

Highland Credit Strategies Fund
Form N-Q
May 27, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY
Investment Company Act file number 811-21869
Highland Credit Strategies Fund**

(Exact name of registrant as specified in charter)

NexBank Tower
13455 Noel Road, Suite 800
Dallas, Texas 75240

(Address of principal executive offices) (Zip code)

R. Joseph Dougherty
Highland Capital Management, L.P.
NexBank Tower
13455 Noel Road, Suite 800
Dallas, Texas 75240

(Name and address of agent for service)

Registrant's telephone number, including area code: (877) 665-1287

Date of fiscal year end: December 31

Date of reporting period: March 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments.

The Schedule(s) of Investments is attached herewith.

INVESTMENT PORTFOLIO (unaudited)**As of March 31, 2010****Highland Credit Strategies Fund**

Principal Amount (\$)		Value (\$)
US Senior Loans (a) - 74.2%		
AEROSPACE - 4.3%		
1,571,772	AWAS Capital, Inc. Second Lien Priority Term Facility, 6.31%, 03/15/13	1,237,770
571,429	Continental Airlines, Inc. Tranche A-1 Term Loan, 3.63%, 06/01/11	559,183
1,428,571	Tranche A-2 Term Loan, 3.63%, 06/01/11	1,397,957
1,994,872	Delta Air Lines, Inc. Second Lien Term Loan, 04/30/14 (b)	1,834,574
4,179,000	Term Loan, 8.75%, 09/27/13	4,249,521
5,504,975	Term Loan Equipment Notes, 3.79%, 09/29/12	5,009,527
28,001	Hawker Beechcraft Acquisition Co. LLC Letter of Credit Facility Deposit, 03/26/14 (b)	23,632
470,786	Term Loan, 03/26/14 (b)	397,331
2,209,671	IAP Worldwide Services, Inc. Second Lien Term Loan, PIK, 11.50%, 06/28/13	1,902,527
4,931,507	US Airways Group, Inc. Term Loan, 2.75%, 03/21/14	4,062,329
		20,674,351
BROADCASTING - 9.1%		
3,584,549	ComCorp Broadcasting, Inc. Revolving Loan, 9.00%, 10/03/12 (c) (d)	3,146,517
35,860,392	Term Loan, PIK, 9.00%, 04/03/13 (c) (d)	31,478,252
4,760,846	Cumulus Media, Inc. Replacement Term Loan, 4.24%, 06/11/14 (b)	4,299,640
338,633	Entercom Radio, LLC Term A Loan, 06/29/12 (b)	323,112
2,067,024	TWCC Holding Corp. Replacement Term Loans, 5.00%, 09/14/15	2,093,678
3,000,000	Univision Communications, Inc. Initial Term Loan, 2.54%, 09/29/14	2,682,630
		44,023,829
CABLE/WIRELESS VIDEO - 3.3%		
1,107,409	Broadstripe, LLC DIP Revolver, 7.25%, 12/31/10 (d) (e)	1,107,188
14,151,376	First Lien Term Loan, PIK, 06/30/11 (d) (f)	11,622,524

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

1,428,203	Revolver, 06/30/11 (d) (f)	1,172,983
	WideOpenWest Finance, LLC.	
1,800,000	Series A New Term Loan, 6.76%, 06/30/14	1,812,375
		15,715,070

CHEMICALS - 2.3%

	Lyondell Chemical Co.	
20,574	Dutch Revolving Credit Loan, 12/20/13 (b) (f)	16,136
45,284	Dutch Tranche A Dollar Term Loan, 12/20/13 (b) (f)	35,516
59,065	German Tranche B-1 Euro Term Loan, 12/22/14 (b) (f)	46,325
59,065	German Tranche B-2 Euro Term Loan, 12/22/14 (b) (f)	46,325
59,065	German Tranche B-3 Euro Term Loan, 12/22/14 (b) (f)	46,325
77,151	Primary Revolving Credit Loan, 12/20/13 (b) (f)	60,510
3,396,261	Roll-Up Loan, DIP, 5.80%, 06/03/10 (b)	3,621,263
146,995	U.S. Tranche A Dollar Term Loan, 12/20/13 (b) (f)	115,289
256,299	U.S. Tranche B-1 Dollar Term Loan, 12/22/14 (b) (f)	201,017
256,299	U.S. Tranche B-2 Dollar Term Loan, 12/22/14 (b) (f)	201,017
256,299	U.S. Tranche B-3 Dollar Term Loan, 12/22/14 (b) (f)	201,017
	Solutia, Inc.	
750,000	Term Loan, 4.75%, 03/01/17	758,381
	TPC Group LLC	
1,318,543	Incremental Term Loan B, 2.81%, 06/27/13	1,246,023
4,596,823	Term B Loan, 2.81%, 06/27/13	4,343,998
		10,939,142

CONSUMER NON-DURABLES - 0.9%

	KIK Custom Products, Inc.	
575,823	First Lien Canadian Term Loan, 2.50%, 06/02/14 (b)	493,048
3,358,969	First Lien U.S. Term Loan, 2.50%, 06/02/14 (b)	2,876,118
2,000,000	Second Lien Term Loan, 5.25%, 12/01/14	1,191,000
		4,560,166

DIVERSIFIED MEDIA - 5.5%

	Cengage Learning Acquisitions, Inc.	
3,473,282	Term Loan, 2.79%, 07/03/14	3,072,587
	Cydcor, Inc.	
6,029,022	First Lien Tranche B Term Loan, 9.00%, 02/05/13	5,644,672
3,000,000	Second Lien Tranche B Term Loan, 12.00%, 02/05/14 (d)	2,876,700

