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APEX MUNICIPAL FUND INC  
Form N-30D  
February 07, 2001

APEX MUNICIPAL  
FUND, INC.

[GRAPHIC OMITTED]

STRATEGIC

Performance

Semi-Annual Report  
December 31, 2000

APEX MUNICIPAL FUND, INC.

Managed Dividend Policy

The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more consistent yield to the current trading price of shares of Common Stock of the Fund, the Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets, Liabilities and Capital, which comprises part of the financial information included in this report.

Quality Profile

The quality ratings of securities in the Fund as of December 31, 2000 were as follows:

S&P Rating/Moody's Rating	Percent of Net Assets
AAA/Aaa .....	7.0%
AA/Aa .....	0.3
BBB/Baa .....	10.5
BB/Ba .....	20.1
B/B .....	6.4
CCC/Caa .....	4.2
NR (Not Rated) .....	48.0
Other+ .....	1.5

+ Temporary investments in short-term municipal securities.

Apex Municipal Fund, Inc., December 31, 2000

DEAR SHAREHOLDER

For the six months ended December 31, 2000, Apex Municipal Fund, Inc. earned

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\$0.294 per share income dividends, which included earned and unpaid dividends of \$0.049. This represents a net annualized yield of 6.31%, based on a month-end net asset value of \$9.26 per share. Over the same period, the Fund's total investment return was +2.78%, based on a change in per share net asset value from \$9.33 to \$9.26, and assuming reinvestment of \$0.295 per share income dividends.

### The Municipal Market Environment

During the six months ended December 31, 2000, long-term fixed-income securities performed very strongly. Throughout the period, a number of economic indicators, particularly employment, consumer spending and confidence, and business purchasing managers surveys, suggested that US economic growth had significantly moderated from 1999's and early 2000's robust levels. Third-quarter 2000 US gross domestic product was revised to 2.2%, well below the first-quarter 2000 rate of 4.8% and the second-quarter 2000 rate of 5.6%. In recent months, the material decline in US equity indexes, particularly the NASDAQ, is likely to negatively impact future US economic growth. Investors are expected to curtail future expenditures in response to the significant declines in the value of their equity holdings.

Despite higher commodity prices, especially for oil and natural gas related to unseasonably cold weather throughout the United States, inflationary pressures remained muted. Recent consumer inflationary indicators were well below 3% annually. Given a slowing domestic economy and a continued benign inflationary environment, the Federal Reserve Board indicated at its December 2000 meeting that no additional short-term interest rate increases were anticipated. However, just after the close of the period, the Federal Reserve Board lowered interest rates by 0.50%. A series of such moves may likely be needed, both to stabilize and return US economic growth to its earlier levels.

Given the potential for, at least, stable short-term interest rates in the coming months, investor emphasis focused on the continuing US Treasury debt reduction program and forecasts of sizeable Federal budgetary surpluses going forward. Many investors concluded that there will be a significant future shortage of longer-dated maturity US Treasury securities. These factors helped push US Treasury bond yields lower during December 2000, as US Treasury bond yields declined 45 basis points (0.45%) to 5.45%, their lowest level in almost two years.

The six months ended December 31, 2000 was one of the few periods in recent years in which the tax-exempt bond market outperformed its taxable counterpart, the US Treasury bond market. While municipal bond yields followed the similar pattern of US Treasury bond yields, tax-exempt bond price volatility was significantly reduced. Municipal bond yields traded in a relatively narrow range during much of December 2000. Overall investor demand for municipal bonds remained strong, allowing tax-exempt bond yields, as measured by the Bond Buyer Revenue Bond Index, to decline 50 basis points to end the period at 5.48%.

New long-term tax-exempt issuance has continued to decline, although in recent months the rate of this decline has slowed. During the past three months, almost \$60 billion in new long-term municipal bonds was issued, a decline of 5.5% compared to the same three-month period in 1999. During the last 12 months, municipalities have underwritten approximately \$200 billion in securities, an annual decline of 12%. This reduction in tax-exempt bond issuance helped to provide a solid technical support for the municipal bond market.

