

DREYFUS STRATEGIC MUNICIPALS INC
Form N-CSRS
May 29, 2013

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)

John Pak, 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: 3/31/13



FORM N-CSR

Item 1. Reports to Stockholders.

Dreyfus Strategic Municipals, Inc.

SEMIANNUAL REPORT March 31, 2013

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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THE FUND

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Dreyfus
Strategic Municipals, Inc.

The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

This semiannual report for Dreyfus Strategic Municipals, Inc. covers the six-month period from October 1, 2012, through March 31, 2013. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The search for higher current yields amid historically low interest rates continued to be a major force in the solid performance of the municipal bond market over the reporting period. In addition, municipal bonds benefited from favorable supply-and-demand dynamics. Robust investor demand was met with a relatively meager supply of newly issued securities stemming from political pressure to reduce government spending and borrowing. The market also was buoyed by improvements in the fiscal condition of most states and many municipalities as tax revenues increased in a gradually recovering U.S. economy.

However, the pace of economic growth has remained sluggish compared to historical norms, helping to prevent new imbalances from developing even as monetary policymakers throughout the world maintain aggressively accommodative postures. Therefore, in our analysis, the economic expansion is likely to continue over the foreseeable future. As always, we encourage you to discuss our observations with your financial adviser, who can help you respond to the challenges and opportunities the financial markets provide.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
April 15, 2013

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DISCUSSION OF FUND PERFORMANCE

For the period of October 1, 2012, through March 31, 2013, as provided by Daniel Barton and Steven Harvey, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended March 31, 2013, Dreyfus Strategic Municipals, Inc. achieved a total return of 2.30% on a net-asset-value basis.¹ Over the same period, the fund provided aggregate income dividends of \$0.294 per share, which reflects an annualized distribution rate of 6.39%.²

Despite rising long-term interest rates and bouts of heightened volatility, strong investor demand for a limited supply of securities helped municipal bonds produce positive absolute returns over the reporting period.

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, portfolio construction focuses on income opportunities, through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features. When making new investments, we focus on identifying undervalued sectors and securities, and we minimize the use of interest rate forecasting. We select municipal bonds by using fundamental credit analysis to estimate the relative value and attractiveness of various sectors and securities and to exploit pricing inefficiencies in the municipal bond market. We actively trade among various sectors, such as escrowed, general obligation and revenue, based on their apparent relative values.

The Fund

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DISCUSSION OF FUND PERFORMANCE *(continued)*

Municipal Bonds Encountered Heightened Volatility

The reporting period began in the midst of recovering investor sentiment when several macroeconomic concerns failed to materialize. Instead, investors responded positively to improved U.S. employment and housing market trends, and a new quantitative easing program from the European Central Bank. Although investor optimism faltered in November due to uncertainty surrounding automatic tax hikes and spending cuts scheduled for the start of 2013, last-minute legislation to address the scheduled tax increases helped alleviate these worries. Positive economic data offered further support to investor sentiment over the opening months of 2013. Consequently, investors turned away from traditional safe havens and toward riskier assets, such as lower rated and longer term municipal bonds.

Municipal bonds encountered heightened volatility late in 2012 when the fiscal cliff debate and seasonal pressures led to broad-based price declines, but the market recouped most of those losses over the first three months of 2013. Lower rated municipal bonds outperformed broader market averages, supported by robust demand from investors seeking competitive levels of after-tax income in a low interest rate environment. While the supply of newly issued bonds increased compared to the very low levels reached earlier in 2012, new issuance remained muted compared to historical norms. From a credit quality perspective, higher tax receipts and reduced spending have enabled many states to shore up their fiscal conditions and balance their budgets.

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Credit Selection Strategy Drove Fund Performance

The fund's relative performance was bolstered by overweighed exposure to municipal bonds rated below investment grade, including those backed by revenues from hospitals, industrial development projects, and the states' settlement of litigation with U.S. tobacco companies. The Fund also benefited from its long duration position, which was magnified by leverage, and a tactical increase in exposure to the five-to 10 year part of the municipal curve over the latter half of the performance period.

Disappointments during the reporting period included higher quality essential services revenue bonds, particularly those issued on behalf of municipal water and sewer

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facilities. The fund also suffered shortfalls among bonds issued by Puerto Rico, which are exempt from federal and most state income taxes. Puerto Rico bonds were undermined by concerns regarding the U.S. territory's unfunded pension liabilities.

Maintaining a Cautious Approach

We have been encouraged by recently improved economic data, but we believe that the U.S. economy remains vulnerable to domestic fiscal uncertainty and potentially adverse international developments. In addition, while credit fundamentals are improving for most states, many localities continue to face fiscal pressures. Therefore, we have maintained our research-intensive credit selection process, which we believe can help us identify attractively valued opportunities among fundamentally sound issuers of municipal securities. For example, late in the reporting period, we found opportunities among general obligation bonds from Illinois. In our view, these are appropriate strategies in today's still-uncertain economic climate.

April 15, 2013

Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines. High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.

The use of leverage may magnify the fund's gains or losses. For derivatives with a leveraging component, adverse changes in the value or level of the underlying asset can result in a loss that is much greater than the original investment in the derivative.

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. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect until November 30, 2013, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.

2 Annualized distribution rate per share is based upon dividends per share paid from net investment income during the period, divided by the market price per share at the end of the period, adjusted for any capital gain distributions.

The Fund

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STATEMENT OF INVESTMENTS

March 31, 2013 (Unaudited)

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| Long-Term Municipal Investments—148.8% | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|-----------------------|---------------------------|
| Alabama—.7% | | | | |
| Jefferson County, Limited Obligation School Warrants | 5.25 | 1/1/17 | 2,020,000 | 2,017,717 |
| Jefferson County, Limited Obligation School Warrants | 5.00 | 1/1/24 | 2,000,000 | 1,946,320 |
| Alaska—1.9% | | | | |
| Northern Tobacco Securitization Corporation of Alaska, Tobacco Settlement Asset-Backed Bonds | 5.00 | 6/1/46 | 12,190,000 | 10,890,912 |
| Arizona—6.8% | | | | |
| Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project) | 4.50 | 3/1/30 | 4,000,000 | 4,145,720 |
| Arizona Housing Finance Authority, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA) | 5.55 | 12/1/41 | 3,355,000 | 3,593,641 |
| Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue) | 5.00 | 1/1/38 | 17,210,000 | 19,445,407 ^{a,b} |
| Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue (Prerefunded) | 6.25 | 1/1/14 | 5,000,000 | 5,229,700 ^c |
| Phoenix Civic Improvement Corporation, Senior Lien Airport Revenue | 5.00 | 7/1/19 | 2,250,000 | 2,699,347 |
| Pima County Industrial Development Authority, Education Revenue (American Charter Schools | | | | |

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|---|------|---------|-----------|-----------|
| Foundation Project) | 5.63 | 7/1/38 | 3,410,000 | 3,353,223 |
| Salt Verde Financial Corporation, Senior Gas Revenue | 5.00 | 12/1/37 | 500,000 | 559,370 |
| California—18.4% | | | | |
| Alameda Corridor Transportation Authority, Senior Lien Revenue | 5.00 | 10/1/20 | 1,730,000 | 2,095,134 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| California (continued) | | | | |
| Barclays Capital Municipal Trust Receipts (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport)) | 5.00 | 5/15/31 | 5,247,500 ^{a,b} | 5,943,519 |
| California, GO (Various Purpose) | 5.75 | 4/1/31 | 10,800,000 | 12,763,440 |
| California, GO (Various Purpose) | 6.50 | 4/1/33 | 10,000,000 | 12,404,500 |
| California, GO (Various Purpose) | 6.00 | 11/1/35 | 7,500,000 | 9,154,725 |
| California State Public Works Board, LR (The Regents of the University of California) (Various University of California Projects) | 5.00 | 4/1/34 | 3,495,000 | 3,882,561 |
| California Statewide Communities Development Authority, Revenue (Bentley School) | 7.00 | 7/1/40 | 2,090,000 | 2,391,900 |
| California Statewide Communities Development Authority, Revenue (Bentley School) | 0.00 | 7/1/50 | 5,070,000 ^d | 228,556 |
| California Statewide Communities Development Authority, Student Housing Revenue (CHF-Irvine, LLC-UCI East Campus Apartments, Phase II) | 5.75 | 5/15/32 | 2,000,000 | 2,167,540 |
| Golden State Tobacco | | | | |

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|---|------|---------|---------------------------|------------|
| Securitization Corporation, Tobacco Settlement Asset-Backed Bonds | 4.50 | 6/1/27 | 2,000,000 | 1,928,720 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded) | 7.80 | 6/1/13 | 5,500,000 ^c | 5,573,205 |
| JPMorgan Chase Putters/Drivers Trust (California Educational Facilities Authority, Revenue (University of Southern California)) | 5.25 | 10/1/16 | 10,100,000 ^{a,b} | 11,706,910 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) *(continued)*

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| California (continued) | | | | |
| Los Angeles Department of Water and Power, Water System Revenue | 5.00 | 7/1/43 | 5,000,000 | 5,590,600 |
| Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue | 6.00 | 7/1/35 | 6,250,000 | 7,343,187 |
| San Buenaventura, Revenue (Community Memorial Health System) | 7.50 | 12/1/41 | 2,000,000 | 2,437,280 |
| San Diego Public Facilities Financing Authority, Senior Sewer Revenue | 5.25 | 5/15/34 | 2,500,000 | 2,883,675 |
| San Francisco City and County Redevelopment Agency Community Facilities District Number 6, Special Tax Revenue (Mission Bay South Public Improvements) | 5.00 | 8/1/23 | 1,000,000 | 1,111,860 |
| Sonoma-Marin Area Rail Transit | | | | |

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|---|------|---------|-----------|-----------|
| District, Measure Q Sales | | | | |
| Tax Revenue | 5.00 | 3/1/27 | 4,000,000 | 4,678,560 |
| Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation) | 5.00 | 6/1/37 | 7,300,000 | 6,615,552 |
| Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project) | 5.88 | 1/1/29 | 3,500,000 | 4,176,305 |
| Colorado—3.0% | | | | |
| Beacon Point Metropolitan District, GO | 6.25 | 12/1/35 | 2,000,000 | 2,023,780 |
| Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project) | 8.00 | 12/1/40 | 3,500,000 | 4,255,125 |
| Colorado Health Facilities Authority, Revenue (Catholic Health Initiatives) | 5.00 | 2/1/41 | 6,000,000 | 6,558,480 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| Colorado (continued) | | | | |
| Colorado Housing and Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA) | 6.60 | 8/1/32 | 660,000 | 698,069 |
| Southlands Metropolitan District Number 1, GO (Prerefunded) | 7.13 | 12/1/14 | 2,000,000 ^C | 2,226,880 |
| The Plaza Metropolitan District Number 1, Revenue | 5.00 | 12/1/17 | 1,170,000 | 1,299,893 |
| Delaware—9% | | | | |
| Delaware Economic Development Authority, Exempt Facility Revenue (Indian River Power LLC Project) | 5.38 | 10/1/45 | 5,000,000 | 5,308,850 |

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Florida—8.2%

| | | | | |
|--|------|----------|-----------|-----------|
| Citizens Property Insurance Corporation, Personal Lines Account/Commercial Lines | | | | |
| Account Senior Secured Revenue | 5.00 | 6/1/22 | 5,465,000 | 6,526,849 |
| Clearwater, Water and Sewer Revenue | 5.25 | 12/1/39 | 5,000,000 | 5,632,250 |
| Florida Board of Education, Public Education Capital | | | | |
| Outlay Bonds | 5.00 | 6/1/17 | 3,000,000 | 3,524,280 |
| Greater Orlando Aviation Authority, Airport Facilities Revenue | 6.25 | 10/1/20 | 8,000,000 | 9,945,360 |
| Martin County Industrial Development Authority, IDR (Indiantown Cogeneration, L.P. Project) | 4.20 | 12/15/25 | 2,500,000 | 2,516,125 |
| Miami-Dade County, Subordinate Special Obligation Revenue | 5.00 | 10/1/35 | 3,500,000 | 3,842,790 |
| Mid-Bay Bridge Authority, Springing Lien Revenue | 7.25 | 10/1/34 | 6,000,000 | 7,605,360 |
| Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project) | 6.00 | 8/1/45 | 6,500,000 | 7,264,790 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|-----------------------|------------|
| Georgia—5.5% | | | | |
| Atlanta, Airport General Revenue | 5.00 | 1/1/26 | 5,000,000 | 5,637,550 |
| Atlanta, Water and Wastewater Revenue | 6.00 | 11/1/27 | 6,000,000 | 7,348,440 |

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|---|------|---------|-----------|-----------|
| Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.) | 5.25 | 11/1/34 | 4,000,000 | 4,507,760 |
| Brooks County Development Authority, Senior Health and Housing Facilities Revenue (Presbyterian Home, Quitman, Inc.) (Collateralized; GNMA) | 5.70 | 1/20/39 | 4,445,000 | 4,642,091 |
| Fulton County Development Authority, Revenue (Georgia Tech North Avenue Apartments Project) (Insured; XLCA) | 5.00 | 6/1/32 | 2,300,000 | 2,554,909 |
| Georgia Higher Education Facilities Authority, Revenue (USG Real Estate Foundation I, LLC Project) (Insured; Assured Guaranty Municipal Corp.) | 5.63 | 6/15/38 | 6,000,000 | 6,841,380 |
| Hawaii—9% | | | | |
| Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawai'i Pacific Health Obligated Group) | 5.75 | 7/1/40 | 4,415,000 | 4,951,908 |
| Idaho—9% | | | | |
| Power County Industrial Development Corporation, SWDR (FMC Corporation Project) | 6.45 | 8/1/32 | 5,000,000 | 5,008,400 |
| Illinois—4.3% | | | | |
| Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport) | 5.63 | 1/1/35 | 5,000,000 | 5,795,300 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Illinois (continued) | | | | |
| Chicago, | | | | |

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|--|------|---------|-----------|-----------|
| Sales Tax Revenue | 5.25 | 1/1/38 | 3,500,000 | 3,965,465 |
| Greater Chicago Metropolitan Water Reclamation District, GO Capital Improvement | | | | |
| Limited Tax Bonds | 5.00 | 12/1/32 | 7,500,000 | 8,634,825 |
| Railsplitter Tobacco Settlement Authority, Tobacco | | | | |
| Settlement Revenue | 6.00 | 6/1/28 | 5,050,000 | 6,049,748 |
| Indiana—2.8% | | | | |
| Indiana Finance Authority, Educational Facilities Revenue (Butler University Project) | 5.00 | 2/1/32 | 2,110,000 | 2,232,675 |
| Indiana Finance Authority, Midwestern Disaster Relief Revenue (Ohio Valley Electric Corporation Project) | 5.00 | 6/1/39 | 5,000,000 | 5,307,550 |
| Indiana Finance Authority, Private Activity Bonds (Ohio River Bridges East End Crossing Project) | 5.00 | 1/1/19 | 1,750,000 | 1,952,230 |
| Indiana Finance Authority, Revenue (Marquette Project) | 5.00 | 3/1/39 | 1,400,000 | 1,469,314 |
| Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC) | 5.00 | 1/1/36 | 4,500,000 | 4,748,940 |
| Iowa—.3% | | | | |
| Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds | 5.60 | 6/1/34 | 2,000,000 | 1,987,560 |
| Kansas—.2% | | | | |
| Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FNMA and GNMA) | 5.70 | 12/1/35 | 1,035,000 | 1,084,421 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|---------------------------|------------|
| Kentucky—0.5% | | | | |
| Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's HealthCare, Inc. Project) (Prerefunded) | 6.13 | 2/1/18 | 2,300,000 ^c | 2,876,242 |
| Louisiana—1.6% | | | | |
| Lakeshore Villages Master Community Development District, Special Assessment Revenue | 5.25 | 7/1/17 | 2,979,000 ^e | 1,192,702 |
| Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects) | 6.75 | 11/1/32 | 7,000,000 | 7,914,200 |
| Maine—0.7% | | | | |
| Maine Health and Higher Educational Facilities Authority, Revenue (MaineGeneral Medical Center Issue) | 7.50 | 7/1/32 | 3,000,000 | 3,827,970 |
| Maryland—0.5% | | | | |
| Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project) (Prerefunded) | 6.50 | 6/1/13 | 3,000,000 ^c | 3,033,300 |
| Massachusetts—8.6% | | | | |
| Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue)) | 5.00 | 7/1/38 | 13,110,000 ^{a,b} | 14,946,187 |
| JPMorgan Chase Putters/Drivers Trust (Massachusetts, Consolidated Loan) | 5.00 | 4/1/19 | 8,600,000 ^{a,b} | 10,160,556 |
| JPMorgan Chase Putters/Drivers | | | | |

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|---|------|--------|----------------|------------|
| Trust (Massachusetts Development Finance Agency, Revenue (Harvard University Issue)) | 5.25 | 2/1/34 | 10,000,000 a,b | 11,919,400 |
|---|------|--------|----------------|------------|

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| Massachusetts (continued) | | | | |
| Massachusetts Development Finance Agency, Revenue (Partners HealthCare System Issue) | 5.00 | 7/1/36 | 5,000,000 | 5,569,650 |
| Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue) | 6.25 | 7/1/30 | 5,650,000 | 6,487,047 |
| Michigan—8.9% | | | | |
| Charyl Stockwell Academy, COP Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.) | 5.90 | 10/1/35 | 2,580,000 | 2,398,265 |
| Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.) | 7.00 | 7/1/27 | 2,500,000 | 3,043,475 |
| Detroit, Water Supply System Senior Lien Revenue | 7.50 | 7/1/33 | 5,700,000 | 7,019,721 |
| Detroit School District, School Building and Site Improvement Bonds (GO— Unlimited Tax) (Insured; FGIC) (Prerefunded) | 5.00 | 7/1/31 | 3,000,000 | 3,207,960 |
| Detroit Water and Sewerage Department, Senior Lien Sewage Disposal | 5.00 | 5/1/13 | 3,930,000 c | 3,947,371 |

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|--|------|----------|-----------|-----------|
| System Revenue | 5.25 | 7/1/39 | 2,000,000 | 2,163,560 |
| Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project) | 6.00 | 7/1/35 | 2,930,000 | 3,125,695 |
| Michigan Hospital Finance Authority, HR (Henry Ford Health System) | 5.63 | 11/15/29 | 5,000,000 | 5,746,400 |
| Michigan Strategic Fund, SWDR (Genesee Power Station Project) | 7.50 | 1/1/21 | 9,600,000 | 9,585,504 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Michigan (continued) | | | | |
| Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group) | 8.25 | 9/1/39 | 5,500,000 | 6,952,880 |
| Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.) | 5.00 | 12/1/34 | 3,435,000 | 3,668,340 |
| Minnesota—1.9% | | | | |
| Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA) | 5.15 | 12/1/38 | 581,525 | 601,756 |
| Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA) | 5.30 | 12/1/39 | 714,227 | 744,203 |
| Minneapolis, Health Care System Revenue | | | | |

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|--|------|----------|-----------|-----------|
| (Fairview Health Services) (Insured; Assured Guaranty Municipal Corp.) | 6.50 | 11/15/38 | 5,000,000 | 6,114,200 |
| Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project) | 5.15 | 11/15/20 | 3,310,000 | 3,583,075 |
| Mississippi—2.7% | | | | |
| Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project) | 5.88 | 4/1/22 | 9,310,000 | 9,338,116 |
| Mississippi Development Bank, Special Obligation Revenue (Magnolia Regional Health Center Project) | 6.50 | 10/1/31 | 5,000,000 | 6,068,850 |
| Missouri—4% | | | | |
| Missouri Development Finance Board, Infrastructure Facilities Revenue (Independence, Crackerneck Creek Project) | 5.00 | 3/1/28 | 2,000,000 | 2,041,620 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| Nevada—1.0% | | | | |
| Clark County, Passenger Facility Charge Revenue (Las Vegas-McCarran International Airport) | 5.00 | 7/1/30 | 5,000,000 | 5,583,100 |
| New Jersey—4.9% | | | | |
| New Jersey Economic Development Authority, Cigarette Tax Revenue (Prerefunded) | 5.75 | 6/15/14 | 5,500,000 ^C | 5,868,225 |
| New Jersey Economic Development Authority, Special Facility Revenue (Continental Airlines, Inc. Project) | 5.13 | 9/15/23 | 3,000,000 | 3,101,880 |
| New Jersey Higher Education Student Assistance Authority, | | | | |

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| | | | | |
|---|------|---------|------------------------|-----------|
| Senior Student Loan Revenue | 5.00 | 12/1/18 | 2,500,000 | 2,842,425 |
| New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.) | 6.13 | 6/1/30 | 5,000,000 | 5,505,400 |
| Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement | 4.50 | 6/1/23 | 2,455,000 | 2,456,522 |
| Asset-Backed Bonds Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement | 5.00 | 6/1/41 | 5,500,000 | 4,991,305 |
| Asset-Backed Bonds (Prerefunded) | 7.00 | 6/1/13 | 3,140,000 ^C | 3,177,366 |
| New Mexico—1.5% | | | | |
| Farmington, PCR (Public Service Company of New Mexico San Juan Project) | 5.90 | 6/1/40 | 7,000,000 | 7,757,540 |
| New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA) | 6.15 | 7/1/35 | 515,000 | 545,303 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| New York—13.8% | | | | |
| Barclays Capital Municipal Trust Receipts (New York City Municipal Water Finance Authority, Water and Sewer System General | | | | |

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| | | | | |
|--|------|---------|----------------|------------|
| Resolution Revenue) | 5.00 | 6/15/39 | 20,000,000 a,b | 22,557,200 |
| Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue) | 5.50 | 11/1/27 | 5,000,000 a,b | 6,131,650 |
| JPMorgan Chase Putters/Drivers Trust (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue) | 5.25 | 11/1/18 | 5,000,000 a,b | 6,113,950 |
| Metropolitan Transportation Authority, Transportation Revenue New York City, GO | 5.00 | 11/1/28 | 2,500,000 | 2,881,350 |
| New York City Educational Construction Fund, Revenue New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Municipal Corp.) | 4.00 | 8/1/17 | 3,140,000 | 3,558,562 |
| New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue | 6.50 | 4/1/27 | 4,490,000 | 5,812,574 |
| New York State Dormitory Authority, Revenue (Orange Regional Medical Center Obligated Group) | 7.00 | 3/1/49 | 5,000,000 | 6,162,100 |
| New York State Dormitory Authority, Revenue (Orange Regional Medical Center Obligated Group) | 5.00 | 11/1/38 | 10,000,000 | 11,314,400 |
| New York State Dormitory Authority, Revenue (Orange Regional Medical Center Obligated Group) | 6.13 | 12/1/29 | 5,625,000 | 6,277,500 |
| New York State Dormitory Authority, Revenue (Orange Regional Medical Center Obligated Group) | 6.25 | 12/1/37 | 2,500,000 | 2,766,850 |
| Niagara Area Development Corporation, Solid Waste Disposal Facility Revenue (Covanta Energy Project) | 5.25 | 11/1/42 | 3,000,000 | 3,092,280 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|------------------------|------------|
| New York (continued) | | | | |
| Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air Terminal LLC Project) | 6.00 | 12/1/36 | 2,000,000 | 2,342,680 |
| Ohio—4.2% | | | | |
| Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds | 5.88 | 6/1/30 | 3,000,000 | 2,715,360 |
| Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds | 5.88 | 6/1/47 | 2,300,000 | 2,049,116 |
| Butler County, Hospital Facilities Revenue (UC Health) | 5.50 | 11/1/40 | 3,850,000 | 4,231,381 |
| Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO—Unlimited Tax) (Insured; National Public Finance Guarantee Corp.) | 0.00 | 12/1/29 | 3,955,000 ^d | 2,109,518 |
| Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO—Unlimited Tax) (Insured; National Public Finance Guarantee Corp.) | 0.00 | 12/1/31 | 3,955,000 ^d | 1,910,305 |
| Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project) | 5.63 | 10/1/19 | 1,900,000 | 2,247,073 |
| Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project) | 5.63 | 2/1/36 | 3,000,000 ^b | 2,563,050 |

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| | | | | |
|---|------|---------|-----------|-----------|
| Toledo-Lucas County Port Authority, Airport Revenue (Baxter Global Project) | 6.25 | 11/1/13 | 1,200,000 | 1,202,292 |
|---|------|---------|-----------|-----------|

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|-----------------|---------------|--------------------------|------------|
| Ohio (continued) | | | | |
| Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project) | 5.38 | 12/1/35 | 5,000,000 | 5,140,000 |
| Oregon—1.7% | | | | |
| Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project) | 6.38 | 11/1/33 | 3,300,000 | 3,791,238 |
| Pennsylvania—2.1% | | | | |
| Commonwealth Financing Authority of Pennsylvania, Revenue JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System)) | 5.13 | 6/1/35 | 3,000,000 ^{a,b} | 3,340,470 |
| Pennsylvania Economic Development Financing Authority, Unemployment Compensation Revenue Philadelphia, GO | 5.00 | 7/1/18 | 2,560,000 | 3,085,414 |
| | 6.50 | 8/1/41 | 3,550,000 | 4,263,337 |
| Rhode Island—1.0% | | | | |
| Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue (Lifespan Obligated Group Issue) | | | | |

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| | | | | |
|--|------|---------|----------------|------------|
| (Insured; Assured Guaranty Municipal Corp.) | 7.00 | 5/15/39 | 5,000,000 | 5,958,050 |
| South Carolina—4.0% | | | | |
| Barclays Capital Municipal Trust Receipts (Columbia, Waterworks and Sewer System Revenue) | 5.00 | 2/1/40 | 10,000,000 a,b | 11,310,900 |
| South Carolina Public Service Authority, Revenue Obligations | 5.50 | 1/1/38 | 10,000,000 | 11,521,000 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| Tennessee—3.4% | | | | |
| Barclays Capital Municipal Trust Receipts (Rutherford County Health and Educational Facilities Board, Revenue (Ascension Health Senior Credit Group)) | 5.00 | 11/15/40 | 10,000,000 a,b | 11,088,800 |
| Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University) | 5.50 | 10/1/34 | 7,000,000 | 8,224,300 |
| Texas—10.4% | | | | |
| Barclays Capital Municipal Trust Receipts (Leander Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)) | 5.00 | 8/15/40 | 8,510,000 a,b | 9,535,668 |
| Clifton Higher Education Finance Corporation, Education Revenue (Uplift Education) | 6.00 | 12/1/30 | 2,500,000 | 2,864,800 |
| Dallas and Fort Worth, Joint Improvement Revenue (Dallas/Fort Worth International Airport) | 5.00 | 11/1/42 | 3,500,000 | 3,722,145 |
| Dallas Area Rapid Transit, | | | | |

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| | | | | |
|--|------|----------|------------------------|------------|
| Senior Lien Sales Tax Revenue Gulf Coast Industrial Development Authority, SWDR (CITGO Petroleum Corporation Project) | 5.25 | 12/1/48 | 10,000,000 | 11,360,600 |
| Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System) (Prerefunded) | 4.88 | 5/1/25 | 1,000,000 | 1,025,870 |
| Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.) | 7.25 | 12/1/18 | 2,000,000 ^c | 2,668,860 |
| | 6.00 | 11/15/36 | 5,000,000 | 6,095,150 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Texas (continued) | | | | |
| North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.) | 5.75 | 1/1/40 | 10,300,000 | 11,849,944 |
| North Texas Tollway Authority, Second Tier System Revenue Pasadena Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program) | 5.75 | 1/1/38 | 5,500,000 | 6,221,765 |
| Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA) | 5.00 | 2/15/31 | 3,175,000 | 3,730,276 |
| | 13.37 | 7/2/24 | 400,000 ^f | 426,008 |
| Utah—6% | | | | |
| Intermountain Power Agency, Subordinated Power Supply Revenue | 5.00 | 7/1/18 | 3,000,000 | 3,600,390 |
| Vermont—4% | | | | |

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| | | | | |
|--|------|---------|----------------|------------|
| Burlington, Airport Revenue | 3.50 | 7/1/18 | 2,130,000 | 2,129,404 |
| Virginia—5.1% | | | | |
| Barclays Capital Municipal Trust Receipts (Virginia Small Business Financing Authority, Health Care Facilities Revenue (Sentara Healthcare)) | 5.00 | 11/1/40 | 10,000,000 a,b | 10,977,300 |
| Chesterfield County Economic Development Authority, Retirement Facilities First Mortgage Revenue (Brandermill Woods Project) | 5.13 | 1/1/43 | 2,500,000 | 2,526,700 |
| Virginia Commonwealth Transportation Board, Transportation Capital Projects Revenue | 5.00 | 5/15/21 | 8,565,000 | 10,704,880 |
| Virginia Commonwealth Transportation Board, Transportation Capital Projects Revenue | 5.00 | 5/15/22 | 3,840,000 | 4,822,810 |

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| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| Washington—4.7% | | | | |
| Barclays Capital Municipal Trust Receipts (King County, Limited Tax GO (Payable from Sewer Revenues)) | 5.13 | 1/1/33 | 10,000,000 a,b | 11,529,700 |
| Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue) | 5.00 | 1/1/29 | 3,998,716 a,b | 4,615,716 |
| Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA) | 6.25 | 8/1/36 | 5,975,000 | 7,120,587 |
| Washington Higher Education Facilities Authority, Revenue | | | | |

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| | | | | |
|--|------|----------|-----------|-----------|
| (Seattle University Project) | | | | |
| (Insured; AMBAC) | 5.25 | 11/1/37 | 3,000,000 | 3,355,170 |
| West Virginia—4% | | | | |
| The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project) | 5.50 | 10/15/37 | 2,000,000 | 2,113,340 |
| Wisconsin—1.1% | | | | |
| Public Finance Agency, Senior Airport Facilities Revenue (Transportation Infrastructure Properties, LLC Obligated Group) | 5.00 | 7/1/42 | 4,000,000 | 4,125,040 |
| Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.) | 6.40 | 4/15/33 | 2,000,000 | 2,004,860 |
| Wyoming—1.0% | | | | |
| Wyoming Municipal Power Agency, Power Supply System Revenue | 5.50 | 1/1/33 | 2,360,000 | 2,678,506 |
| Wyoming Municipal Power Agency, Power Supply System Revenue | 5.38 | 1/1/42 | 2,750,000 | 3,104,475 |
| U.S. Related—7.9% | | | | |
| Guam, LOR (Section 30) | 5.75 | 12/1/34 | 2,000,000 | 2,212,400 |

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments (continued) | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| U.S. Related (continued) | | | | |
| Guam Housing Corporation, SFMR (Guaranteed Mortgage-Backed Securities Program) (Collateralized; FHLMC) Guam Waterworks Authority, | 5.75 | 9/1/31 | 965,000 | 1,036,680 |

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| | | | | |
|---|------|--------|------------|--------------------|
| Water and Wastewater | | | | |
| System Revenue | 5.63 | 7/1/40 | 2,000,000 | 2,122,980 |
| Puerto Rico Aqueduct and Sewer Authority, Senior Lien Revenue | | | | |
| | 5.13 | 7/1/37 | 4,660,000 | 4,272,568 |
| Puerto Rico Commonwealth, Public Improvement GO | | | | |
| | 5.50 | 7/1/32 | 2,000,000 | 1,991,580 |
| Puerto Rico Commonwealth, Public Improvement GO | | | | |
| | 6.00 | 7/1/39 | 1,610,000 | 1,642,168 |
| Puerto Rico Commonwealth, Public Improvement GO | | | | |
| | 6.50 | 7/1/40 | 2,390,000 | 2,572,118 |
| Puerto Rico Electric Power Authority, Power Revenue | | | | |
| | 5.50 | 7/1/20 | 1,785,000 | 1,935,725 |
| Puerto Rico Electric Power Authority, Power Revenue | | | | |
| | 5.25 | 7/1/40 | 2,500,000 | 2,400,100 |
| Puerto Rico Electric Power Authority, Power Revenue | | | | |
| | 5.00 | 7/1/42 | 5,840,000 | 5,381,385 |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | | | | |
| | 5.38 | 8/1/38 | 5,000,000 | 5,121,400 |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | | | | |
| | 5.38 | 8/1/39 | 2,500,000 | 2,554,300 |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | | | | |
| | 6.00 | 8/1/42 | 11,000,000 | 11,828,630 |
| Total Long-Term Municipal Investments | | | | |
| (cost \$767,223,333) | | | | 849,118,753 |

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| Short-Term Municipal Investments— | Coupon | Maturity | Principal | |
|---|----------|----------|------------------------|------------|
| California— | Rate (%) | Date | Amount (\$) | Value (\$) |
| .7% | | | | |
| Irvine Assessment District Number 03-19, Limited Obligation Improvement Bonds (LOC: California State Teachers Retirement System and U.S. Bank NA) | | | | |
| | 0.12 | 4/1/13 | 1,000,000 ^g | 1,000,000 |
| New York— | | | | |
| .5% | | | | |

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| | | | | |
|---|------|--------|------------------------|-----------------------|
| New York City, GO Notes (LOC; JPMorgan Chase Bank) | 0.14 | 4/1/13 | 1,500,000 ^g | 1,500,000 |
| New York City, GO Notes (LOC; JPMorgan Chase Bank) | 0.15 | 4/1/13 | 400,000 ^g | 400,000 |
| New York City, GO Notes (LOC; JPMorgan Chase Bank) | 0.15 | 4/1/13 | 700,000 ^g | 700,000 |
| New York City, GO Notes (LOC; JPMorgan Chase Bank) | 0.15 | 4/1/13 | 500,000 ^g | 500,000 |
| Total Short-Term Municipal Investments (cost \$4,100,000) | | | | 4,100,000 |
| Total Investments (cost \$771,323,333) | | | 149.5 % | 853,218,753 |
| Liabilities, Less Cash and Receivables | | | (12.1 %) | (68,901,517) |
| Preferred Stock, at redemption value | | | (37.4 %) | (213,750,000) |
| Net Assets Applicable to Common Shareholders | | | 100.0 % | 570,567,236 |

a Collateral for floating rate borrowings.

b Securities exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2013, these securities were valued at \$173,886,383 or 30.5% of net assets applicable to Common Shareholders.

c These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.

d Security issued with a zero coupon. Income is recognized through the accretion of discount.

e Non-income producing security; interest payments in default.

f Inverse floater security—the interest rate is subject to change periodically. Rate shown is the interest rate in effect at March 31, 2013.

g Variable rate demand note—rate shown is the interest rate in effect at March 31, 2013. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

The Fund

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Summary of Abbreviations

| | | | |
|-----------------|---|----------------|---|
| ABAG | Association of Bay Area Governments | ACA | American Capital Access |
| AGC | ACE Guaranty Corporation | AGIC | Asset Guaranty Insurance Company |
| AMBAC | American Municipal Bond Assurance Corporation | ARRN | Adjustable Rate Receipt Notes |
| BAN | Bond Anticipation Notes | BPA | Bond Purchase Agreement |
| CIFG | CDC Ixis Financial Guaranty | COP | Certificate of Participation |
| CP | Commercial Paper | DRIVERS | Derivative Inverse Tax-Exempt Receipts |
| EDR | Economic Development Revenue | EIR | Environmental Improvement Revenue |
| FGIC | Financial Guaranty Insurance Company | FHA | Federal Housing Administration |
| FHLB | Federal Home Loan Bank | FHLMC | Federal Home Loan Mortgage Corporation |
| FNMA | Federal National Mortgage Association | GAN | Grant Anticipation Notes |
| GIC | Guaranteed Investment Contract | GNMA | Government National Mortgage Association |
| GO | General Obligation | HR | Hospital Revenue |
| IDB | Industrial Development Board | IDC | Industrial Development Corporation |
| IDR | Industrial Development Revenue | LIFERS | Long Inverse Floating Exempt Receipts |
| LOC | Letter of Credit | LOR | Limited Obligation Revenue |
| LR | Lease Revenue | MERLOTS | Municipal Exempt Receipts Liquidity Option Tender |
| MFHR | Multi-Family Housing Revenue | MFMR | Multi-Family Mortgage Revenue |
| PCR | Pollution Control Revenue | PILOT | Payment in Lieu of Taxes |
| P-FLOATS | Puttable Floating Option Tax-Exempt Receipts | PUTTERS | Puttable Tax-Exempt Receipts |
| RAC | Revenue Anticipation Certificates | RAN | Revenue Anticipation Notes |
| RAW | Revenue Anticipation Warrants | ROCS | Reset Options Certificates |
| RRR | Resources Recovery Revenue | SAAN | State Aid Anticipation Notes |
| SBPA | Standby Bond Purchase Agreement | SFHR | Single Family Housing Revenue |
| SFMR | Single Family Mortgage Revenue | SONYMA | State of New York Mortgage Agency |
| SPEARS | Short Puttable Exempt Adjustable Receipts | SWDR | Solid Waste Disposal Revenue |
| TAN | Tax Anticipation Notes | TAW | Tax Anticipation Warrants |
| TRAN | Tax and Revenue Anticipation Notes | XLCA | XL Capital Assurance |

Summary of Combined Ratings (Unaudited)

| Fitch | or | Moody's | or | Standard & Poor's | Value (%) [†] |
|------------------------|----|------------------------|----|------------------------|------------------------|
| AAA | | Aaa | | AAA | 11.6 |
| AA | | Aa | | AA | 33.6 |
| A | | A | | A | 24.3 |
| BBB | | Baa | | BBB | 17.1 |
| BB | | Ba | | BB | 4.9 |
| B | | B | | B | 3.0 |
| F1 | | MIG1/P1 | | SP1/A1 | .3 |
| Not Rated ^h | | Not Rated ^h | | Not Rated ^h | 5.2 |
| | | | | | 100.0 |

[†] Based on total investments.

^h Securities which, while not rated by Fitch, Moody's and Standard & Poor's, have been determined by the Manager to be of comparable quality to those rated securities in which the fund may invest.

See notes to financial statements.

The Fund

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STATEMENT OF ASSETS AND LIABILITIES

March 31, 2013 (Unaudited)

| | Cost | Value |
|---|-------------|--------------------|
| Assets (\$): | | |
| Investments in securities—See Statement of Investments | 771,323,333 | 853,218,753 |
| Interest receivable | | 12,923,507 |
| Prepaid expenses | | 64,902 |
| | | 866,207,162 |
| Liabilities (\$): | | |
| Due to The Dreyfus Corporation and affiliates—Note 2(b) | | 457,834 |
| Cash overdraft due to Custodian | | 2,622,483 |
| Payable for floating rate notes issued—Note 3 | | 74,886,216 |

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| | |
|--|--------------------|
| Payable for investment securities purchased | 3,593,190 |
| Interest and expense payable related to floating rate notes issued—Note 3 | 135,494 |
| Commissions payable—Note 1 | 46,637 |
| Dividends payable to Preferred Shareholders | 7,383 |
| Accrued expenses | 140,689 |
| | 81,889,926 |
| Auction Preferred Stock , Series M,T,W,Th and F, par value \$.001 per share (8,550 shares issued and outstanding at \$25,000 per share liquidation preference)—Note 1 | 213,750,000 |
| Net Assets applicable to Common Shareholders (\$) | 570,567,236 |
| Composition of Net Assets (\$): | |
| Common Stock, par value, \$.001 per share (61,849,399 shares issued and outstanding) | 61,849 |
| Paid-in capital | 535,917,149 |
| Accumulated undistributed investment income—net | 6,406,196 |
| Accumulated net realized gain (loss) on investments | (53,713,378) |
| Accumulated net unrealized appreciation (depreciation) on investments | 81,895,420 |
| Net Assets applicable to Common Shareholders (\$) | 570,567,236 |
| Shares Outstanding | |
| (500 million shares authorized) | 61,849,399 |
| Net Asset Value , per share of Common Stock (\$) | 9.23 |

See notes to financial statements.

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STATEMENT OF OPERATIONS

Six Months Ended March 31, 2013 (Unaudited)

| | |
|---|-------------------|
| Investment Income (\$): | |
| Interest Income | 19,902,556 |
| Expenses: | |
| Management fee—Note 2(a) | 2,959,779 |
| Interest and expense related to floating rate notes issued—Note 3 | 263,309 |
| Commission fees—Note 1 | 177,064 |
| Professional fees | 56,216 |
| Shareholders' reports | 41,484 |
| Shareholder servicing costs—Note 2(b) | 40,656 |

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| | |
|--|---------------------|
| Directors' fees and expenses—Note 2(c) | 38,230 |
| Registration fees | 36,860 |
| Custodian fees—Note 2(b) | 28,993 |
| Miscellaneous | 38,485 |
| Total Expenses | 3,681,076 |
| Less—reduction in expenses due to undertaking—Note 2(a) | (394,286) |
| Net Expenses | 3,286,790 |
| Investment Income—Net | 16,615,766 |
| Realized and Unrealized Gain (Loss) on Investments—Note 3 (\$): | |
| Net realized gain (loss) on investments | 1,594,414 |
| Net unrealized appreciation (depreciation) on investments | (4,772,725) |
| Net Realized and Unrealized Gain (Loss) on Investments | (3,178,311) |
| Dividends to Preferred Shareholders | (236,899) |
| Net Increase in Net Assets Resulting from Operations | 13,200,556 |

See notes to financial statements.

The Fund

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STATEMENT OF CASH FLOWS

March 31, 2013 (Unaudited)

| | | |
|---|---------------|----------------------|
| Cash Flows from Operating Activities (\$): | | |
| Interest received | 21,187,694 | |
| Operating expenses paid | (2,971,366) | |
| Dividends paid to Preferred Shareholders | (237,517) | |
| Purchases of portfolio securities | (55,328,017) | |
| Net sales of short-term portfolio securities | (300,000) | |
| Proceeds from sales of portfolio securities | 54,544,092 | |
| | | 16,894,886 |
| Cash Flows from Financing Activities (\$): | | |
| Dividends paid to Common Shareholders | (16,542,244) | |
| Interest and expense related to floating rate notes issued | (308,617) | (16,850,861) |
| Increase in cash | | 44,025 |
| Cash overdraft at beginning of period | | (2,666,508) |
| Cash overdraft at end of period | | (2,622,483) |
| Reconciliation of Net Increase in Net Assets Applicable to | | |
| Common Shareholders Resulting from Operations to | | |

| | |
|---|-------------------|
| Net Cash Provided by Operating Activities (\$): | |
| Net Increase in Net Assets Applicable to Common Shareholders Resulting From Operations | 13,200,556 |
| Adjustments to reconcile net increase in net assets applicable to Common Shareholders resulting from operations to net cash provided by operating activities (\$): | |
| Increase in investments in securities, at cost | (5,271,530) |
| Increase in payable for investment securities purchased | 2,593,190 |
| Decrease in interest receivable | 250,413 |
| Increase in commissions payable and accrued expenses | 41,352 |
| Increase in prepaid expenses | (19,222) |
| Increase in Due to The Dreyfus Corporation and affiliates | 29,985 |
| Decrease in dividends payable to Preferred Shareholders | (617) |
| Interest and expenses related to floating rate notes issued | 263,309 |
| Net unrealized depreciation on investments | 4,772,725 |
| Net amortization of premiums on investments | 1,034,725 |
| Net Cash Provided by Operating Activities | 16,894,886 |
| Supplemental disclosure of cash flow information (\$): | |
| Non-cash financing activities: | |
| Reinvestment of dividends | 1,611,858 |

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

| | Six Months Ended | |
|--|-------------------------------|----------------------------------|
| | March 31, 2013 (Unaudited) | Year Ended September 30, 2012 |
| Operations (\$): | | |
| Investment income—net | 16,615,766 | 35,770,548 |
| Net realized gain (loss) on investments | 1,594,414 | 5,194,298 |
| Net unrealized appreciation (depreciation) on investments | (4,772,725) | 50,706,581 |
| Dividends to Preferred Shareholders | (236,899) | (517,363) |
| Net Increase (Decrease) in Net Assets | | |
| Resulting from Operations | 13,200,556 | 91,154,064 |
| Dividends to Common Shareholders from (\$): | | |
| Investment income—net | (18,154,102) | (36,146,165) |

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| | | |
|---|---------------------|--------------------|
| