

HYPERION STRATEGIC MORTGAGE INCOME FUND INC
Form N-Q
April 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21102

The Hyperion Strategic Mortgage Income Fund, Inc.

(Exact name of registrant as specified in charter)

One Liberty Plaza, 165 Broadway, 36th Fl., New York, NY 10006-1404

(Address of principal executive offices)

(Zip code)

Thomas F. Doodian One Liberty Plaza, 165 Broadway, New York, NY 10006-1404

(Name and address of agent for service)

Registrant's telephone number, including area code: 212-549-8400

Date of fiscal year end: November 30, 2005

Date of reporting period: February 28, 2005

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (Sections 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, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

Item 1. Schedule of Investments

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THE HYPERION STRATEGIC MORTGAGE INCOME FUND, INC.
 PORTFOLIO OF INVESTMENTS - (UNAUDITED)
 February 28, 2005

	Interest Rate	Maturity	Principal Amount (000s)	
	-----	-----	-----	
U.S. GOVERNMENT & AGENCY OBLIGATIONS - 62.50%				
U.S. Government Agency Pass - Through Certificates - 55.10%				
Federal Home Loan Mortgage Corporation				
Pool A14559	6.50%	09/01/33	\$ 3,320@	\$
Pool C68878	7.00	06/01/32	553#	
Pool C69047	7.00	06/01/32	1,338	
Pool G01466	9.50	12/01/22	1,734	
Pool 555559	10.00	03/01/21	1,872	
Federal National Mortgage Association				
Pool 694391	5.50	03/01/33	4,583@	
Pool 753914	5.50	12/01/33	11,379@	
Pool 754355	6.00	12/01/33	7,573@	
Pool 761836	6.00	06/01/33	5,436@	
Pool 763643	6.00	01/01/34	8,761@	
Pool 255413	6.50	10/01/34	13,356@	
Pool 323982	6.50	10/01/06	458	
Pool 626299	7.00	06/01/32	1,051	
Pool 635095	7.00	06/01/32	1,459	
Pool 641575	7.00	04/01/32	662	
Pool 645399	7.00	05/01/32	3,138@	
Pool 645466	7.00	05/01/32	3,098@	
Pool 650131	7.00	07/01/32	1,649	
Pool 398800	8.00	06/01/12	877	
Pool 636449	8.50	04/01/32	3,173	
Pool 458132	9.40	03/15/31	2,463@	
Total U.S. Government Agency Pass -Through Certificates (Cost - \$81,172,439)				
U.S. Treasury Obligation - 7.40%				
United States Treasury Note (Cost - \$11,054,988)				
	4.25	11/15/14	11,000@	
Total U.S. Government & Agency Obligations (Cost - \$92,227,427)				
ASSET-BACKED SECURITIES - 32.00%				
Housing Related Asset-Backed Securities - 30.10%				
Argent Securities, Inc.				
Series 2004-W3, Class M5*(a) Asset Backed Funding Corp.	4.95+	02/25/34	1,200	
Series 2003-OPT1, Class M4(a) Equity One ABS, Inc.	5.45+	07/25/32	3,000	
Series 2003-4, Class B2 First Franklin Mortgage Loan Asset Backed Certificates	7.40+	11/25/33	1,000	

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Series 2004-FF4, Class M2(a)	3.90+	06/25/34	2,000
Series 2003-FF4, Class M4(a)	5.55+	10/25/33	3,000
Series 2003-FF1, Class M4(a)	5.65+	03/25/33	2,000
Series 2003-FFH1, Class M4(a)	6.15+	09/25/33	4,740
Series 2004-FFH1, Class B*(a)	6.15+	03/25/34	1,550
Series 2004-FF2, Class B*(a)	6.15+	03/25/34	900
Series 2004-FFH2C, Class B1*(a)	6.15+	06/25/34	1,250
Series 2004-FF8, Class B4*(a)	6.15+	10/25/34	1,250

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Green Tree Financial Corp.			
Series 1997-6, Class B1	7.17	01/15/29	5,000
Series 1997-3, Class M1	7.53	03/15/28	2,000
Harborview Mortgage Loan Trust			
Series 2005-1, Class B4*(a)	4.42+	03/19/35	630
Series 2005-1, Class B5*(a)	4.42+	03/19/35	915
Series 2005-1, Class B6*(a)	4.42+	03/19/35	1,145
Long Beach Mortgage Loan Trust			
Series 2004-3, Class M9(a)	5.65+	07/25/34	2,500
Series 2002-5, Class M3(a)	5.90+	11/25/32	2,500
Mid-State Trust			
Series 2004-1, Class M2	8.11	08/15/37	1,785
Structured Asset Investment Loan Trust			
Series 2003-BC8, Class M2(a)	4.40+	08/25/33	3,000
Series 2004-4, Class B*(b)	5.00/5.50	04/25/34	1,500
Series 2004-11, Class M9(b)	5.00/5.50	01/25/35	1,900
Series 2004-7, Class B(a)	5.15+	08/25/34	2,161
Series 2004-8, Class B1(a)	5.15+	09/25/34	1,000
Series 2004-10, Class M7(a)	5.15+	11/25/34	2,000
Series 2004-2, Class B*(a)	5.65+	03/25/34	1,074
Total Housing Related Asset-Backed Securities (Cost - \$43,985,989)			
Non-Housing Related Asset- Backed Securities - 1.90%			
Airplanes Pass Through Trust			
Series 1R, Class A8 (Cost - \$2,689,214)	2.96+	03/15/19	3,126
Total Asset-Backed Securities (Cost - \$46,675,203)			

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COMMERCIAL MORTGAGE BACKED SECURITIES - 28.40%

Bear Stearns Commercial Mortgage Securities			
Series 1999-C1, Class D	6.53	02/14/31	2,500
Series 2000-WF1, Class E	7.92+	02/15/32	2,000
Chase Commercial Mortgage Securities Corp.			
Series 2000-2, Class I*	6.65	07/15/32	1,000
GE Capital Commercial Mortgage Corp.			
Series 2002-2A, Class G*	6.04	08/11/36	3,000
Series 2000-1, Class G*	6.13	01/15/33	1,000
Series 2002-2A, Class H*	6.31	08/11/36	2,000
Series 2000-1, Class E	7.18+	01/15/33	1,000
Government Lease Trust			
Series 1999-C1A, Class B3*	4.00	05/18/11	2,500
JP Morgan Chase Commercial Mortgage Securities			
Series 2003-LN1, Class G*	5.48+	10/15/37	1,600
JP Morgan Commercial Mortgage Finance Corp.			
Series 1999-C7, Class F*	6.00	10/15/35	2,000
LB-UBS Commercial Mortgage Trust			
Series 2004-C8, Class G*	5.09+	12/15/39	1,173
Morgan Stanley Capital I			
Series 2001-TOP1, Class A4	6.66	02/15/33	4,500
Series 1999-WF1, Class E	7.01+	11/15/31	5,500
Series 1999-FNV1, Class E	7.20+	03/15/31	2,000
Nationslink Funding Corp.			
Series 1998-2, Class E	7.11	08/20/30	4,000
UBS 400 Atlantic Street Mortgage Trust			
Series 2002-C1A, Class B3*	7.19	01/11/22	2,000
Wachovia Bank Commercial Mortgage Trust			
Series 2004-WL4A, Class H*	3.44+	10/15/15	700
Series 2005-C16, Class H*	5.30+	10/15/41	2,000

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	-----	-----	-----
Total Commercial Mortgage Backed Securities (Cost - \$41,077,006)			
NON-AGENCY RESIDENTIAL MORTGAGE BACKED SECURITIES - 24.90%			
Subordinated Collateralized Mortgage Obligations - 24.90%			
Bank of America Alternative Loan Trust			
Series 2004-3, Class 30B4	5.50	04/25/34	1,007
Series 2004-3, Class 30B5	5.50	04/25/34	705

Bank of America Mortgage Securities, Inc.

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Series 2004-A, Class B4	3.93+	02/25/34	2,059
Series 2002-H, Class B4	4.71+	08/25/32	241
Series 2002-H, Class B5	4.71+	08/25/32	165
Series 2002-H, Class B6	4.71+	08/25/32	403
Series 2003-10, Class 1B4	5.50	01/25/34	564
Series 2002-10, Class 1B3	6.00	11/25/32	1,458
Series 2002-9, Class 1B3	6.25	10/25/32	1,749
Series 2002-9, Class 1B4	6.25	10/25/32	1,166
Cendant Mortgage Corp.			
Series 2002-4, Class B1	6.50	07/25/32	2,613
Series 2002-4, Class B2	6.50	07/25/32	1,045
Series 2002-4, Class B3	6.50	07/25/32	611
Series 2002-4, Class B4	6.50	07/25/32	349
Series 2002-4, Class B5	6.50	07/25/32	262
Series 2002-4, Class B6*	6.50	07/25/32	349
G3 Mortgage Reinsurance Ltd.			
Series 1, Class E*	22.60+	05/25/08	4,138
JP Morgan Mortgage Trust			
Series 2003-A1, Class B4	4.50+	10/25/33	537
Residential Finance Limited Partnership			
Series 2002-A, Class B7	8.29+	10/10/34	1,950
Residential Funding Mortgage Securities I, Inc.			
Series 2004-S1, Class B2	5.25	02/25/34	456
Series 2003-S7, Class B3	5.50	05/25/33	323
Series 2003-S7, Class B2	5.50	05/25/33	533
Resix Finance Limited Credit-Linked Note			
Series 2004-C, Class B7*	6.09+	09/10/36	994
Series 2004-B, Class B8*	7.34+	02/10/36	807
Series 2003-CB1, Class B8*	9.34+	06/10/35	976
Series 2004-B, Class B9*	10.80+	02/10/36	1,237
Series 2004-A, Class B10*	14.10+	02/10/36	494
Structured Asset Mortgage Investments, Inc.			
Series 2002-AR1, Class B4	4.52+	03/25/32	891
Washington Mutual Mortgage Securities Corp.			
Series 2002-AR12, Class B4	4.70+	10/25/32	1,157
Series 2002-AR12, Class B5	4.70+	10/25/32	868
Series 2002-AR12, Class B6	4.70+	10/25/32	1,448
Series 2002-AR10, Class B4*	4.97+	10/25/32	1,312
Series 2002-AR10, Class B5*	4.97+	10/25/32	984
Series 2002-AR10, Class B6*	4.97+	10/25/32	1,642
Series 2002-AR11, Class B5	5.13+	10/25/32	776
Series 2002-AR11, Class B6	5.13+	10/25/32	1,293
Series 2005-AR2, Class B10	3.89+	01/25/45	1,793
Wells Fargo Mortgage Backed Securities Trust			
Series 2002, Class B5	6.00	06/25/32	364
Total Subordinated Collateralized Mortgage Obligations (Cost - \$34,580,700)			
Total Non-Agency Residential Mortgage Backed Securities (Cost - \$34,580,700)			
Total Investments - 147.80%			

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(Cost - \$214,560,336)**
 Liabilities in Excess of Other Assets - (47.80)%
 NET ASSETS - 100.00%

- @ - Portion or entire principal amount delivered as collateral for reverse repurchase agreement.
- + - Variable Rate Security: Interest rate is the rate in effect February 28, 2005.
- * - Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may only be resold in transactions exempt from registration, normally to qualified institutional buyers.
 - (a) - Security is a "step up" bond where coupon increases or steps up at a predetermined date. At that date these coupons increase to LIBOR plus a predetermined margin
 - (b) - Security is a "step up" bond where coupon increases or steps up at a predetermined date. Rates shown are current coupon and next coupon rate when security steps up.
- # - Portion or entire principal amount is held as collateral for open futures contracts.
- ** - At February 28, 2005, the aggregate cost of investments for income tax purposes was \$214,560,336. Net unrealized appreciation aggregated \$3,027,229 of which \$ 5,233,571 related to appreciated investment securities and \$2,206,342 related to depreciated investment securities.

See notes to financial statements.

THE HYPERION STRATEGIC MORTGAGE INCOME FUND, INC.
 NOTES TO FINANCIAL STATEMENTS - (UNAUDITED)
 February 28, 2005

At February 28, 2005 the Fund had the following reverse repurchase agreements outstanding:

Face Value	Description
-----	-----
\$ 7,566,000	Goldman Sachs, 2.60%, dated 02/23/05, maturity date 03/23/05
5,428,000	Goldman Sachs, 2.60%, dated 02/23/05, maturity date 03/23/05
13,532,000	Goldman Sachs 2.60%, dated 02/23/05, maturity date 03/23/05
2,500,000	Lehman Brothers 2.60%, dated 02/17/05, maturity date 03/08/05
11,000,000	Lehman Brothers 2.57%, dated 02/24/04, maturity date 03/01/05
3,378,000	Merrill Lynch 2.58%, dated 02/10/05, maturity date 03/08/05
8,742,000	Merrill Lynch 2.60%, dated 02/23/05, maturity date 03/21/05
10,503,000	Morgan Stanley 2.62%, dated 02/08/05, maturity date 03/23/05
3,200,000	Morgan Stanley 2.60%, dated 02/11/05, maturity date 03/11/05
4,500,000	Morgan Stanley 2.69%, dated 02/28/05, maturity date 03/30/05

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1,955,000 Morgan Stanley 2.62%, dated 02/28/05, maturity date 03/15/05

 72,304,000

Maturity Amount, Including Interest Payable

Market Value of Assets Sold Under Agreements

Weighted Average Interest Rate

The average daily balance of reverse repurchase agreements outstanding for the three months ended February 28, 2005, was approximately \$69,852,568 at a weighted average interest rate of 2.29%. The maximum amount of reverse repurchase agreements outstanding at any time during the period was \$73,979,250 as of December 3, 2004, which was 33.33% of total assets.

As of February 28, 2005, the following swap agreements were outstanding:

Notional Amount	Expiration Date	Description	Net Unrealized Appreciation
\$ 10,000,000	01/23/06	Agreement with Goldman Sachs Capital Markets, LP, dated 01/21/04 to pay semi-annually the notional amount multiplied by 2.005% and to receive quarterly the notional amount multiplied by 3 month USD-LIBOR-BBA.	\$ 135,606

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Notional Amount	Expiration Date	Description	Net Unrealized Appreciation
\$ 11,000,000	12/15/14	Agreement with Morgan Stanley Capital Services, Inc., dated 12/13/04 to pay semi-annually the notional amount multiplied by 4.555% and to receive quarterly the notional amount multiplied by 3 month USD-LIBOR-BBA.	\$ 115,384
			\$ 250,990

As of February 28, 2005, the following futures contract was outstanding:

SHORT:

Notional Amount	Type	Expiration Date	Cost at Trade Date	Value at February 28, 2005	U Ap (De

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\$ 8,400,000 10 Yr. U.S. Treasury Note March 2005 \$ 9,396,120 9,313,500 \$

Item 2. Controls and Procedures.

- (a) The Registrant's principal executive officer and principal financial officer have concluded that the Registrant's Disclosure Controls and Procedures are effective, based on their evaluation of such Disclosure Controls and Procedures as of a date within 90 days of the filing of this report on Form N-Q.
- (b) As of the date of filing this Form N-Q, the Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal quarter that has materially affected or is reasonably likely to materially affect the Registrant's internal control over financial reporting.

Item 3. Exhibits

- (a) Certifications for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act. Filed herewith.

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.

HYPERION STRATEGIC MORTGAGE INCOME FUND, INC.

By: /s/ Clifford E. Lai
Clifford E. Lai
Principal Executive Officer

Date: April 26, 2005

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: /s/ Clifford E. Lai
Clifford E. Lai
Principal Executive Officer

Date: April 26, 2005

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By: /s/ Thomas F. Doodian
Thomas F. Doodian
Treasurer and Principal Financial Officer

Date: April 26, 2005