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)**As of March 31, 2010****Highland Credit Strategies Fund**

Principal Amount (\$)		Value (\$)
US Senior Loans (continued)		
DIVERSIFIED MEDIA (continued)		
	DTN, Inc.	
1,357,447	Tranche C Term Loan, 5.52%, 03/10/13	1,342,175
	Endurance Business Media, Inc.	
3,000,000	Second Lien Term Loan, 01/26/14 (f)	1,053,750
	Harland Clarke Holdings Corp.	
4,919,516	Tranche B Term Loan, 2.78%, 06/30/14	4,509,966
	Metro-Goldwyn-Mayer, Inc.	
14,144,530	Tranche B Term Loan, 04/09/12 (b) (f)	6,840,789
2,917,500	Tranche B-1 Term Loan, 04/09/12 (f)	1,411,005
		26,751,644
ENERGY - 3.9%		
	Alon USA Energy, Inc.	
213,889	Edington Facility, 2.50%, 08/05/13	172,448
1,711,111	Paramount Facility, 2.50%, 08/05/13	1,379,583
	ATP Oil & Gas Corp.	
1,157,230	Tranche B-1 Term Loan, 11.25%, 07/15/14	1,174,051
163,795	Tranche B-2 Term Loan, 12.25%, 01/15/11	166,176
	Big West Oil, LLC	
2,600,000	Term Loan, 01/30/15 (b)	2,641,158
	Calumet Lubricants Co., LP	
197,380	Credit-Linked Letter of Credit, 4.10%, 01/03/15	183,688
1,461,688	Term Loan, 4.25%, 01/03/15	1,360,290
	Coffeyville Resources, LLC	
2,762,173	Tranche D Term Loan, 8.50%, 12/30/13	2,805,097
	Venoco, Inc.	
9,340,080	Second Lien Term Loan, 4.25%, 05/07/14	8,890,635
		18,773,126
FINANCIAL - 1.5%		
	HUB International Ltd.	
2,982,506	Additional Term Loan, 6.75%, 06/13/14	2,982,506
	Nuveen Investments, Inc.	
3,000,000	First Lien Term Loan, 3.29%, 11/13/14	2,760,000
1,500,000	Second Lien Term Loan, 12.50%, 07/31/15 (b) (g)	1,610,625
		7,353,131

FOOD AND DRUG - 0.4%

	Rite Aid Corp.	
982,521	Tranche 3 Term Loan, 6.00%, 06/04/14	964,836
750,000	Tranche 4 Term Loan, 9.50%, 06/10/15	785,936
		1,750,772

FOOD/TOBACCO - 2.6%

	DS Waters of America, Inc.	
1,823,889	Term Loan, 2.49%, 10/29/12	1,703,056
	DSW Holdings, Inc.	
7,000,000	Term Loan, 4.24%, 03/02/12	6,620,845
	PBM Holdings, Inc.	
1,745,382	Term Loan, 2.50%, 09/28/12	1,736,655
	Pierre Foods, Inc.	
1,050,000	Term Loan, 7.00%, 03/03/16	1,056,773
	WM. Bolthouse Farms, Inc.	
500,000	First Lien Term Loan, 5.50%, 02/11/16	503,935
1,000,000	Second Lien Term Loan, 9.50%, 08/11/16	1,009,845
		12,631,109

FOREST PRODUCTS/CONTAINERS - 2.0%

	Consolidated Container Co., LLC	
4,000,000	Second Lien Term Loan, 5.75%, 09/28/14 (b)	3,560,000
	Newark Group, Inc.	
204,186	Credit-Link Letter of Credit, 6.73%, 03/09/13	191,935
1,632,325	Term Loan, 10.75%, 03/09/13	1,534,386
	Smurfit-Stone Container Enterprises, Inc.	
3,500,000	Exit Term Loan, 02/22/16 (b)	3,513,125
	Tegrant Corp.	
1,000,000	Second Lien Term Loan, 5.80%, 03/08/15	725,000
		9,524,446

GAMING/LEISURE - 6.5%

6,041,285	Drake Hotel Acquisition B Note 1, 04/01/10 (d) (f)	
	Fontainebleau Florida Hotel, LLC	
18,500,000	Tranche C Term Loan, 06/06/12 (f)	6,475,000
	Ginn LA Conduit Lender, Inc.	
3,937,249	First Lien Tranche A Credit-Linked Deposit, 06/08/11 (f)	329,745
8,438,203	First Lien Tranche B Term Loan, 06/08/11 (f)	717,247
	Green Valley Ranch Gaming, LLC	
1,000,000	Second Lien Term Loan, 08/16/14 (f)	72,500
159,286	Lake at Las Vegas Joint Venture Mezzanine, 06/20/12 (f)	5,575
8,162,813	Revolving Loan Credit-Linked Deposit Account, 06/20/12 (f)	20,448
34,125,359	Term Loan, DIP, 4.66%, 04/30/10	10,237,608
92,368,651	Term Loan, PIK, 06/20/12 (f)	160,884

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)**As of March 31, 2010****Highland Credit Strategies Fund**

