

DREYFUS STRATEGIC MUNICIPALS INC
Form N-CSR
June 01, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-5245

DREYFUS STRATEGIC MUNICIPALS, INC.
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation
200 Park Avenue
New York, New York 10166
(Address of principal executive offices) (Zip code)

Mark N. Jacobs, Esq.
200 Park Avenue
New York, New York 10166
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6000

Date of fiscal year end: 9/30

Date of reporting period: 3/31/04
SSL-DOCS2 70128344v10

FORM N-CSR

Item 1. Reports to Stockholders.

**Dreyfus Strategic
Municipals, Inc.**

SEMIANNUAL REPORT March 31, 2004

Dreyfus Strategic Municipals, Inc.

Protecting Your Privacy Our Pledge to You

THE FUND IS COMMITTED TO YOUR PRIVACY. On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding nonpublic personal information, which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or

household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

YOUR ACCOUNT IS PROVIDED IN A SECURE ENVIRONMENT. The Fund maintains physical, electronic and procedural safeguards that comply with federal regulations to guard nonpublic personal information. The Fund's agents and service providers have limited access to customer information based on their role in servicing your account.

THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.

The Fund collects a variety of nonpublic personal information, which may include:

- Information we receive from you, such as your name, address, and social security number.
- Information about your transactions with us, such as the purchase or sale of Fund shares.
- Information we receive from agents and service providers, such as proxy voting information.

THE FUND DOES NOT SHARE NONPUBLIC PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.

Thank you for this opportunity to serve you.

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured ☐ Not Bank-Guaranteed ☐ May Lose Value

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Dreyfus Strategic Municipals, Inc.

The Fund

LETTER FROM THE CHAIRMAN

Dear Shareholder:

This semiannual report for Dreyfus Strategic Municipals, Inc. covers the six-month period from October 1, 2003, through March 31, 2004. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio manager, W. Michael Petty.

Municipal bonds generally continued to rally during the reporting period, despite heightened market volatility and the onset of a stronger U.S. economy. Although recovering economies historically have given rise to inflationary pressures, which have tended to hinder returns from the more interest-rate-sensitive areas of the tax-exempt bond market, the current cycle has been different to date. Sluggish job growth has helped forestall potential inflationary factors, and a rising supply of municipal bonds has supported their yields compared to comparable taxable bonds, benefiting performance.

Although our analysts and portfolio managers work hard to identify trends that may move the markets, no one can know with complete certainty what lies ahead for the U.S. economy and the municipal bond market. As always, we encourage you to review your investments regularly with your financial advisor, who may be in the best position to suggest ways to position your portfolio for the opportunities and challenges of today's financial markets.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter

Chairman and Chief Executive Officer The Dreyfus Corporation

April 15, 2004

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DISCUSSION OF FUND PERFORMANCE

W. Michael Petty, Portfolio Manager

How did Dreyfus Strategic Municipals, Inc. perform relative to its benchmark?

For the six-month period ended March 31, 2004, the fund achieved a total return of 6.12%.¹ During the same period, the fund provided income dividends of \$0.3420 per share, which is equal to a distribution rate of 7.13%.²

Despite heightened market volatility in a recovering U.S. economy, municipal bonds generally ended the reporting period with prices that were modestly higher than where they began, contributing positively to the fund's total return. However, the fund reduced its dividend during the reporting period, primarily because of the trend over the past several years toward lower yields on securities purchased with the income and principal proceeds from holdings that matured, were sold or were redeemed early by their issuers.

What is the fund's investment approach?

The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds considered investment-grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and in the two highest-rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having or deemed to have maturities of less than one year.

To this end, we have constructed the portfolio by seeking income opportunities through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features.

The Fund **3**

DISCUSSION OF FUND PERFORMANCE *(continued)*

Over time, many of the fund's relatively higher-yielding bonds mature or are redeemed by their issuers, and we generally attempt to replace those bonds with investments consistent with the fund's investment policies. When we believe an opportunity exists, we also may seek to upgrade the portfolio's investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

What other factors influenced the fund's performance?

When the reporting period began, stronger than expected economic growth had already sparked a sharp decline in the prices of U.S. fixed-income securities, causing tax-exempt bonds to suffer one of the worst six-week declines in their history during the summer of 2003. Although the bond market subsequently remained volatile as investors' economic expectations changed, municipal bond prices gradually recovered during the reporting period as it became clearer that the labor market remained weak, keeping a lid on potential inflationary pressures and allowing the Federal Reserve Board (the "Fed") to maintain short-term interest rates at historically low levels.

