities, to be sold to entities beyond their regulatory reach and at what now appears to be too low a price. Regulators are now holding the larger merger transactions hostage, trying to extract some of the lost value back for consumers. As cost saving synergies are clawed back from the economics of large mergers, the incentive for utility managements to invest time and effort to move mergers forward on behalf of shareholders is reduced.

Before making or holding any investment, your Fund managers must assess the capability of utility managements involved in a proposed merger transaction to negotiate regulatory issues, and decide whether a merger would increase our shareholders' value.

**Behind the Scenes at your Fund:** Since its inception in 1987 your Fund has used J.J.B. Hilliard, W.L. Lyons, Inc. as its Administrator. Although some shareholders have had direct contact with the Administrator, most are unaware of the broad range of support that it provides. Among many other things, the Administrator: prepares expense tables and required information for shareholder reports and prospectuses, prepares various reports for use at Board meetings, monitors compliance with IRS, SEC and rating agency rules, and monitors and resolves issues in regard to shareholder distributions. Your Fund's Treasurer is an employee of the Administrator. Every year the Fund's Board of Directors reviews the performance of the Administrator to ensure the highest level of service.

**Board of Directors' Actions**At the regular Board of Directors' meeting in August 2006, the Board declared the September, October, and November dividends. As is customary, the Board will declare the December, January and February dividends in mid-December.

The determination of the character of all Fund distributions (specifying which portion is ordinary income, qualifying dividend income, short or long term capital gains, or return of capital) is made each year-end and is reported to shareholders on Form 1099-DIV, which is mailed every year in late January or early February.

At the February 2006 Board of Directors meeting, the Board reviewed the Fund's dividend policy and reaffirmed the current 6.5 cent per share per month dividend rate. Interest rates remain historically low despite recent Federal Reserve actions, and utility common stock dividend yields are well below their long-term average. Since 2004, the Fund has made increased use of realized gains to supplement its investment income and has reduced its use of short-term trading strategies designed to capture dividend income. Until the Fund utilizes all of its tax loss carryforwards, distributions to shareholders derived from realized gains will be treated as ordinary income for tax purposes. Once the Fund utilizes all of its tax loss carryforwards and, in the absence of an increase in the yields available on Fund investments and/or realizable gains on Fund investments, the Fund's dividend distributions may include a portion of non-taxable return of capital in order to maintain the dividend rate.

**Automatic Dividend Reinvestment Plan and Direct Deposit Service**—The Fund has a dividend reinvestment plan available as a benefit to all registered shareholders and also offers direct deposit service through electronic funds transfer to all registered shareholders currently receiving a monthly dividend check. These services are 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>). Information on these services is also available on the Fund's web site at the address noted below.