Principal Amount (\$)		Value (\$)
US Senior Loans (continued)		
GAMING/LEISURE (continued)		
	Las Vegas Sands, LLC	
1,390,920	Delayed Draw I Term Loan, 2.05%, 05/23/14	1,276,364
6,883,814	Tranche B Term Loan, 2.05%, 05/23/14	6,316,863
	MGM Mirage, Inc.	
291,555	Class A-2, 12/21/14 (b)	241,262
108,445	Class C, 12/21/14 (b)	89,738
2,000,000	Class D Loan, 6.00%, 10/03/11 (b)	1,952,270
	VML US Finance, LLC	
1,111,793	Term B Delayed Draw Project Loan, 4.80%, 05/25/12	1,081,497
1,924,805	Term B Funded Project Loan, 4.80%, 05/27/13	1,872,354
	WAICCS Las Vegas 3 LLC	
7,000,000	Second Lien Term Loan (f)	708,750
		31,558,105
HEALTHCARE - 2.1%		
	Aveta, Inc.	
2,053,401	MMM Original Term Loan, 5.50%, 08/22/11	2,022,600
305,042	NAMM New Term Loan, 5.50%, 08/22/11	300,467
549,672	NAMM Original Term Loan, 5.50%, 08/22/11	541,427
1,682,809	PHMC Acquisition Term Loan, 5.50%, 08/22/11	1,657,567
5,338,661	LifeCare Holdings Term Loan, 4.50%, 08/10/12	4,898,222
	MultiPlan, Inc.	
800,000	Incremental Term D Loan, 6.00%, 04/12/13	802,664
		10,222,947
HOUSING - 3.0%		
	Custom Building Products, Inc.	
4,300,000	Term Loan, 5.75%, 03/19/15	4,324,209
	LBREP/L-Suncal Master I, LLC	
3,190,581	First Lien Term Loan, 01/18/10 (f)	15,953
	Pacific Clarion, LLC	
24,752,866	Term Loan (d) (f)	3,804,342
	Roofing Supply Group, LLC	
3,059,067	Term Loan, 7.25%, 08/24/13	2,921,409
	Westgate Investments, LLC	
8,272,736	Senior Secured Loan, 09/25/10 (f)	2,493,576
2,336,387	Senior Unsecured Loan, 09/25/12 (f)	561,578
3,743,195	Third Lien Term Loan, 06/30/15 (f)	540,304

14,661,371

INFORMATION TECHNOLOGY - 2.0%

	CDW Corp.	
6,888,913	Term Loan, 4.23%, 10/10/14	6,057,938
	RedPrairie Corp.	
1,350,000	Term Loan, 03/24/16	1,354,495
	Verint Systems, Inc.	
2,480,867	Term Loan, 3.54%, 05/25/14	2,360,955
		9,773,388

MANUFACTURING - 2.9%

	Acument Global Technologies, Inc.	
6,473,315	Term Loan, PIK, 14.00%, 08/11/13	5,874,533
	Brand Energy & Infrastructure Services, Inc.	
3,000,000	Second Lien Term Loan, 6.27%, 02/07/15	2,707,500
	Dana Holding Corp.	
2,549,257	Term Advance, 4.50%, 01/30/15	2,513,006
	Gentek Holding, LLC	
1,496,250	Tranche B Term Loan, 7.00%, 10/29/14	1,510,681
	United Central Industrial Supply Co., LLC	
1,265,867	Term Loan, 2.52%, 03/31/12	1,227,891
		13,833,611

METALS/MINERALS - 0.5%

	Euramax International, Inc.	
1,454,449	Domestic Term Loan (Cash Pay), 10.00%, 06/29/13	1,229,009
1,489,905	Domestic Term Loan, PIK, 14.00%, 06/29/13	1,258,970
		2,487,979

RETAIL - 4.3%

	Burlington Coat Factory Warehouse Corp.	
5,953,488	Term Loan, 2.50%, 05/28/13	5,714,932
	Guitar Center, Inc.	
4,334,043	Term Loan, 3.75%, 10/09/14	4,060,478
	Michaels Stores, Inc.	
3,926,400	B-1 Term Loan, 2.54%, 10/31/13 (b)	3,744,805
2,074,063	B-2 Term Loan, 4.79%, 07/31/16	2,025,239
	Spirit Finance Corp.	
6,500,000	Term Loan, 3.25%, 08/01/13	5,135,000
		20,680,454

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)

As of March 31, 2010

Highland Credit Strategies Fund

Principal Amount (\$)		Value (\$)
US Senior Loans (continued)		
SERVICE - 5.2%		
	CCS, Inc.	
4,475,477	Term Loan, 3.25%, 11/14/14 (b)	3,906,354
	First Data Corp.	
1,484,772	Initial Tranche B-1 Term Loan, 3.00%, 09/24/14	1,317,467
	N.E.W. Holdings I, LLC	
900,000	Secured Term Loan, 6.00%, 03/23/16	897,939
	NES Rentals Holdings, Inc.	
3,224,820	Second Lien Permanent Term Loan, 7.09%, 07/20/13	3,168,386
	Penhall Holding Co.	
9,991,289	Term Loan, 9.63%, 04/01/12	1,248,911
	Sabre, Inc.	
7,927,144	Initial Term Loan, 2.25%, 09/30/14	7,404,706
	Safety-Kleen Systems, Inc.	
1,301,695	Synthetic Letter of Credit, 2.75%, 08/02/13	1,239,864
6,034,576	Term B Loan, 2.75%, 08/02/13	
		5,747,934
		24,931,561
TELECOMMUNICATIONS - 4.2%		
	Avaya, Inc.	
6,956,405	Term B-1 Loan, 3.00%, 10/24/14	6,217,321
	Digicel International Finance, Ltd.	
2,800,084	Tranche A - T&T, 2.81%, 09/30/12	2,758,083
3,000,150	Tranche A Term Loan, 2.81%, 03/30/12	2,955,148
	Integra Telecom Holdings, Inc.	
3,638,120	First Lien Term Loan, 10.75%, 08/31/13	3,656,311
	Level 3 Financing, Inc.	
4,000,000	Tranche A Term Loan, 2.50%, 03/13/14	3,728,120
	U.S. Telepacific Corp.	
1,000,000	Term Loan Advance, 9.25%, 08/17/15	1,008,125
		20,323,108
TRANSPORTATION AUTOMOTIVE - 2.6%		
	Federal-Mogul Corp.	
1,976,377	Tranche B Term Loan, 2.17%, 12/29/14	1,832,744
1,008,356	Tranche C Term Loan, 2.18%, 12/28/15	935,073
	Ford Motor Co.	
3,969,273	Tranche B-1 Term Loan, 3.26%, 12/15/13	3,849,500