In addition, a strengthening economy was expected to produce better fiscal conditions for many states and municipalities that previously had struggled with budget deficits. The resulting price appreciation of the fund's holdings, combined with competitive levels of income from longstanding core positions, contributed positively to its total return for the reporting period. The fund also benefited from strong performance among its holdings of bonds backed by the states' settlement of litigation with U.S. tobacco companies. Investors' concerns regarding additional litigation eased during the reporting period, helping to support a rebound in the prices of tobacco-backed bonds.

Because of the risk that stronger economic growth might lead to higher interest rates, we sold some of the fund's longer-dated securities during the reporting period and reinvested the proceeds in bonds with a more diverse mix of issuers and maturities, especially within the intermediate-term range. Consistent with this strategy, we gradually

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reduced the fund's average duration — a measure of sensitivity to changing interest rates — in an effort to protect the fund from the full effect of rising interest rates in the event that the Fed implements a tighter monetary policy. Overall, we reduced the fund's average duration from 6.4 years at the start of the reporting period to 5.7 years as of the reporting period's end.

When making new purchases, we generally favored premium-priced bonds that historically have tended to perform well during market declines. We also attempted to maintain the fund's overall credit quality by investing mainly in highly rated bonds, insured securities³ and bonds backed by the revenues from essential services, such as water facilities and toll roads.

What is the fund's current strategy?

The U.S. economy reportedly has continued to expand, and economic data released just after the end of the reporting period suggested that new jobs are being created at a faster rate. Accordingly, we have maintained the fund's conservative positioning, including a more diversified portfolio, a focus on premium-priced bonds and a short average duration in the expectation that the Fed's next move, the timing of which is uncertain, is likely to be an increase in short-term interest rates. In our view, these are prudent strategies after the municipal bond market's strong performance over the past several years.

April 15, 2004

- 1 *Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable.*
- 2 *Distribution rate per share is based upon dividends per share paid from net investment income during the period, annualized, divided by the market price per share at the end of the period.*
- 3 *Insurance on individual bonds extends to the repayment of principal and the payment of interest in the event of default. It does not extend to the market value of the portfolio securities or the value of the fund's shares.*

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STATEMENT OF INVESTMENTS

March 31, 2004 (Unaudited)

Long-Term Municipal Investments — 146.5%	Principal Amount (\$)	Value (\$)
Alabama — 5.4%		
Houston County Health Care Authority		
6.25%, 10/1/2030 (Insured; AMBAC)	8,000,000	9,216,640
Jefferson County, Sewer Revenue:		
5.25%, 2/1/2023 (Insured; FGIC)		
(Prerefunded 8/1/2012)	5,000,000	5,735,300
5%, 2/1/2041 (Insured; FGIC)		
(Prerefunded 8/1/2012)	2,385,000	2,675,803
5%, 2/1/2041 (Insured; FGIC)		
(Prerefunded 8/1/2012)	11,750,000	13,264,810
Alaska — .7%		
Alaska Housing Finance Corp.		

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6%, 6/1/2049 (Insured; MBIA)	4,000,000		4,212,720
Arkansas 2.6%			
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program):			
6.45%, 7/1/2031 (Guaranteed; GNMA, FNMA)	3,695,000		3,964,107
6.25%, 1/1/2032 (Guaranteed; GNMA)	4,190,000		4,480,535
Little Rock School District			
5.25%, 2/1/2030 (Insured; FSA)	6,000,000		6,375,540
Arizona 5.2%			
Maricopa Pollution Control Corp., PCR (Public Service Co.) 5.75%, 11/1/2022			
	6,000,000		6,114,420
Pima County Industrial Development Authority, Industrial Revenue (Tucson Electric Power Co. Project) 6%, 9/1/2029			
	13,505,000		13,218,289
Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare) 5.80%, 12/1/2031			
	6,000,000		6,394,620
Tucson, Water System Revenue			
5%, 7/1/2021 (Insured; FGIC)	3,500,000		3,699,570
California 8.8%			
California Infrastructure and Economic Development Bank, Revenue (Bay Area Toll Bridges)			
5.25%, 7/1/2017 (Insured; FSA)	12,360,000		13,792,030
State of California			
9.416%, 12/1/2018 (Insured; FSA)	10,000,000	b,c	10,330,800
California Department of Water Resources, Power Supply Revenue			
5.50%, 5/1/2013 (Insured; AMBAC)	11,080,000		12,752,415
Golden Tobacco Securitization Corp., Tobacco Settlement Revenue 7.875%, 6/1/2042			
	2,000,000		2,208,500