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

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

Francis E. Jeffries, CFA  
Chairman of the Board

Nathan I. Partain, CFA  
President and Chief  
Executive Officer

**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS**  
**(UNAUDITED)**

**September 30, 2006**

**COMMON STOCKS 98.7%**

| <u>Shares</u>                   | <u>Description</u>                              | <u>Market Value (Note 1)</u> |
|---------------------------------|---|------------------------------|
| <b>n ELECTRIC AND GAS 71.2%</b> |   |                              |
| 982,300                         | Ameren Corp.                                    | \$ 51,855,617                |
| 1,000,000                       | Atmos Energy Corp.                              | 28,550,000                   |
| 3,071,300                       | CenterPoint Energy Inc.                         | 43,981,016                   |
| 1,125,000                       | Consolidated Edison Inc.                        | 51,975,000                   |
| 2,030,000                       | Duke Energy Corp.                               | 61,306,000                   |
| 900,000                         | Endesa S.A. (Spain)                             | 38,249,504                   |
| 1,100,000                       | Energy East Corp.                               | 26,092,000                   |
| 1,464,000                       | Exelon Corp.                                    | 88,630,560                   |
| 1,735,000                       | FPL Group Inc.                                  | 78,075,000                   |
| 1,535,000                       | FirstEnergy Corp.                               | 85,745,100                   |
| 800,000                         | Great Plains Energy Inc.                        | 24,816,000                   |
| 188,673                         | National Grid PLC ADR                           | 11,827,910                   |
| 675,714                         | National Grid PLC (United Kingdom)              | 8,425,189                    |
| 800,000                         | Nicor Inc.                                      | 34,208,000                   |
| 1,000,000                       | Northeast Utilities Inc.                        | 23,270,000                   |
| 2,237,200                       | NSTAR   | 74,632,992                   |
| 1,000,000                       | OGE Energy Corp.                                | 36,110,000                   |
| 1,296,733                       | Oneok Inc.                                      | 49,003,540                   |
| 1,350,000                       | PG&E Corp.                                      | 56,227,500                   |
| 1,200,000                       | PPL Corp.                                       | 39,480,000                   |
| 1,500,000                       | Pinnacle West Capital Corp.                     | 67,575,000                   |
| 1,375,000                       | Progress Energy Inc.                            | 62,397,500                   |
| 1,000,000                       | Puget Energy, Inc.                              | 22,730,000                   |
| 393,000                         | RWE AG (Germany)                                | 36,267,104                   |
| 600,000                         | SCANA Corp.                                     | 24,162,000                   |
| 1,000,000                       | Scottish & Southern Energy ADR                  | 24,619,400                   |
| 850,000                         | Scottish & Southern Energy PLC (United Kingdom) | 20,926,653                   |
| 1,587,301                       | Scottish Power PLC (United Kingdom)             | 19,316,976                   |
| 2,000,000                       | Southern Co.                                    | 68,920,000                   |
| 1,625,000                       | Teco Energy Inc.                                | 25,431,250                   |
| 1,500,000                       | Vectren Corp.                                   | 40,275,000                   |
| 1,000,000                       | WGL Holdings Inc.                               | 31,340,000                   |

The accompanying notes are an integral part of the financial statement.



**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS** (Continued)  
**(UNAUDITED)**  
**September 30, 2006**

| <b>Shares</b> | <b>Description</b>                      | <b>Market Value<br/>(Note 1)</b> |
|---------------|---|----------------------------------|
| 581,000       | WPS Resources Corp.                     | \$ 28,835,030                    |
| 1,000,000     | Westar Energy Inc.                      | 23,510,000                       |
| 3,499,304     | Xcel Energy Inc.                        | 72,260,628                       |
|               |   | <hr/> 1,481,027,469              |
|               | <b>n TELECOMMUNICATION</b> 15.8%        |                                  |
| 1,799,230     | AT&T Inc.                               | 58,582,929                       |
| 1,464,000     | BCE Inc.                                | 39,659,760                       |
| 565,000       | BT Group PLC ADR                        | 28,572,050                       |
| 1,377,000     | Chunghwa Telecom Co. Ltd. ADR           | 23,835,870                       |
| 2,500,000     | Citizens Communications Co.             | 35,100,000                       |
| 1,028,000     | Telecom Italia SpA ADR                  | 29,123,240                       |
| 856,250       | Telecom Corp of New Zealand Ltd. ADR    | 19,205,688                       |
| 4,855,000     | TeliaSonera AB (Sweden)                 | 31,136,446                       |
| 1,719,492     | Verizon Communications Inc.             | 63,844,738                       |
|               |   | <hr/> 329,060,721                |
|               | <b>n NON-UTILITY</b> 11.7%              |                                  |
| 98,632        | AMB Property Corp.                      | 5,435,609                        |
| 76,015        | Alexandria Real Estate Equities Inc.    | 7,130,207                        |
| 40,000        | Apartment Investment and Management Co. | 2,176,400                        |
| 192,850       | Archstone Smith Trust                   | 10,498,754                       |
| 66,221        | AvalonBay Communities Inc.              | 7,973,008                        |
| 90,195        | Boston Properties Inc.                  | 9,320,751                        |
| 64,978        | Camden Property Trust                   | 4,938,978                        |
| 182,500       | Corporate Office Properties Trust       | 8,168,700                        |
| 151,112       | Developers Diversified Realty Corp.     | 8,426,005                        |
| 103,223       | Diamondrock Hospitality Co.             | 1,714,534                        |
| 161,313       | Digital Realty Trust Inc.               | 5,052,323                        |
| 170,450       | Equity Office Properties Trust          | 6,777,092                        |
| 262,269       | Equity Residential                      | 13,265,566                       |
| 66,504        | Essex Property Trust Inc.               | 8,073,586                        |
| 207,293       | Extra Space Storage Inc.                | 3,588,242                        |
| 15,000        | Federal Realty Investment Trust         | 1,114,500                        |