The demand for municipal bonds came from a number of nontraditional and conventional sources. Derivative/arbitrage programs and insurance companies remained the dominant institutional buyers, while individual retail purchases also remained strong. Traditional, open-end tax-exempt mutual funds have continued to see significant disintermediation. It was recently reported that

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during the 2000 calendar year, long-term municipal bond mutual funds experienced net cash outflows of approximately \$15 billion. Fortunately, the combination of reduced new bond issuance and ongoing demand from non-traditional sources has been able to more than offset the decline in demand from tax-exempt mutual funds. This favorable balance has fostered a significant decline in municipal bond yields in recent months.

The outlook for the tax-exempt bond market in 2001 appears quite favorable. The steeply positive yield curve and relatively high credit quality that the municipal bond market offers should continue to attract retail and institutional investors seeking both tax-exempt income and a ready substitute for relatively scarce US Government securities. Strong state and local governmental financial conditions also suggest that issuance should remain manageable. Recently, research analysts suggested that annual issuance in 2001 is likely to remain in the \$200 billion range. Additionally, both Federal tax policy and tax reform are likely to be unchanged in 2001 as the recent results of the Presidential and Congressional elections do not favor quick legislation on either of these issues. These factors suggest that the strong technical position the tax-exempt market has enjoyed is likely to continue. Given recent market performance, the strong returns generated by tax-exempt products in 2000 again illustrate the investment diversification municipal bonds provide to all investors.

### Portfolio Strategy

During the six months ended December 31, 2000, the tax-exempt high-yield market experienced unrelenting pressure as yield spreads continued to widen in an environment characterized by a lack of investor demand and periods of pronounced illiquidity. Tax-exempt mutual funds, a traditional source of demand for this sector, were largely absent, contending with a persistent asset drain as individual investors continued to withdraw money. Furthermore, various factors converged, raising questions about creditworthiness across several sectors. A typical example was the general deterioration in credit quality of not-for-profit hospitals emerging from sharply lower government reimbursement rates among heightened competition caused by the expanding role of managed care. Recently, the convergence of soaring energy prices, the weak euro, and high interest rates raised concerns about the sustainability of corporate earnings. As a consequence, corporate yield spreads within both the taxable and the tax-exempt markets widened considerably in the last six months. Exacerbating matters, broker-dealer numbers diminished either through consolidation or outright closures. The resulting loss of liquidity, coupled with a reduced risk tolerance, weakened the market further.

We sought to maintain the same focus and discipline in pursuing our investment strategy, although the Fund was affected by these developments. Portfolio activity during the period continued to reflect our efforts to seek to enhance both relative performance and the Fund's dividend distribution. Valuations in the tax-exempt high-yield market negatively affected a broad variety of sectors, giving investors the opportunity to capitalize on aberrations in pricing, particularly brand new issuance and more seasoned securities. The utility sector has been one of the best performers within the high-yield market in noticeable contrast to the poor performance of much of the healthcare sector. Investor-owned utilities have long represented a core position of the Fund and, considering their relative outperformance in recent months, provide a sensible source of funds for new investments. The bulk of these new investments were healthcare credits, which we believed represented reasonable value in the current market environment. We were careful in

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our selections, preferring the debt of long-term care facilities and human service providers. We believe these issues stand to benefit from favorable demographic trends and significant support through government funding.

In Conclusion

We appreciate your ongoing interest in Apex Municipal Fund, Inc., and we look forward to serving your investment needs in the months and years to come.

Sincerely,

/s/ Terry K. Glenn

Terry K. Glenn  
President and Director

/s/ Vincent R. Giordano

Vincent R. Giordano  
Senior Vice President

/s/ Theodore R. Jaeckel Jr.