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Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
California (continued)			
Los Angeles Unified School District			
5.25%, 7/1/2020 (Insured; FSA)	7,200,000		7,904,304
Oakland 5%, 1/15/2026 (Insured; MBIA)	2,990,000		3,120,514
Colorado 2.3%			
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)			
6.875%, 10/1/2032	6,950,000	d	5,699,000
Northwest Parkway Public Highway Authority, Revenue 7.125%, 6/15/2041			
	6,750,000		7,119,158
Connecticut 2.0%			
Connecticut, Special Tax Obligation, Revenue			
5.375%, 10/1/2011 (Insured; FSA)	10,000,000		11,606,400
Delaware 1.3%			
Delaware Transportation Authority,			

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Transportation System Revenue 5%, 7/1/2019 (Insured; AMBAC)	6,865,000		7,352,415
Florida 2.7%			
Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments) 6.40%, 3/1/2040 (Insured; FSA)	12,380,000		13,375,847
Orange County Health Facility Authority, HR (Regional Healthcare Systems) 6%, 10/1/2026	2,000,000		2,114,820
Georgia 0.9%			
Brooks County Development Authority, Sewer Revenue Health and Housing Facilities 5.70%, 1/20/2039 (Insured; GNMA)	4,445,000		4,812,913
Hawaii 0.6%			
Hawaii Department of Transportation, Special Facility Revenue (Caterair International Corp. Project) 10.125%, 12/1/2010	3,400,000		3,401,326
Idaho 0.6%			
Power County Industrial Development Corp, SWDR (FMC Corp. Project) 6.45%, 8/1/2032	3,250,000		3,264,690
Illinois 7.3%			
Chicago: 6.125%, 1/1/2028 (Insured; FGIC) (Wastewater Transmission Revenue)	15,815,000		18,545,460
6%, 1/1/2030 (Insured; MBIA) (Prerefunded 1/1/2010)	3,000,000	a	3,548,670

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
Illinois (continued)			
Chicago-O'Hare International Airport, Special Facility Revenue (United Airlines, Inc. Project) 6.75%, 11/1/2011	2,000,000	d	682,500
Illinois Health Facilities Authority, Revenue: (Advocate Network Health Care) 6.125%, 11/15/2022	4,020,000		4,481,536
(OSF Healthcare System) 6.25%, 11/15/2029	7,730,000		8,258,500
(Swedish American Hospital) 6.875%, 11/15/2030	4,985,000		5,570,638
Indiana 3.5%			
Franklin Township Independent School Building Corp., First Mortgage 6.125%, 1/15/2022 (Prerefunded 7/15/2010)	6,500,000	a	7,850,050
Indiana Housing Finance Authority, SFMR 5.95%, 1/1/2029	1,980,000		2,063,081

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Indianapolis Local Public Improvement Bond Bank (Waterworks Project) 5.25%, 7/1/2033	5,000,000	5,278,650
Petersburg, PCR 6.37%, 11/1/2029	4,150,000	4,398,295
Kansas 4.8%		
Kansas Development Finance Authority, Revenue: (Board of Regents-Scientific Resource) 5%, 10/1/2021 (Insured; AMBAC)	5,290,000	5,687,596
Health Facility (Sisters of Charity) 6.25%, 12/1/2028	3,000,000	3,379,500
Wyandotte County (Kansas University School District No. 500) 5.25%, 9/1/2015 (Insured; FSA)	6,455,000	7,366,188
Wichita, HR (Christian Health System Inc.) 6.25%, 11/15/2024	10,000,000	10,873,100
Louisiana 2.2%		
Parish of Saint James, SWDR (Freeport-McMoRan Partnership Project) 7.70%, 10/1/2022	1,390,000	1,395,004
Maine 6.6%		
Maine Housing Authority, Mortgage 5.30%, 11/15/2023	3,335,000	3,502,082
Maryland 1.5%		
Maryland Economic Development Corp., Student Housing Revenue (University of Maryland): 6.50%, 6/1/2027	3,000,000	3,280,110
5.75%, 10/1/2033	5,000,000	5,136,200