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**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2006**

| <b>Shares</b> | <b>Description</b>                         | <b>Market Value<br/>(Note 1)</b> |
|---------------|--|----------------------------------|
| 159,118       | General Growth Properties Inc.             | \$ 7,581,973                     |
| 44,159        | Hospitality Properties Trust               | 2,084,305                        |
| 425,785       | Host Hotels & Resorts Inc.                 | 9,763,250                        |
| 73,078        | Kilroy Realty Corp.                        | 5,505,696                        |
| 215,015       | Kimco Realty Corp.                         | 9,217,693                        |
| 74,629        | LaSalle Hotel Properties                   | 3,234,421                        |
| 103,444       | The Macerich Co.                           | 7,898,984                        |
| 13,630        | Pan Pacific Retail Properties Inc.         | 946,195                          |
| 248,630       | ProLogis                                   | 14,186,828                       |
| 124,335       | Public Storage Inc.                        | 10,691,567                       |
| 55,055        | Reckson Associates Realty Corp.            | 2,356,354                        |
| 75,535        | Regency Centers Corp.                      | 5,193,787                        |
| 81,284        | SL Green Realty Corp.                      | 9,079,423                        |
| 200,020       | Simon Property Group Inc.                  | 18,125,812                       |
| 56,598        | Strategic Hotels and Resorts Inc.          | 1,125,168                        |
| 202,422       | Sunstone Hotel Investors Inc.              | 6,015,982                        |
| 184,367       | United Dominion Realty Trust Inc.          | 5,567,883                        |
| 173,891       | Ventas Inc.                                | 6,701,759                        |
| 120,381       | Vornado Realty Trust                       | 13,121,529                       |
|               |  | <hr/>                            |
|               |  | 242,052,864                      |
|               |  | <hr/>                            |
|               | Total Common Stocks (Cost \$1,657,848,068) | 2,052,141,054                    |
|               |  | <hr/>                            |

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**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2006**

**PREFERRED STOCKS 10.4%**

| <b>Shares</b>             | <b>Description</b>                                       | <b>Market Value (Note 1)</b> |
|---------------------------|--|------------------------------|
| <b>n UTILITY 4.3%</b>     |  |                              |
| 700,000                   | Entergy Corp. 7 5/8% due 2/17/09                         | \$ 38,094,000                |
| 1,200,000                 | Great Plains Energy Inc. 8% due 2/16/07                  | 29,904,000                   |
| 220,000                   | Southern California Edison 6 1/8% Perpetual              | 21,993,136                   |
|                           |  | <hr/> 89,991,136             |
| <b>n NON-UTILITY 6.1%</b> |  |                              |
| 710,432                   | AMB Property Corp. 7% Series O Perpetual                 | 18,073,390                   |
| 17,300                    | AvalonBay Communities Inc. 8.70% Series H Perpetual      | 473,847                      |
| 650,000                   | Duke Realty Corp. 6.95% Series M Perpetual               | 16,562,000                   |
| 104,900                   | Equity Office Properties Trust 7 3/4% Series G Perpetual | 2,664,460                    |
| 300,000                   | Federal National Mortgage Association 7% Perpetual       | 15,956,250                   |
| 400,000                   | New Plan Excel Realty Trust 7 5/8% Series E Perpetual    | 10,216,000                   |
| 8,500                     | ProLogis 6 3/4% Series F Perpetual                       | 212,500                      |
| 9,600                     | ProLogis 6 3/4% Series G Perpetual                       | 240,000                      |
| 208,600                   | Public Storage Inc. 6.95% Series H Perpetual             | 5,283,838                    |
| 900,000                   | Public Storage Inc. 7 1/4% Series I Perpetual            | 23,328,000                   |
| 600,000                   | Realty Income Corp. 7 3/8% Series D Perpetual            | 15,240,000                   |
| 200,000                   | Vornado Realty Trust 7% Series E Perpetual               | 5,114,000                    |
| 234,900                   | Vornado Realty Trust 6 5/8% Series G Perpetual           | 5,708,070                    |
| 350,000                   | Vornado Realty Trust 6 5/8% Series I Perpetual           | 8,522,500                    |
|                           |  | <hr/> 127,594,855            |
|                           | Total Preferred Stocks (Cost \$213,330,081)              | <hr/> 217,585,991 <hr/>      |

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**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2006**