Theodore R. Jaeckel Jr.  
Vice President and Portfolio Manager

/s/ John M. Loffredo

John M. Loffredo  
Vice President and Portfolio Manager

January 12, 2001

PROXY RESULTS

During the six-month period ended December 31, 2000, Apex Municipal Fund, Inc.'s shareholders voted on the following proposals. The proposals were approved at the shareholders' meeting on December 13, 2000. The description of each proposal and number of shares voted are as follows:

		Shares Voted For	Shares Voted Against
1. To elect the Fund's Directors:	Joe Grills	17,828,347	634,425
	Walter Mintz	17,835,959	626,813

		Shares Voted For	Shares Voted Against	Shares V Absta
2. To ratify the selection of Deloitte & Touche LLP as the				

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Fund's independent auditors for the current fiscal year. 18,078,082 150,087 234,6

SCHEDULE OF INVESTMENTS

(in Thousands)

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue
Alabama--1.3%	B	NR*	\$ 1,000	Brewton, Alabama, IDB, PCR, Refunding (Contai
	CCC	Ca	5,285	America--Jefferson Smurfit Corp. Project), 8% Mobile, Alabama, IDB, Solid Waste Disposal Re (Mobile Energy Services Co. Project), 6.95% d
Alaska--0.2%	A1+	VMIG1+	350	Valdez, Alaska, Marine Terminal Revenue Refun Company Project), VRDN, Series C, 4.80% due 1
Arizona--3.4%	NR*	NR*	1,505	Maricopa County, Arizona, IDA, M/F Housing Re
	NR*	B1	4,000	Apartments Project), Sub-Series C, 9.50% due
	B+	Ba3	1,500	Phoenix, Arizona, IDA, Airport Facility Reven (America West Airlines Inc. Project), AMT, 6. Pima County, Arizona, IDA, Industrial Revenue Electric Power Company Project), Series C, 6%
California--3.1%	AAA	NR*	5,500	Los Angeles, California, Department of Water Revenue Bonds, RIB, Series 144, 6.48% due 6/1
Colorado--2.8%	NR*	NR*	1,700	Colorado Post-Secondary Educational Facilitie Bonds (Colorado Ocean Journey Inc. Project),
	NR*	NR*	3,000	Denver, Colorado, Urban Renewal Authority, Ta Bonds (Pavilions), AMT, 7.75% due 9/01/2016
Connecticut--4.9%	BB+	Ba1	8,025	Connecticut State Development Authority, PCR, Light and Power Company), Series A, 5.85% due
	NR*	B1	1,380	New Haven, Connecticut, Facility Revenue Bond Corporation Project), 9.25% due 5/01/2017
Florida--7.2%	NR*	NR*	960	Arbor Greene Community Development District, Assessment Revenue Bonds, 7.60% due 5/01/2018
	NR*	NR*	2,500	Hillsborough County, Florida, IDA, Exempt Fac (National Gypsum), AMT, Series A, 7.125% due
	NR*	NR*	3,000	Lee County, Florida, IDA, Health Care Facilit (Cypress Cove Healthpark), Series A, 6.375% d
	NR*	NR*	3,800	Parkway Center, Florida, Community Developmen Assessment Refunding Bonds, Series B, 8% due

Portfolio Abbreviations

To simplify the listings of Apex Municipal Fund, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list at right.

- AMT Alternative Minimum Tax (subject to)
- EDA Economic Development Authority
- GO General Obligation Bonds
- IDA Industrial Development Authority
- IDB Industrial Development Board

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IDR Industrial Development Revenue Bonds  
M/F Multi-Family  
PCR Pollution Control Revenue Bonds  
RIB Residual Interest Bonds  
VRDN Variable Rate Demand Notes

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Apex Municipal Fund, Inc., December 31, 2000

SCHEDULE OF INVESTMENTS (continued)

(in Thousands)

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue
Florida (concluded)	NR*	NR*	\$ 3,395	Tampa Palms, Florida, Open Space and Transportation Development District Revenue Bonds, Capital Improvement Place Project), 7.50% due 5/01/2018
Georgia--2.1%	NR*	NR*	3,760	Atlanta, Georgia, Urban Residential Finance Authority Revenue Bonds (Northside Plaza Apartments Project) due 11/01/2020
Idaho--0.8%	NR*	NR*	1,470	Idaho Health Facilities Authority, Revenue Bonds (Vista Care Corporation), Series A, 7.75% due 11/01/2020
Illinois--1.9%	NR*	NR*	3,190	Illinois Development Finance Authority, Prime Facilities, Acquisition Program Revenue Bonds
Indiana--2.5%	NR*	NR*	2,600	Indiana State Educational Facilities Authority Revenue Bonds (Saint Joseph's College Project), 7% due 10/01/2029
	NR*	NR*	1,925	Indianapolis, Indiana, M/F Revenue Bonds (Lakeland Series B, 7.50% due 10/01/2029)
Iowa--6.6%	NR*	NR*	10,000	Iowa Finance Authority, Health Care Facilities (Care Initiatives Project), 9.25% due 7/01/2020
Louisiana--3.1%	BB-	NR*	5,500	Port New Orleans, Louisiana, IDR, Refunding (Port Project), 7.50% due 7/01/2013
Maryland--3.9%	NR*	NR*	1,875	Anne Arundel County, Maryland, Special Obligation Mills Project), 7.10% due 7/01/2029
	NR*	NR*	5,000	Maryland State Energy Financing Administration Revenue Bonds (Cogeneration-AES Warrior Run), due 9/01/2019
Massachusetts--5.5%	NR*	NR*	1,255	Boston, Massachusetts, Industrial Development Solid Waste Disposal Facility Revenue Bonds (Boston Project), AMT, 10.50% due 1/01/2011
	NR*	VMIG1+	2,200	Massachusetts State Health and Educational Facilities Revenue Bonds (Capital Asset Program), VRDN, due 1/01/2035 (f)
	NR*	Ba2	3,000	Massachusetts State Health and Educational Facilities Revenue Refunding Bonds (Bay Cove Human Services Series A, 5.90% due 4/01/2028)
	NR*	NR*	1,900	Massachusetts State Industrial Finance Agency Sewer Facility (Resource Control Composting),

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	NR*	NR*	2,000	Massachusetts State Port Authority, Special P (Harborside Hyatt Project), AMT, 10% due 3/01
Minnesota--1.9%	NR*	NR*	3,235	Anoka, Minnesota, M/F Housing Revenue Bonds (Project), 9.375% due 12/01/2024
	A1+	NR*	100	Beltrami County, Minnesota, Environmental Con (Northwood Panelboard Co. Project), VRDN, AMT
	A1+	NR*	100	Beltrami County, Minnesota, Environmental Con Bonds (Northwood Panelboard Co. Project), VRD due 12/01/2021 (f)
Nevada--1.1%	BBB	Baa2	2,500	Henderson, Nevada, Health Care Facility Reven Healthcare West--Saint Rose Dominican Hospita due 7/01/2026
New Jersey--12.7%				Camden County, New Jersey, Improvement Author Bonds (Holt Hauling & Warehousing), AMT, Seri
	CCC+	NR*	2,000	9.625% due 1/01/2011
	CCC+	NR*	4,500	9.875% due 1/01/2021
	CCC	B2	6,000	Camden County, New Jersey, Pollution Control Solid Waste Resource Recovery Revenue Refundi Series A, 7.50% due 12/01/2010
	NR*	NR*	3,000	New Jersey EDA, Economic Development Revenue Properties LP Project), AMT, 6% due 11/01/202
	BBB-	NR*	1,500	New Jersey EDA, First Mortgage Revenue Bonds Series C, 5.50% due 1/01/2028
	NR*	NR*	1,500	New Jersey EDA, IDR, Refunding (Newark Airpor 7% due 10/01/2014
	NR*	NR*	3,700	New Jersey EDA, Retirement Community Revenue Village Inc.), Series A, 8.125% due 11/15/202
	BBB-	Baa3	2,000	New Jersey Health Care Facilities Financing A Refunding Bonds (Trinitas Hospital Obligation due 7/01/2015
New Mexico--2.7%	B+	Ba3	5,000	Farmington, New Mexico, PCR, Refunding (Tucso Co.--San Juan Project), Series A, 6.95% due 1
New York--1.8%				Utica, New York, GO, Public Improvement:
	BB	Ba3	700	9.25% due 8/15/2004
	BB	Ba3	700	9.25% due 8/15/2005
	BB	Ba3	635	9.25% due 8/15/2006
	BB	Ba3	475	8.50% due 8/15/2013
	BB	Ba3	475	8.50% due 8/15/2014
North Carolina--0.3%	AA	NR*	550	Cumberland County, North Carolina, Hospital F Refunding Bonds (Cumberland County Hospital S due 10/01/2024
Ohio--3.3%	NR*	Ba2	7,185	Cleveland, Ohio, Airport Special Revenue Refu (Continental Airlines Inc. Project), AMT, 5.7
Oregon--1.7%	NR*	NR*	2,160	Klamath Falls, Oregon, Electric Revenue Refun Cogeneration Project), Senior Lien, 6% due 1/
	NR*	NR*	1,000	Western Generation Agency, Oregon, Cogenerati Bonds (Wauna Cogeneration Project), AMT, Ser 1/01/2016
Pennsylvania--9.2%	NR*	Ba2	2,000	Lehigh County, Pennsylvania, General Purpose Refunding Bonds (Kidspeace Obligation Group), Montgomery County, Pennsylvania, Higher Educa Authority, Revenue Refunding Bonds (Faulkeway 6.75% due 11/15/2024
	BBB+	NR*	900	