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Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
Massachusetts 4.9%			
Massachusetts Industrial Finance Agency, Revenue (Ogden Haverhill Project) 5.60%, 12/1/2019	6,000,000		5,849,940
Massachusetts, Special Obligation Revenue, Federal Highway Grant Anticipation Notes 5%, 12/15/2014 (Insured; FSA)	10,000,000		11,191,700
Massachusetts Health and Educational Facilities Authority, Revenue: (Civic Investments) 9%, 12/15/2015	2,000,000		2,339,320
(Beth Israel Hospital Issue) 10.732%, 7/1/2025 (Insured; AMBAC)	3,000,000	b	3,057,480
(Partners Healthcare System) 5.75%, 7/1/2032	5,000,000		5,394,650
Michigan 5.6%			
Michigan Hospital Finance Authority, HR: (Ascension Health Credit) 6.125%, 11/15/2026			
(Prerefunded 11/15/2009)	5,000,000	a	5,973,950
(Crittenton Hospital) 5.625%, 3/1/2027	2,000,000		2,099,960
(Genesys Health System Obligated Group)			

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8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,000,000	a	5,609,000
Michigan State Building Authority, Revenue			
5.25%, 10/15/2013 (Insured; FSA)	3,050,000		3,505,272
Michigan Strategic Fund:			
Limited Obligation Revenue			
(NSF International Project) 5%, 8/1/2015	2,000,000		2,129,540
Resource Recovery (Detroit Edison Co.)			
5.25%, 12/15/2032	3,000,000		3,133,110
SWDR (Genesee Power Station Project)			
7.50%, 1/1/2021	11,040,000		9,504,336
Minnesota 1.5%			
Duluth Economic Development Authority,			
Health Care Facilities Revenue			
(Saint Luke's Hospital)			
7.25%, 6/15/2032	5,000,000		5,285,850
Saint Paul Port Authority, Hotel Facility, Revenue			
(Radisson Kellogg Project) 7.375%, 8/1/2029	3,000,000		3,064,470
Mississippi 3.3%			
Claiborne County, PCR			
(System Energy Resources, Inc.)			
6.20%, 2/1/2026	4,545,000		4,556,317

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Mississippi (continued)		
Mississippi Business Finance Corp., PCR		
(System Energy Resources Inc. Project)		
5.875%, 4/1/2022	14,310,000	14,519,212
Missouri 3.1%		
Missouri Health and Educational Facilities Authority,		
Health Facilities Revenue (Saint Anthony's		
Medical Center) 6.25%, 12/1/2030	6,750,000	7,241,603
Missouri Development Finance Board,		
Infrastructure Facilities Revenue (Branson):		
5.375%, 12/1/2027	2,000,000	2,058,460
5.50%, 12/1/2032	4,500,000	4,654,755
Saint Louis Industrial Development		
Authority, Revenue (Saint Louis		
Convention Center) 7.25%, 12/15/2035	3,525,000	3,369,230
Montana 0.7%		
Montana Board of Housing, Single		
Family Mortgage 6.45%, 6/1/2029	3,465,000	3,715,970
Nevada 2.5%		
Washoe County (Reno-Sparks Convention		
Center) 6.40%, 7/1/2029		

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(Insured; FSA) (Prerefunded 1/1/2010)	12,000,000	a	14,317,680
New Hampshire 2.7%			
New Hampshire Business Finance Authority, PCR			
(Public Service Co. of New Hampshire)			
6%, 5/1/2021 (Insured; AMBAC)	7,000,000		7,872,060
New Hampshire Health and Educational			
Facilities Authority, Revenue (Exeter Project):			
6%, 10/1/2024	1,000,000		1,075,630
5.75%, 10/1/2031	1,000,000		1,054,940
New Hampshire Industrial Development Authority, PCR			
(Connecticut Light and Power) 5.90%, 11/1/2016	5,000,000		5,172,700
New Jersey 6.2%			
New Jersey Transportation Trust Fund Authority,			
Transportation System 5.50%, 6/15/2017	9,000,000		10,167,390
New Jersey Health Facilities Financing Authority,			
Revenue (Christian Health Care Center)			
8.75%, 7/1/2018 (Prerefunded 7/1/2006)	13,740,000	a	15,940,598
Tobacco Settlement Financing Corp.:			
6.75%, 6/1/2039	5,000,000		4,949,600
7%, 6/1/2041	4,000,000		4,065,640