**BONDS 43.1%**

| <u>Par Value</u>                |  | <u>Ratings</u> |                            | <u>Market Value (Note 1)</u> |
|---------------------------------|--|----------------|----------------------------|------------------------------|
|                                 |  | <u>Moody's</u> | <u>Standard and Poor's</u> |                              |
| <b>n ELECTRIC AND GAS 14.2%</b> |  |                |                            |                              |
| \$22,000,000                    | Arizona Public Service Company<br>6 <sup>7</sup> / <sub>8</sub> %, due 8/01/36 | Baa2           | BBB-                       | \$ 23,015,366                |
| 19,450,000                      | Comed Financing II<br>8 <sup>1</sup> / <sub>2</sub> %, due 1/15/27             | Ba1            | BBB-                       | 20,192,776                   |
| 9,304,000                       | Commonwealth Edison Co.<br>8%, due 5/15/08                                     | Baa1           | A-                         | 9,680,430                    |
| 24,000,000                      | Dominion Resources Capital Trust I<br>7.83%, due 12/01/27                      | Baa3           | BB+                        | 24,994,200                   |
| 20,000,000                      | Duke Energy Corp., Series D<br>7 <sup>3</sup> / <sub>8</sub> %, due 3/01/10    | A3             | BBB                        | 21,293,880                   |
| 5,000,000                       | Entergy Corp.<br>6.30%, due 9/01/35  | Baa1           | A-                         | 4,886,610                    |
| 10,000,000                      | FirstEnergy Corp., Series B<br>6.45%, due 11/15/11                             | Baa3           | BBB-                       | 10,443,070                   |
| 24,340,000                      | Illinois Power Co.<br>7 <sup>1</sup> / <sub>2</sub> %, due 6/15/09             | Baa2           | BBB+                       | 25,627,927                   |
| 17,000,000                      | Keyspan Corp.<br>7 <sup>5</sup> / <sub>8</sub> %, due 11/15/10                 | A3             | A                          | 18,361,700                   |
| 15,825,000                      | Niagara Mohawk Power Corp.<br>8 <sup>7</sup> / <sub>8</sub> %, due 5/15/07     | Baa1           | A-                         | 16,150,615                   |
| 10,000,000                      | Northern Border Partners LP<br>8 <sup>7</sup> / <sub>8</sub> %, due 6/15/10    | Baa2           | BBB                        | 11,087,840                   |
| 5,000,000                       | NSTAR<br>8% due 2/15/10  | A2             | A                          | 5,406,640                    |
| 9,000,000                       | PSEG Power LLC<br>8 <sup>5</sup> / <sub>8</sub> %, due 4/15/31                 | Baa1           | BBB                        | 11,703,699                   |
| 15,000,000                      | Progress Energy Inc.<br>7.10%, due 3/01/11                                     | Baa2           | BBB-                       | 16,094,340                   |
| 22,750,000                      | Puget Capital Trust<br>8.231%, due 6/01/27                                     | Ba1            | BB                         | 22,195,742                   |

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**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**

September 30, 2006

| <u>Par Value</u> |   | <u>Ratings</u> |                            | <u>Market Value</u><br><u>(Note 1)</u> |
|------------------|---|----------------|----------------------------|--|
|                  |   | <u>Moody's</u> | <u>Standard and Poor's</u> |  |
| \$12,915,000     | Sempra Energy<br>7.95%, due 3/01/10                   | Baa1           | BBB+                       | \$ 13,937,635                          |
| 13,000,000       | Southern Co. Capital Trust II<br>8.14%, due 2/15/27   | Baa1           | BBB+                       | 13,614,224                             |
| 6,488,000        | Southern Union Co.<br>7.60%, due 2/01/24              | Baa3           | BBB                        | 6,780,382                              |
| 8,850,000        | Southern Union Co.<br>8¼%, due 11/15/29               | Baa3           | BBB                        | 9,843,820                              |
| 10,000,000       | TE Products Pipeline Co.<br>7.51%, due 1/15/28        | Baa3           | BBB-                       | 10,445,940                             |
|                  |   |                |                            | 295,756,836                            |
|                  | <b>n TELECOMMUNICATION 17.5%</b>                      |                |                            |  |
| 17,200,000       | AT&T Wireless Services Inc.<br>7½%, due 5/01/07       | Baa1           | A                          | 17,402,289                             |
| 11,500,000       | Alltel Corp.<br>77/8%, due 7/01/32                    | A2             | A-                         | 13,035,434                             |
| 15,098,000       | BellSouth Capital Funding Corp.<br>7¾%, due 2/15/10   | A2             | A                          | 16,168,886                             |
| 10,000,000       | BellSouth Capital Funding Corp.<br>77/8%, due 2/15/30 | A2             | A                          | 11,426,990                             |
| 22,000,000       | British Telecom PLC<br>8¾%, due 12/15/10              | Baa1           | BBB+                       | 24,676,080                             |
| 15,000,000       | Centurytel Inc.<br>8¾%, due 10/15/10                  | Baa2           | BBB                        | 16,328,655                             |
| 15,000,000       | Centurytel Inc.<br>67/8%, due 1/15/28                 | Baa2           | BBB                        | 14,485,185                             |
| 5,645,000        | Comcast Cable Communications Inc.<br>8¾%, due 5/01/07 | Baa2           | BBB+                       | 5,741,518                              |
| 13,900,000       | Comcast Corp.<br>7.05%, due 3/15/33                   | Baa2           | BBB+                       | 14,930,671                             |
| 10,000,000       | France Telecom SA<br>7¾%, due 3/01/11                 | A3             | A-                         | 10,966,040                             |