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

	Motor Coach Industries International, Inc.	
5,970,085	Second Lien Tranche A, 11.75%, 06/30/12 (d)	3,650,110
3,678,191	Second Lien Tranche B, 11.75%, 06/30/12 (d)	2,248,846
		12,516,273

TRANSPORTATION LAND TRANSPORTATION - 0.8%

	New Century Transportation, Inc.	
1,805,780	Term Loan, 7.23%, 08/14/12	1,643,260
	SIRVA Worldwide, Inc.	
962,539	Revolving Credit Loan Exit Finance, 12.61%, 05/12/12 (e)	577,523
3,477,514	Second Lien Term Loan, 12.00%, 05/12/15	782,441
1,624,158	Term Loan (Exit Finance), PIK, 12.81%, 05/12/12	1,055,703
		4,058,927

UTILITY - 3.7%

	Coletto Creek Power, LP	
100,890	First Lien Synthetic Letter of Credit, 3.04%, 06/28/13	92,819
1,331,432	First Lien Term Loan, 3.03%, 06/28/13	1,257,378
4,812,500	Second Lien Term Loan, 4.25%, 06/28/13	3,962,276
	Entegra TC LLC	
10,338,015	Third Lien Term Loan, PIK, 6.29%, 10/19/15	5,356,435
	GBGH, LLC	
2,202,643	First Lien Term Loan, 4.00%, 06/09/13 (d)	1,855,286
727,109	Second Lien Term Loan, PIK, 12.00%, 06/09/14 (d)	540,170
	Texas Competitive Electric Holdings Co., LLC	
5,949,161	Initial Tranche B-2 Term Loan, 3.73%, 10/10/14	4,901,633
		17,965,997

WIRELESS COMMUNICATIONS - 0.6%

	MetroPCS Wireless, Inc.	
2,976,864	Tranche B Term Loan, 2.50%, 11/03/13	2,917,475
	Total US Senior Loans (Cost \$539,080,182)	358,627,982

**Principal
Amount**

Foreign Denominated Senior Loans (a) - 4.0%

AUSTRALIA - 4.0%

AUD

	SMG H5 Pty., Ltd.	
22,870,278	Facility A Term Loan, 6.91%, 12/24/12	19,312,208
	Total Foreign Denominated Senior Loans (Cost \$18,574,472)	19,312,208

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)**As of March 31, 2010****Highland Credit Strategies Fund**

Principal Amount (\$)		Value (\$)
Asset-Backed Securities (h) - 7.2%		
	AB CLO, Ltd.	
2,000,000	Series 2007-1A, Class C, 2.10%, 04/15/21 (d) (i)	1,218,822
	ACA CLO, Ltd.	
4,000,000	Series 2006-2A, Class B, 0.97%, 01/20/21 (i)	2,300,000
2,000,000	Series 2007-1A, Class D, 2.60%, 06/15/22 (i)	1,100,000
	Babson CLO, Ltd.	
1,000,000	Series 2007-2A, Class D, 04/15/21 (i)	500,000
	Bluemountain CLO, Ltd.	
1,000,000	Series 2007-3A, Class D, 1.66%, 03/17/21 (d) (i)	563,086
	Cent CDO, Ltd.	
2,000,000	Series 2007-15A, Class C, 2.51%, 03/11/21 (i)	1,055,340
	Columbus Nova CLO, Ltd.	
2,000,000	Series 2007- 1A, Class D, 1.60%, 05/16/19 (i)	1,070,000
	Commercial Industrial Finance Corp.	
1,000,000	Series 2006-1BA, Class B2L, 4.27%, 12/22/20	405,000
962,970	Series 2006-2A, Class B2L, 4.25%, 03/01/21 (i)	346,669
	Cornerstone CLO, Ltd.	
2,500,000	Series 2007-1A, Class C, 2.65%, 07/15/21 (i)	1,450,000
	Goldman Sachs Asset Management CLO PLC	
4,000,000	Series 2007-1A, Class D, 08/01/22 (i)	1,940,000
948,815	Series 2007-1A, Class E, 08/01/22 (i)	279,900
	Greywolf CLO, Ltd	
1,000,000	Series 2007-1A, Class D, 1.75%, 02/18/21 (i)	477,500
814,466	Series 2007-1A, Class E, 4.20%, 02/18/21 (i)	317,642
	GSC Partners CDO Fund, Ltd.	
3,000,000	Series 2007-8A, Class C, 1.73%, 04/17/21 (i)	737,640
	Gulf Stream Sextant CLO, Ltd.	
1,000,000	Series 2007-1A, Class D, 06/17/21 (i)	492,500
	Hillmark Funding	
2,000,000	Series 2006-1A, Class C, 1.95%, 05/21/21 (i)	1,113,333
612,103	Series 2006-1A, Class D, 3.85%, 05/21/21 (i)	250,962
	Inwood Park CDO, Ltd.	
1,000,000	Series 2006-1A, Class C, 0.95%, 01/20/21 (i)	800,000
1,000,000	Series 2006-1A, Class D, 1.65%, 01/20/21 (i)	717,500
	Limerock CLO	
2,000,000	Series 2007-1A, Class D, 04/24/23 (i)	720,000
	Madison Park Funding Ltd.	
2,000,000	Series 2007-5A, Class C, 1.70%, 02/26/21 (i)	975,780
1,500,000	Series 2007-5A, Class D, 3.75%, 02/26/21 (i)	609,045
	Marquette US/European CLO, PLC	
1,000,000	Series 2006-1A, Class D1, 2.00%, 07/15/20 (i)	315,000
	Navigator CDO, Ltd.	

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

835,038	Series 2006-2A, Class D, 09/20/20 (i) Ocean Trails CLO	217,110
1,000,000	Series 2006-1A, Class D, 4.00%, 10/12/20 (i)	395,000
2,500,000	Series 2007-2A, Class C, 2.60%, 06/27/22 (i) PPM Grayhawk CLO, Ltd.	1,325,000
1,000,000	Series 2007-1A, Class C, 1.65%, 04/18/21 (i)	490,000
826,734	Series 2007-1A, Class D, 3.85%, 04/18/21 (i) Primus CLO, Ltd.	339,738
5,000,000	Series 2007-2A, Class D, 07/15/21 (i)	2,700,000
2,091,094	Series 2007-2A, Class E, 07/15/21 (i) Rampart CLO, Ltd.	961,903
4,000,000	Series 2006-1A, Class C, 1.70%, 04/18/21 (i) St. James River CLO, Ltd.	2,260,000
2,287,217	Series 2007-1A, Class E, 4.56%, 06/11/21 (i) Stanfield Daytona CLO, Ltd.	914,887
1,200,000	Series 2007-1A, Class B1L, 1.60%, 04/27/21 (i) Stanfield McLaren CLO, Ltd.	648,000
4,000,000	Series 2007-1A, Class B1L, 2.65%, 02/27/21 (i) Stone Tower CLO, Ltd.	2,000,000
2,000,000	Series 2007-6A, Class C, 1.60%, 04/17/21 (i) Venture CDO, Ltd.	980,000
2,000,000	Series 2007-9A, Class D, 4.40%, 10/12/21 (i) Westbrook CLO, Ltd.	1,112,500
1,000,000	Series 2006-1A, Class D, 1.97%, 12/20/20 (i)	535,000
	Total Asset-Backed Securities (Cost \$49,202,676)	34,634,857

Foreign Asset-Backed Securities (h) - 0.5%

**Principal
Amount**

IRELAND - 0.5%

EUR

	Static Loan Funding	
2,000,000	Series 2007-1X, Class D, 5.47%, 07/31/17 (i)	1,393,700
2,000,000	Series 2007-1X, Class E, 7.97%, 07/31/17 (i)	1,123,079
	Total Foreign Asset-Backed Securities (Cost \$5,675,512)	2,516,779

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)

As of March 31, 2010

Highland Credit Strategies Fund

Principal Amount (\$)		Value (\$)
Corporate Notes and Bonds - 26.6%		
AEROSPACE - 0.5%		
	Delta Air Lines, Inc.	
5,000,000	06/30/23 (f)	102,500
7,000,000	12/15/29 (f)	157,500
1,000,000	9.50%, 09/15/14 (i)	1,056,250
	Northwest Airlines Corp.	
2,500,000	12/30/27 (f)	21,250
	Northwest Airlines, Inc.	
1,468,977	9.06%, 05/20/12	1,307,390
		2,644,890
BROADCASTING - 0.8%		
	LBI Escrow Corp.	
3,500,000	8.00%, 11/01/17 (i)	3,635,625
	Young Broadcasting, Inc.	
3,065,000	03/01/11 (f) (j)	21,455
		3,657,080
CHEMICALS - 0.6%		
	Berry Plastics Holding Corp.	
3,000,000	8.88%, 09/15/14	2,943,750
DIVERSIFIED MEDIA - 0.9%		
	Baker & Taylor, Inc.	
8,300,000	11.50%, 07/01/13 (i)	4,440,500
FINANCIAL - 0.6%		
	Penhall International Corp.	
3,500,000	12.00%, 08/01/14 (i)	2,651,250
FOOD AND DRUG - 0.4%		
	Rite Aid Corp.	
2,000,000	10.38%, 07/15/16	2,125,000
FOREST PRODUCTS/CONTAINERS - 0.0%		
	NewPage Holding Corp., PIK	
341,479	7.56%, 11/01/13 (h)	90,492
GAMING/LEISURE - 0.4%		

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

2,000,000	MGM Mirage, Inc. 6.75%, 04/01/13	1,820,000
HEALTHCARE - 14.7%		
6,765,681	Argatroban Royalty Sub LLC 18.50%, 09/21/14 (i)	6,089,113
15,000,000	Azithromycin Royalty Sub LLC 16.00%, 05/15/19 (i)	11,550,000
52,617,143	Celtic Pharma Phinco B.V., PIK 17.00%, 06/15/12 (i)	31,570,286
131,949	Cinacalcet Royalty Sub LLC 8.00%, 03/30/17 (i)	139,865
791,675	Dfine, Inc. 6.00%, 06/30/10 (d)	791,675
3,609,385	Fosamprenavir Pharma 15.50%, 06/15/18 (i)	3,320,634
4,038,224	Molecular Insight Pharmaceuticals, Inc., PIK 8.25%, 11/01/12 (h) (i)	1,817,201
2,099,484	Pharma IV (Eszopiclone) 12.00%, 06/30/14 (i)	1,826,551
560,000	Pharma V (Duloxetine) 13.00%, 10/15/13 (i)	537,600
15,500,000	TCD Pharma 16.00%, 04/15/24 (i)	13,640,000
		71,282,925
INFORMATION TECHNOLOGY - 1.2%		
5,000,000	Freescall Semiconductor, Inc. 10.13%, 03/15/18 (i)	5,406,250
477,689	New Holding, Inc. 03/12/13 (d) (f)	173,401
		5,579,651
METALS/MINERALS - 0.6%		
3,000,000	Appleton Papers, Inc. 10.50%, 06/15/15 (i)	3,000,000
RETAIL - 0.2%		
500,000	Autonation, Inc. 6.75%, 04/15/18	495,625
500,000	Burlington Coat Factory Warehouse Corp. 11.13%, 04/15/14 (j)	531,250
		1,026,875
TRANSPORTATION AUTOMOTIVE - 2.3%		
11,500,000	American Tire Distributors Holdings, Inc. 6.50%, 04/01/12 (h)	10,421,875
	Delphi Corp.	

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

3,750,000	05/01/10 (f)	140,625
3,933,000	06/15/10 (f)	147,488
8,334,000	05/01/29 (f) (j)	312,525
		11,022,513
UTILITY - 0.4%		
	Kiowa Power	
2,000,000	5.74%, 03/30/21 (i)	1,862,848
WIRELESS COMMUNICATIONS - 3.0%		
	Digicel Group, Ltd., PIK	
14,492,000	9.13%, 01/15/15 (i) (j)	14,455,770
	Total Corporate Notes and Bonds (Cost \$167,792,671)	128,603,544
Claims (k) - 0.1%		
FINANCIAL - 0.1%		
	Lehman Brothers Holding, Inc.	
1,198,046	Trade Claims LBSF	525,146
RETAIL - 0.0%		
	Home Interiors & Gifts, Inc.	
6,933,961	Proof of Claims (d)	11,788
	Total Claims (Cost \$5,595,198)	536,934

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)

As of March 31, 2010

Highland Credit Strategies Fund

Shares		Value (\$)
Common Stocks (k) - 10.1%		
AEROSPACE - 0.0%		
3,719	Delta Air Lines, Inc.	54,260
BROADCASTING - 0.0%		
2,010,616	Communications Corp. of America (c) (d)	
57,757	Gray Television, Inc., Class A	141,505
		141,505
DIVERSIFIED MEDIA - 0.1%		
46,601	American Banknote Corp. (d)	399,836
HEALTHCARE - 8.4%		
24,000,000	Genesys Ventures IA, LP (c) (d)	40,800,000
HOUSING - 0.0%		
8	Westgate Investments LLC, Class B-1 (d)	
INFORMATION TECHNOLOGY - 0.1%		
385,679	Magnachip Semiconductor (d) (j)	401,106
9,342	New Holding, Inc. (d)	
		401,106
METALS/MINERALS - 0.3%		
7,579	Euramax International, Inc. (d)	1,158,526
RETAIL - 0.2%		
105,092	Sally Beauty Holdings, Inc.	937,421
SERVICE - 0.3%		
200,964	Safety-Kleen Systems, Inc.	1,431,871
TRANSPORTATION - LAND TRANSPORTATION - 0.1%		
18,022	SIRVA Worldwide, Inc. (d)	599,412
UTILITY - 0.0%		
81,194	Entegra TC LLC	58,866
4,365	GBGH LLC (d)	
		58,866

WIRELESS COMMUNICATIONS - 0.6%

2,260,530	ICO Global Communications Holding Ltd.	2,712,635
-----------	--	-----------

Total Common Stocks (Cost \$70,923,536)	48,695,438
--	-------------------

Preferred Stocks (k) - 2.1%

1,000,000	Adelphia Recovery Trust	5,000
2,150,537	Dfine, Inc., Series D (d)	10,365,588

Total Preferred Stocks (Cost \$10,934,997)	10,370,588
---	-------------------

Units**Warrants (k) - 0.1%**

20,000	Clearwire Corp., expires 08/15/10	1,600
1,271	GBGH LLC, expires 06/09/14 (d)	
1,000	Grande Communications, expires 04/01/11 (d)	
49,317	IAP Worldwide Services, Inc., Series A, expires 06/12/15 (d)	
14,444	IAP Worldwide Services, Inc., Series B, expires 06/12/15 (d)	
7,312	IAP Worldwide Services, Inc., Series C, expires 06/12/15 (d)	
643,777	Microvision, Inc., expires 07/23/13	733,906

Total Warrants (Cost \$10)	735,506
-------------------------------	----------------

Total Investments - 124.9%

(Cost of \$867,779,254) (l)	604,033,836
-----------------------------	--------------------

Other Assets & Liabilities, Net - (24.9)%	(120,594,704)
--	----------------------

Net Assets applicable to Common Shareholders - 100.0%	\$ 483,439,132
--	-----------------------

The amount of \$1,965,135 in cash was segregated with the brokers and/or custodian to cover investments sold short outstanding as of March 31, 2010 and is included in Other Assets & Liabilities, Net :

Short Sales - 0.2%**EQUITY SECURITY - 0.2%****Shares****RETAIL - 0.2%**

55,622	Ethan Allen Interiors, Inc.	1,147,482
--------	-----------------------------	-----------

Total Investments sold short (Proceeds \$759,245)	\$ 1,147,482
--	---------------------

(a) Senior loans
(also called

bank loans, leveraged loans, or floating rate loans) in which Highland Credit Strategies Fund (the Fund) invests, generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread. (Unless otherwise identified by footnote (g), all senior loans carry a variable rate interest.) These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (LIBOR) or (iii) the Certificate of Deposit rate. Rate shown represents the weighted average rate at March 31, 2010. Senior loans, while exempt from

registration under the Securities Act of 1933 (the 1933 Act), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual maturity may be substantially less than the stated maturity shown.

- (b) All or a portion of this position has not settled. Full contract rates do not take effect until settlement date.

See accompanying Notes to Investment Portfolio.

INVESTMENT PORTFOLIO (unaudited) (continued)**As of March 31, 2010****Highland Credit Strategies Fund**

(c) Affiliated issuer. Under Section 2(a)(3) of the 1940 Act, a portfolio company is defined as affiliated if a Fund owns five percent or more of its voting stock. The Fund held at least five percent of the outstanding voting stock of the following companies during the period ended March 31, 2010.

	Par Value at 03/31/10	Shares at 03/31/10	Market Value	
			12/31/09	03/31/10
ComCorp Broadcasting, Inc. (Senior Loans) *	\$39,444,941		\$29,524,538	\$34,624,769
Communications Corp of America (Common Stock)		2,010,616		
Genesys Ventures IA, LP (Common Stock)		24,000,000	38,160,000	40,800,000
	\$39,444,941	26,010,616	\$67,684,538	\$75,424,769

* Company is a wholly owned subsidiary of Communications Corp. of America.

(d) Represents fair value as determined by the Fund's Board of Trustees (the Board) or its designee in good faith, pursuant to the policies and procedures approved by the Board. Securities with a total aggregate market value of \$119,986,158, or 24.8% of net assets, were fair valued under the fair value procedures as of March 31, 2010.

(e) Senior Loan assets have additional unfunded loan commitments. As of March 31, 2010, the Fund had unfunded loan commitments, which could be extended at the option of the Borrower, pursuant to the following loan agreements:

Borrower	Unfunded Loan Commitment
Mobileserv Ltd.	GBP 3,436,588
Broadstripe, LLC	\$ 1,211,229
Sirva Worldwide, Inc.	1,481,188
Sorenson Communications, Inc.	2,000,000
	\$ 4,692,417

(f) The issuer is in default of its payment obligation. Income is not being accrued.

(g) Fixed rate senior loan.

(h) Floating rate asset. The interest rate shown reflects the rate in effect at March 31, 2010.

(i)

Edgar Filing: Highland Credit Strategies Fund - Form N-Q

Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold, in transactions exempt from registration, to qualified institutional buyers. At March 31, 2010, these securities amounted to \$143,746,379 or 29.7% of net assets.

- (j) Securities (or a portion of securities) on loan. As of March 31, 2010, the market value of securities loaned was \$1,320,143. The loaned securities were secured with cash collateral of \$1,395,906.
- (k) Non-income producing security.
- (l) Cost for U.S. federal income tax purposes is identical to book basis. Unrealized appreciation and depreciation on investments are as follows:

Gross unrealized appreciation	\$ 29,335,003
Gross unrealized depreciation	(293,080,421)
Net unrealized depreciation	\$ (263,745,418)

AUD Australian Dollar

EUR Euro Currency

GBP Great Britain Pound

CDO Collateralized Debt
Obligation

CLO Collateralized Loan
Obligation

DIP Debtor-in-Possession

PIK Payment-in-Kind

Foreign Denominated Senior Loans & Asset Backed Securities Industry Concentration Table: (% of Net Assets)

Diversified Media	4.0%
Financial	0.5%
Total	4.5%

Forward foreign currency contracts outstanding as of March 31, 2010 were as follows:

Contracts	Principal Amount Covered	Net
to Buy or	by	Unrealized

to Sell	Currency	Contracts	Expiration	Appreciation *
Sell	EUR	1,665,000	05/14/10	246,500
Sell	GBP	2,583,500	05/14/10	394,600
Sell	GBP	824,800	08/04/10	64,596
				\$ 705,696

* The primary risk exposure is foreign exchange contracts. See Notes to Investment Portfolio.

See accompanying Notes to Investment Portfolio.

NOTES TO INVESTMENT PORTFOLIO**As of March 31, 2010 (unaudited)****Highland Credit Strategies Fund****Security Valuation**

In computing the Fund's net assets attributable to common shares, securities with readily available market quotations use those quotations for valuation. Securities where there are no readily available market quotations will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that Highland Capital Management, L.P. (the "Investment Adviser") has determined generally has the capability to provide appropriate pricing services and has been approved by the Trustees.

Securities for which market quotations are not readily available, for which the Fund has determined the price received from a pricing service or broker-dealer is stale or otherwise do not represent fair value (including when events materially affect the value of securities that occur between the time when market price is determined and calculation of the Fund's net asset value), will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund's net asset value will reflect the affected portfolio securities' fair value as determined in the judgement of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their net asset values. Determination of fair value is uncertain because it involves subjective judgements and estimates not easily substantiated by auditing procedures.

There can be no assurance that the Fund's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Short-term debt investments, that is, those with a remaining maturity of 60 days or less, are valued at cost adjusted for amortization of premium and accretion of discounts. Repurchase agreements are valued at cost plus accrued interest. Foreign price quotations are converted to U.S. dollar equivalents using the 4:00 PM London Time Spot Rate.

Forward Foreign Currency Contracts

In order to minimize the movement in net asset value resulting from a decline or appreciation in the value of a particular foreign currency against the U.S. dollar or another foreign currency or for other reasons, the Fund is authorized to enter into forward currency exchange contracts. These contracts involve an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Forward currency contracts do not eliminate fluctuations in the values of portfolio securities but rather allow the Fund to establish a rate of exchange for a future point in time.