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Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
New Mexico 1.7%			
Farmington, PCR:			
(El Paso Electric Co. Project)			
6.375%, 6/1/2032	5,370,000		5,603,810
(Tucson Electric Power Co., San Juan)			
6.95%, 10/1/2020	4,000,000		4,236,760
New York 10.3%			
Long Island Power Authority, New York			
Electric System Revenue			
8.999%, 12/1/2016	10,000,000	b,c	11,951,000
City of New York:			
5%, 8/1/2008	8,535,000		9,374,929
5.75%, 8/1/2011 (Insured; MBIA)	8,465,000		9,896,347
5.75%, 8/1/2014	9,500,000		10,754,760
New York City Municipal Water Finance			
Authority, Water and Sewer System			
Revenue 5.125%, 6/15/2032	5,000,000		5,213,600
Tobacco Settlement Financing Corp.			
5.25%, 6/1/2021 (Insured; AMBAC)	5,000,000		5,453,350
Triborough Bridge and Tunnel Authority, Revenue			
5.25%, 11/15/2030	5,220,000		5,558,413
North Carolina 1.0%			
University of North Carolina, System Pool Revenue:			
5%, 4/1/2014 (Insured; AMBAC)	2,430,000		2,716,303

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5%, 4/1/2015 (Insured; AMBAC)	2,535,000	2,806,803
North Dakota 1.0%		
North Dakota Housing Finance Agency, Home Mortgage Revenue (Housing Finance Program):		
6.50%, 1/1/2031	2,845,000	3,055,587
6.15%, 7/1/2031	2,265,000	2,408,873
Ohio 6.9%		
Cincinnati City School District (Classroom Facilities Construction and Improvement)		
5.25%, 12/1/2013 (Insured; FSA)	10,000,000	11,538,700
Cincinnati, Water System Revenue:		
5%, 12/1/2021	3,800,000	3,991,748
5%, 12/1/2023	3,000,000	3,105,720
Cuyahoga County, Revenue 6%, 1/1/2032	2,000,000	2,168,840
Mahoning County, Hospital Facilities Revenue (Forum Health Obligation Group) 6%, 11/15/2032		
	7,000,000	7,493,710

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Ohio (continued)		
Ohio Air Quality Development Authority, PCR (Cleveland Electric Illuminating)		
6.10%, 8/1/2020 (Insured; ACA)	3,000,000	3,182,520
Ohio Housing Finance Agency, Residential Mortgage Revenue:		
6.25%, 9/1/2020 (Collateralized; GNMA)	225,000	228,582
6.35%, 9/1/2031 (Collateralized; GNMA)	220,000	223,573
Ohio Municipal Electric Generation Agency		
5%, 2/15/2022 (Insured; AMBAC)	2,500,000	2,640,475
Ohio Water Development Authority, Pollution Control Facilities Revenue (Cleveland Electric Illuminating) 6.10%, 8/1/2020 (Insured; ACA)		
	4,350,000	4,614,654
Oklahoma 2.4%		
Oklahoma Industries Authority (Health System Obligated Group) 5.75%, 8/15/2029		
	12,230,000	13,608,810
Oregon 3.1%		
Port of Portland, International Airport Revenue (Portland International Airport)		
5.50%, 7/1/2024 (Insured; AMBAC)	5,000,000	5,400,400
Tigard Tualatin School District No. 23		
5.375%, 6/15/2019 (Insured; MBIA)	3,000,000	3,315,540
Western Generation Agency, Cogeneration Project Revenue (Wauna Cogeneration Project):		
7.40%, 1/1/2016	5,750,000	5,879,661
7.125%, 1/1/2021	2,900,000	2,953,331

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Pennsylvania 8%

York County Hospital Authority, Revenue

(Health Center Lutheran Social

Services) 6.50%, 4/1/2022

4,250,000

4,256,503

South Carolina 6.6%

Berkeley County School District, Installment

LR (Securing Assets for Education)

5.25%, 12/1/2024

6,000,000

6,203,640

Greenville Hospital System, Hospital Facilities

Revenue 5.50%, 5/1/2026 (Insured; AMBAC)