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BBB+	NR*	925	6.75% due 11/15/2030
		4	Northampton Pulp LLC (d) (g)
AAA	Aaa	2,000	Pennsylvania State Higher Education Assistance
			Revenue Bonds, AMT, RIB, 6.173% due 3/01/2022
AAA	NR*	4,000	Pennsylvania State Higher Educational Facilit
			College and University Revenue Bonds (Eastern
			8% due 10/15/2006 (c)
NR*	NR*	5,500	Philadelphia, Pennsylvania, Authority for IDR
			Development, AMT, 7.75% due 12/01/2017

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Apex Municipal Fund, Inc., December 31, 2000

SCHEDULE OF INVESTMENTS (concluded)

(in Thousands)

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue
South Carolina--0.8%	NR*	NR*	\$ 1,500	South Carolina Jobs Economic Development Auth Revenue Bonds, First Mortgage (Lutheran Homes due 5/01/2028
Texas--4.9%	BB	Ba1	3,100	Houston, Texas, Airport System, Special Facil (Continental Airlines Terminal Improvement), due 7/15/2027
	BBB-	Baa3	6,500	Lower Colorado River Authority, Texas, PCR (S Semiconductor), AMT, 6.375% due 4/01/2027
Utah--1.2%	NR*	NR*	2,240	Carbon County, Utah, Solid Waste Disposal Rev Bonds (Laidlaw Environmental), AMT, Series A,
Virginia--7.1%	NR*	NR*	2,500	Dulles Town Center, Virginia, Community Devel Special Assessment Tax (Dulles Town Center Pr due 3/01/2026
	NR*	NR*	4,215	Peninsula Ports Authority, Virginia, Revenue Facility--Zeigler Coal), 6.90% due 5/02/2022
	NR*	NR*	3,000	Pittsylvania County, Virginia, IDA, Revenue R Exempt-Facility, AMT, Series A, 7.50% due 1/0
	NR*	Ba1	6,200	Pocahontas Parkway Association, Virginia, Tol First Tier, Sub-Series C, 6.25%** due 8/15/
	NR*	Ba1	6,200	First Tier, Sub-Series C, 6.25%** due 8/15/
	BBB-	Baa3	32,600	Senior Series B, 5.875% due 8/15/2025
Total Investments (Cost--\$187,683)--98.0%				
Other Assets Less Liabilities--2.0%				
Net Assets--100.0%				

(a) AMBAC Insured.

(b) FSA Insured.



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- (c) Prerefunded.
- (d) These shares represent an equity interest in the reorganization of Ponderosa Fibres PA. The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (e) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at December 31, 2000.
- (f) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at December 31, 2000.
- (g) Non-income producing security.
- \* Not Rated.
- \*\* Represents a zero coupon bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.
- + Highest short-term rating by Moody's Investors Service, Inc.

See Notes to Financial Statements.

STATEMENT OF ASSETS, LIABILITIES AND CAPITAL

As of December 31, 2000

=====		
Assets:	Investments, at value (identified cost--\$187,683,154) .....	\$
	Cash .....	
	Receivables:	
	Interest .....	\$ 3,513,471
	Securities sold .....	347,685
		-----
	Prepaid expenses and other assets .....	
	Total assets .....	
=====		
Liabilities:	Payables:	
	Dividends to shareholders .....	101,689
	Investment adviser .....	93,567
		-----
	Accrued expenses and other liabilities .....	
	Total liabilities .....	
=====		
Net Assets:	Net assets .....	\$
=====		
Capital:	Common Stock, \$.10 par value, 150,000,000 shares authorized; 19,596,732 shares issued and outstanding .....	\$
	Paid-in capital in excess of par .....	
	Undistributed investment income--net .....	
	Accumulated realized capital losses on investments--net .....	
	Unrealized depreciation on investments--net .....	
	Total capital--Equivalent to \$9.26 net asset value per share of Common Stock (market price--\$8.00) .....	\$
=====		

See Notes to Financial Statements.

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Apex Municipal Fund, Inc., December 31, 2000

STATEMENT OF OPERATIONS

For the Six Months Ended December 31, 2000

Investment	Interest and amortization of premium and discount earned .....		
Income:			
Expenses:	Investment advisory fees .....	\$	596
	Accounting services .....		26
	Directors' fees and expenses .....		19
	Transfer agent fees .....		17
	Listing fees .....		17
	Printing and shareholder reports .....		13
	Custodian fees .....		7
	Professional fees .....		5
	Pricing fees .....		5
	Other .....		7
	Total expenses .....		-----
	Investment income--net .....		
Realized & Unrealized Loss on Investments--Net:	Realized loss on investments--net .....		
	Change in unrealized appreciation/depreciation on investments--net .....		
	Net Increase in Net Assets Resulting from Operations .....		

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

			For the Months E December 2000
	Increase (Decrease) in Net Assets:		
Operations:	Investment income--net .....	\$	5,59
	Realized loss on investments--net .....		(1,09
	Change in unrealized appreciation/depreciation on investments--net .....		(10
	Net increase (decrease) in net assets resulting from operations ...		----- 4,39
Dividends to Shareholders:	Investment income--net .....		(5,78

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Net decrease in net assets resulting from dividends to shareholders (5,78)

Net Assets:	Total decrease in net assets .....	(1,38
	Beginning of period .....	182,87
	End of period* .....	\$ 181,49
	* Undistributed investment income--net .....	\$ 86

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

The following per share data and ratios have been derived from information provided in the financial statements.		For the Six Months Ended December 31, 2000	For the Six Months Ended December 31, 2000	For the Six Months Ended December 31, 2000
Increase (Decrease) in Net Asset Value:		2000	2000	2000
Per Share Operating Performance:	Net asset value, beginning of period .....	\$ 9.33	\$ 10.37	\$ 10.37
	Investment income--net .....	.29	.66	.66
	Realized and unrealized gain (loss) on investments--net .....	(.06)	(1.03)	(1.03)
	Total from investment operations .....	.23	(.37)	(.37)
	Less dividends from investment income--net .....	(.30)	(.67)	(.67)
	Net asset value, end of period .....	\$ 9.26	\$ 9.33	\$ 9.33
	Market price per share, end of period .....	\$ 8.00	\$ 8.9375	\$ 8.9375
Total Investment Return:**	Based on market price per share .....	(7.31%)+	(6.22%)	(6.22%)
	Based on net asset value per share .....	2.78%+	(3.23%)	(3.23%)
Ratios to Average Net Assets:	Expenses .....	.78%*	.81%	.81%
	Investment income--net .....	6.10%*	6.71%	6.71%
Supplemental Data:	Net assets, end of period (in thousands) ..	\$181,491	\$182,879	\$182,879
	Portfolio turnover .....	8%	20%	20%

\* Annualized.

\*\* Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially

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different returns. Total investment returns exclude the effects of sales charges.

+ Aggregate total investment return.

See Notes to Financial Statements.

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Apex Municipal Fund, Inc., December 31, 2000

### NOTES TO FINANCIAL STATEMENTS

#### 1. Significant Accounting Policies:

Apex Municipal Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal, recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol APX. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments -- Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options written or purchased are valued at the last sale price in the case of exchange-traded options. In the case of options traded in the over-the-counter market, valuation is the last asked price (options written) or the last bid price (options purchased). Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments -- The Fund may engage in various portfolio investment strategies to increase or decrease the level of risk to which the Fund is exposed more quickly and efficiently than transactions in other types of instruments. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known

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as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

o Options -- The Fund is authorized to write covered call options and purchase put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Dividends and distributions -- Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

### 2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .65% of the Fund's average weekly net assets.

Accounting services were provided to the Fund by FAM.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and/or ML & Co.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended December 31, 2000 were \$13,595,691 and \$13,621,251, respectively.

Net realized losses for the six months ended December 31, 2000 and net unrealized losses as of December 31, 2000 were as follows:

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	Realized Losses	Unrealized Losses
Long-term investments .....	\$ (1,093,246)	\$ (9,841,404)
Total .....	\$ (1,093,246)	\$ (9,841,404)

As of December 31, 2000, net unrealized depreciation for Federal income tax purposes aggregated \$9,841,404, of which \$5,005,299 related to appreciated securities and \$14,846,703 related to depreciated securities. The aggregate cost of investments at December 31, 2000 for Federal income tax purposes was \$187,683,154.

4. Common Stock Transactions:

At December 31, 2000, the Fund had one class of shares of Common Stock, par value \$.10 per share, of which 150,000,000 shares were authorized. Shares issued and outstanding during the six months ended December 31, 2000 and for the year ended June 30, 2000 remained constant.

5. Capital Loss Carryforward:

At June 30, 2000, the Fund had a net capital loss carryforward of approximately \$20,691,000, of which \$3,880,000 expires in 2001, \$2,775,000 expires in 2002, \$1,754,000 expires in 2003, \$7,057,000 expires in 2004, \$1,312,000 expires in 2005, \$938,000 expires in 2006 and \$2,975,000 expires in 2008. This amount will be available to offset like amounts of any future taxable gains.

6. Subsequent Event:

On January 4, 2001, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of \$.049407 per share, payable on January 30, 2001 to shareholders of record as of January 16, 2001.

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Apex Municipal Fund, Inc., December 31, 2000

ABOUT INVERSE FLOATERS

As a part of its investment strategy, the Fund may invest in certain securities whose potential income return is inversely related to changes in a floating interest rate ("inverse floaters"). In general, income on inverse floaters will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in inverse floaters may be characterized as derivative securities and may subject the Fund to the risks of reduced or eliminated interest payments and losses of invested principal. In addition, inverse floaters have the effect of providing investment leverage and, as a result, the market value of such securities will generally be more volatile than that of fixed rate, tax-exempt securities. To the extent the Fund invests in inverse securities, the market value of the Fund's portfolio and the net asset value of the Fund's shares may also be more volatile than if the Fund did not invest in these securities.

OFFICERS AND DIRECTORS

Terry K. Glenn, President and Director  
 Joe Grills, Director

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Walter Mintz, Director  
Robert S. Salomon Jr., Director  
Melvin R. Seiden, Director  
Stephen B. Swensrud, Director  
Vincent R. Giordano, Senior Vice President  
Theodore R. Jaeckel Jr., Vice President  
John M. Loffredo, Vice President  
Donald C. Burke, Vice President and Treasurer  
Bradley J. Lucido, Secretary

Custodian & Transfer Agent

The Bank of New York  
100 Church Street  
New York, NY 10286

NYSE Symbol

APX

Arthur Zeikel, Director of Apex Municipal Fund, Inc. has recently retired. The Fund's Board of Directors wishes Mr. Zeikel well in his retirement.

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Apex Municipal Fund, Inc. seeks to provide shareholders with high current income exempt from Federal income taxes by investing primarily in a portfolio of medium-to-lower grade or unrated municipal obligations, the interest on which is exempt from Federal income taxes in the opinion of bond counsel to the issuer.

This report, including the financial information herein, is transmitted to shareholders of Apex Municipal Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

Apex Municipal  
Fund, Inc.  
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