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**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**

September 30, 2006

| <u>Par Value</u> |   | <u>Ratings</u> |                            | <u>Market Value (Note 1)</u> |
|------------------|---|----------------|----------------------------|------------------------------|
|                  |   | <u>Moody's</u> | <u>Standard and Poor's</u> |                              |
| \$ 17,625,000    | GTE Corp.<br>7.90%, due 2/01/27   | Baa1           | A                          | \$ 18,381,025                |
| 17,000,000       | Koninklijke KPN NV<br>8%, due 10/01/10  | Baa2           | BBB+                       | 18,382,117                   |
| 15,000,000       | Koninklijke KPN NV<br>8 <sup>3</sup> / <sub>8</sub> %, due 10/01/30           | Baa2           | BBB+                       | 17,243,835                   |
| 24,104,000       | Nextel Communications Corp.<br>7 <sup>3</sup> / <sub>8</sub> %, due 8/01/15   | Baa3           | BBB+                       | 24,894,105                   |
| 10,000,000       | Sprint Capital Corp.<br>8 <sup>3</sup> / <sub>8</sub> %, due 3/15/12          | Baa3           | BBB+                       | 11,220,220                   |
| 10,000,000       | TCI Communications Inc.<br>8 <sup>3</sup> / <sub>4</sub> %, due 8/01/15       | Baa2           | BBB+                       | 11,860,320                   |
| 32,000,000       | Telecom Italia Capital<br>7.20%, due 7/18/36                                  | Baa2           | BBB+                       | 32,991,776                   |
| 15,000,000       | Telefonica Emisiones SAU<br>7.045%, due 6/20/36                               | Baa1           | BBB+                       | 15,880,665                   |
| 11,500,000       | Telefonica Europe BV<br>7 <sup>3</sup> / <sub>4</sub> %, due 9/15/10          | Baa1           | BBB+                       | 12,425,842                   |
| 5,000,000        | Telefonica Europe BV<br>8 <sup>1</sup> / <sub>4</sub> %, due 9/15/30          | Baa1           | BBB+                       | 5,971,320                    |
| 10,000,000       | Telus Corp.<br>7 <sup>1</sup> / <sub>2</sub> %, due 6/01/07                   | Baa2           | BBB+                       | 10,132,060                   |
| 10,500,000       | Verizon Global Funding Corp.<br>7 <sup>3</sup> / <sub>4</sub> %, due 12/01/30 | A3             | A                          | 12,071,682                   |
| 20,000,000       | Vodafone Group PLC<br>7 <sup>3</sup> / <sub>4</sub> %, due 2/15/10            | A3             | A-                         | 21,461,760                   |
| 5,000,000        | Vodafone Group PLC<br>7 <sup>7</sup> / <sub>8</sub> %, due 2/15/30            | A3             | A-                         | 5,879,790                    |
|                  |   |                |                            | 363,958,265                  |

The accompanying notes are an integral part of the financial statement.

**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**

**September 30, 2006**

| <u>Par Value</u>                 |             | <u>Ratings</u>  |                            | <u>Market Value</u> |               |
|----------------------------------|-------------|---|----------------------------|---------------------|---------------|
|                                  |             | <u>Moody's</u>  | <u>Standard and Poor's</u> | <u>(Note 1)</u>     |               |
| <b>n NON-UTILITY 11.4%</b>       |             |   |                            |                     |               |
| # \$                             | 30,000,000  | Bank of America, NA<br>5.43%, due 6/13/07   | Aa1                        | AA                  | \$ 30,010,410 |
|                                  | 8,000,000   | Dayton Hudson Corp.<br>9 <sup>7</sup> / <sub>8</sub> %, due 7/01/20                   | A1                         | A+                  | 11,342,936    |
|                                  | 9,600,000   | Duke Realty LP<br>6.80%, due 2/12/09  | Baa1                       | BBB+                | 9,892,627     |
|                                  | 10,000,000  | EOP Operating LP<br>7 <sup>3</sup> / <sub>4</sub> %, due 11/15/07                     | Baa2                       | BBB                 | 10,246,140    |
|                                  | 100,000,000 | Federal National Mortgage Association<br>7 <sup>1</sup> / <sub>2</sub> %, due 7/18/08 | Aaa                        | AAA                 | 100,645,100   |
| #                                | 25,000,000  | Harrier Finance Funding LLC<br>5.32%, due 11/15/06                                    | Aaa                        | AAA                 | 24,998,991    |
| #                                | 25,000,000  | Premier Asset Collateralized Entity LLC<br>5.36%, due 4/25/07                         | Aaa                        | AAA                 | 25,006,850    |
| #                                | 25,000,000  | Stanfield Victoria Funding LLC<br>5.33%, due 1/22/07                                  | Aaa                        | AAA                 | 25,003,225    |
| <hr/>                            |             |   |                            |                     |               |
| 237,146,279                      |             |   |                            |                     |               |
| <hr/>                            |             |   |                            |                     |               |
| Total Bonds (Cost \$908,240,008) |             |   |                            |                     | 896,861,380   |
| <hr/>                            |             |   |                            |                     |               |

The accompanying notes are an integral part of the financial statement.

**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2006**

**SHORT-TERM INSTRUMENTS 35.1%**

| <u>Par Value/<br/>Shares</u> |   | <u>Market<br/>Value<br/>(Note 1)</u> |
|------------------------------|---|--------------------------------------|
| # \$ 7,785,954               | AIM STIC Liquid Assets Portfolio  | \$ 7,785,954                         |
| # 5,000,000                  | Banc of America Securities LLC Repurchase Agreement, 5.415%, dated 9/29/06, due 10/02/06, with a repurchase price of \$5,002,256 and collateralized by \$5,100,000 market value of corporate bonds having an average coupon rate of 6.50% and an original weighted average maturity of 1/15/12                                | 5,000,000                            |
| # 125,000,000                | BNP Paribas Securities Repurchase Agreement, 5.425%, dated 9/29/06, due 10/02/06, with a repurchase price of \$125,056,510 and collateralized by \$127,500,001 market value of asset-backed securities (ABS) and corporate bonds having an average coupon rate of 5.98% and an original weighted average maturity of 10/16/16 | 125,000,000                          |
| # 50,000,000                 | Citigroup Global Markets Inc. Master Note 5.45%, due 10/02/06   | 50,000,000                           |
| # 120,000,000                | Credit Suisse First Boston LLC Repurchase Agreement, 5.425%, dated 9/29/06, due 10/02/06, with a repurchase price of \$120,054,250 and collateralized by \$122,403,118 market value of ABS having an average coupon rate of 6.57% and an original weighted average maturity of 6/03/36  | 120,000,000                          |
| # 90,000,000                 | Dresdner Kleinwort Wasserstein Securities LLC Repurchase Agreement, 5.425%, dated 9/29/06, due 10/02/06, with a repurchase price of \$90,040,688 and collateralized by \$91,804,313 market value of corporate bonds having an average coupon rate of 5.33% and an original weighted average maturity of 8/19/18               | 90,000,000                           |
| # 18,560,000                 | Fenway Funding LLC 5.44%, due 10/02/06  | 18,557,195                           |
| # 113,000,000                | Goldman Sachs & Co. Repurchase Agreement, 5.445%, dated 9/29/06, due 10/02/06, with a repurchase price of \$113,051,274 and collateralized by \$115,260,001 market value of ABS and collateralized mortgage obligations (CMOs) having an average coupon rate of 5.47% and an original weighted average maturity of 2/21/35    | 113,000,000                          |
| # 50,000,000                 | Greenwich Capital Markets Inc. Repurchase Agreement, 5.455%, dated 9/29/06, due 10/02/06, with a repurchase price of \$50,022,729 and collateralized by \$51,005,043 market value of CMOs having an average coupon rate of 4.74% and an original weighted average maturity of 5/28/27   | 50,000,000                           |



The accompanying notes are an integral part of the financial statement.

**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2006**

| <b>Par Value/<br/>Shares</b> |   | <b>Market<br/>Value<br/>(Note 1)</b> |
|------------------------------|---|--------------------------------------|
| # \$ 100,000,000             | Lehman Brothers Inc. Repurchase Agreement, 5.425%, dated 9/29/06, due 10/02/06, with a repurchase price of \$100,045,208 and collateralized by \$102,002,311 market value of CMOs and corporate bonds having an average coupon rate of 4.99% and an original weighted average maturity of 4/18/21               | \$ 100,000,000                       |
| # 50,000,000                 | Nomura Securities International Inc. Repurchase Agreement, 5.425%, dated 9/29/06, due 10/02/06, with a repurchase price of \$50,022,604 and collateralized by \$51,000,000 market value of CMOs and corporate bonds having an average coupon rate of 5.17% and an original weighted average maturity of 7/09/39 | 50,000,000                           |
|                              | Total Short-Term Instruments (Amortized Cost \$729,343,149)   | 729,343,149                          |
|                              | Total Investments 187.3% (Cost \$3,508,761,306)   | 3,895,931,574                        |
|                              | <b>OTHER ASSETS LESS LIABILITIES (63.3%)</b>  | <b>(1,316,012,681)</b>               |
|                              | <b>AUCTION PREFERRED STOCK (24.0%)</b><br>(12,000 shares issued and outstanding; liquidation preference \$25,000 per share)   | <b>(500,000,000)</b>                 |
|                              | <b>NET ASSETS APPLICABLE TO COMMON STOCK 100.0%</b><br>(equivalent to \$9.21 per share of common stock based on 225,866,244 shares of common stock outstanding; authorized 250,000,000 shares)  | <b>2,079,918,893</b>                 |

# 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.

The accompanying notes are an integral part of the financial statement.

**DNP SELECT INCOME FUND INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**(UNAUDITED)**  
**September 30, 2005**

- (1) Equity securities traded on a national or foreign securities exchange or traded over-the-counter and quoted on the NASDAQ System are valued at the last reported sales price, or if there was no sale on the pricing date, then the security is valued at the mean of the bid and ask prices as obtained on that day from one or more dealers regularly making a market in that security. Fixed income securities are valued at the mean of bid and ask prices provided by an independent pricing service when such prices are believed to reflect the fair market value of such securities. Such bid and ask prices are determined taking into account securities prices, yields, maturities, call features, ratings, and institutional size trading in similar securities and developments related to specific securities. Any 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. Short-term investments having a maturity of 60 days or less are valued on an amortized cost basis, which approximates market value.
- (2) At December 31, 2005, the Fund's most recent fiscal tax year end, based on a tax cost of investments of \$3,010,132,491, the Fund had gross unrealized appreciation of \$362,153,165 and gross unrealized depreciation of \$83,919,490.

## **Board of Directors**

FRANCIS E. JEFFRIES  
Chairman

NANCY LAMPTON  
Vice Chairman

STEWART E. CONNER

CONNIE K. DUCKWORTH

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## **Officers**

NATHAN I. PARTAIN, CFA  
President, Chief Executive Officer  
and Chief Investment Officer

T. BROOKS BEITTEL, CFA  
Senior Vice President  
and Secretary

JOSEPH C. CURRY, JR.  
Senior Vice President and Treasurer

JOYCE B. RIEGEL  
Chief Compliance Officer

MICHAEL SCHATT  
Senior Vice President

DIANNA P. WENGLER  
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

### **Shareholder inquiries please contact:**

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Investment Adviser

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Management Co.  
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Chicago, Illinois 60606





# **DNP Select Income Fund Inc.**

**Third Quarter  
Report**

**September 30, 2006**

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