5,000,000

5,379,200

Greenville County School District,

Installment Purchase Revenue

(Building Equity Sooner for Tomorrow):

5.875%, 12/1/2016

6,000,000

6,819,120

5.50%, 12/1/2028

16,125,000

17,053,961

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Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
South Carolina (continued)		
Piedmont Municipal Power Agency, Electric Revenue 6.55%, 1/1/2016	1,690,000	1,741,376
Tennessee 4.1%		
Johnson City Health and Educational Facilities Board, HR 7.50%, 7/1/2025	5,000,000	5,800,450
Memphis Center City Revenue Finance Corp., Tennessee Sports Facility Revenue (Memphis Redbirds) 6.50%, 9/1/2028	10,000,000	10,240,500
Tennessee Housing Development Agency (Homeownership Program) 6.40%, 7/1/2031	6,520,000	7,121,014
Texas 10.7%		
Austin Convention Enterprises Inc., Convention Center Hotel Revenue:		
5.75%, 1/1/2016	5,200,000	5,594,732
6.70%, 1/1/2028	4,000,000	4,270,640
5.75%, 1/1/2032	6,500,000	6,755,060
Harris County Health Facilities Development Corp., HR (Memorial Hermann Hospital System Project) 6.375%, 6/1/2029	8,500,000	9,662,545
Houston Airport System, Special Facilities Revenue (Continental Airlines) 7%, 7/1/2029	3,800,000	3,309,116
Sabine River Authority, PCR (TXU Electric Co. Project) 6.45%, 6/1/2021	8,300,000	8,720,976
Sam Rayburn Municipal Power Agency, Power Supply System Revenue 5.75%, 10/1/2021	6,000,000	6,575,940
Texas Department of Housing and Community Affairs, Collateralized Home Mortgage Revenue 12.502%, 7/2/2024	2,400,000	b 2,570,280

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Texas Turnpike Authority, Central Texas		
Turnpike System Revenue		
5.75%, 8/15/2038 (Insured; AMBAC)	7,100,000	7,884,479
Tomball Hospital Authority, HR (Tomball		
Regional Hospital) 6%, 7/1/2029	2,400,000	2,464,224
Tyler Health Facilities Development Corp., HR		
(East Texas Medical Center Regional Health Care		
System Project) 6.75%, 11/1/2025	3,000,000	3,005,550
Utah 0.7%		
Carbon County, SWDR (Sunnyside		
Cogeneration) 7.10%, 8/15/2023	4,331,000	4,052,127

The Fund 13

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Vermont 0.6%		
Vermont Housing Finance Agency,		
Single Family Housing		
6.40%, 11/1/2030 (Insured; FSA)	3,175,000	3,246,374
Virginia 2.1%		
Greater Richmond Convention Center		
Authority, Hotel Tax Revenue (Convention		
Center Expansion Project) 6.25%, 6/15/2032	10,500,000	11,896,815
Washington 3.3%		
Energy Northwest, Wind Project		
Revenue 5.875%, 7/1/2020	3,000,000	3,208,050
Public Utility District No. 1 of Pend Orielle County,		
Electric Revenue 6.375%, 1/1/2015	3,755,000	3,948,871
Seattle, Water System Revenue		
6%, 7/1/2029 (Insured; FGIC)	10,000,000	11,469,200
West Virginia 3.1%		
Braxton County, SWDR (Weyerhaeuser Co.		
Project) 6.125%, 4/1/2026	14,000,000	14,646,240
West Virginia Water Development Authority, Water		
Development Revenue 6.375%, 7/1/2039	2,250,000	2,602,890
Wisconsin 5.1%		
Badger Tobacco Asset Securitization Corp.,		
Tobacco Settlement Revenue 7%, 6/1/2028	24,000,000	24,346,320
Wisconsin Health and Educational Facilities Authority,		
Health, Hospital and Nursing Home Revenue		
(Aurora Health Care Inc.) 6.40%, 4/15/2033	4,000,000	4,311,760
U. S. Related 1.5%		
Guam Housing Corp., SFMR		
5.75%, 9/1/2031 (Collateralized; FHLMC)	965,000	1,108,775
Puerto Rico Highway and Transportation		
Authority, Transportation Revenue 6%,		
7/1/2039 (Prerefunded 7/1/2010)	6,000,000	7,200