The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund may use futures contracts to gain exposure to, or hedge against changes in the value of foreign currencies. Upon entering into such contracts, daily fluctuations in the value of the contract are recorded for financial statement purposes as unrealized gains or losses by the Fund. At the expiration of the contracts the Fund realizes the gain or loss. Upon entering into such contracts, the Fund bears the risk of exchange rates moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the forward contracts and may realize a loss. With forwards, there is counterparty credit risk to the Fund since the forwards are not exchange traded, and there is not a clearinghouse that guarantees the forwards against default. During the three months ended March 31, 2010, the open value of forward foreign currency contracts was GBP 824,800 and the close value was EUR 35,000 and GBP 384,000.

Fair Value Measurements:

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of all inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

Level 3 Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

NOTES TO INVESTMENT PORTFOLIO (continued)**As of March 31, 2010 (unaudited)****Highland Credit Strategies Fund**

At the end of each calendar quarter, management evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of the levels are recognized at the value at the end of the period. A summary of the inputs used to value the Fund's assets as of March 31, 2010 are as follows:

	Total Value at March 31, 2010	Level 1 Quoted Price	Level 2 Significant Observable Input	Level 3 Significant Unobservable Input
Investments in Securities:				
Common Stocks				
Aerospace	\$ 54,260	\$	\$ 54,260	\$
Broadcasting	141,505		141,505	
Diversified Media	399,836			399,836
Healthcare	40,800,000			40,800,000
Information Technology	401,106			401,106
Metals/Minerals	1,158,526			1,158,526
Retail	937,421		937,421	
Service	1,431,871			1,431,871
Transportation Land Transportation	599,412			599,412
Utility	58,866			58,866
Wireless Communication	2,712,635	2,712,635		
Preferred Stocks	10,370,588		5,000	10,365,588
Warrants	735,506	733,906		1,600
Debt				
Senior Loans	377,940,190		267,127,254	110,812,936
Asset-Backed Securities	37,151,636			37,151,636
Corporate Debt	128,603,544		57,320,618	71,282,926
Claims	536,934		525,146	11,788
Total Investments	\$ 604,033,836	\$ 3,446,541	\$ 326,111,204	\$ 274,476,091
Other Financial Instruments*				
Short Sales				
Retail	\$ (1,147,482)	\$	\$ (1,147,482)	\$
Assets	705,696		705,696	

Total Other Financial Instruments \$ (441,786) \$ \$ (441,786) \$

* Other financial instruments are derivative instruments not reflected in the investments portfolio, such as forwards, which are valued at the unrealized appreciation/ (depreciation) on the investment.

The Fund did not have any liabilities that were measured at fair value or level 3 on a recurring basis at March 31, 2010.

The table below set forth a summary of changes in the Fund's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2010.

	Balance as of December 31, 2009	Transfers out of Level 3	Net amortization/ (accretion) of premium/ (discount)	Net realized gains/(losses)	Net unrealized gains/(losses)	Net purchase/ (sales) *	Balance as of March 31, 2010
Assets at Fair Value using unobservable inputs (Level 3)							
Common Stocks							
Diversified Media	\$ 765,188	\$	\$	\$	\$ (365,352)	\$	\$ 399,836
Healthcare	38,555,838				2,640,000	(395,838)	40,800,000
Information Technology					(11,974,331)	12,375,437	401,106
Metals/Minerals	454,361				704,165		1,158,526
Service	1,406,750				25,121		1,431,871
Transportation Land							
Transportation	937,144				(337,732)		599,412
Utility	182,687				(123,821)		58,866
Preferred Stocks	12,774,190				(2,408,602)		10,365,588
Warrants	700				900		1,600
Debt							
Senior Loans	155,755,247	(44,290,747)	170,310	166,880	6,767,151	(7,755,905)	110,812,936
Asset-Backed Securities	33,822,437		13,328	175,504	3,673,557	(533,190)	37,151,636
Corporate Debt	73,601,522	(173,401)	5,600	(16,423)	12,412,413	(14,546,785)	71,282,926
Claims	441,698	(525,146)			95,236		11,788
Total	\$ 318,697,762	\$ (44,989,294)	\$ 189,238	\$ 325,961	\$ 11,108,705	\$ (10,856,281)	\$ 274,476,091

* Includes any applicable borrowings and/or paydowns made on revolving credit facilities held in the Fund's investment portfolio.

NOTES TO INVESTMENT PORTFOLIO (continued)

As of March 31, 2010 (unaudited)

Highland Credit Strategies Fund

The net unrealized gains presented in the table above relates to investments that are still held at March 31, 2010. Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments. As a result, for the three months ended March 31, 2010, a net amount of \$44,989,294 of the Fund's portfolio investments were transferred from Level 2 to Level 3. Determination of fair values is uncertain because it involves subjective judgements and estimates not easily substantiated by auditing procedures. For more information with regard to significant accounting policies, see the most recent annual report filed with the Securities and Exchange Commission.

11

Item 2. Controls and Procedures.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Highland Credit Strategies Fund

By (Signature and Title)* /s/ R. Joseph Dougherty

R. Joseph Dougherty, Chief Executive Officer and President
(principal executive officer)

Date 5/26/10

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ R. Joseph Dougherty

R. Joseph Dougherty, Chief Executive Officer and President
(principal executive officer)

Date 5/26/10

By (Signature and Title)* /s/ M. Jason Blackburn

M. Jason Blackburn, Treasurer and
Secretary
(principal financial officer)

Date 5/26/10

* Print the name
and title of each
signing officer
under his or her
signature.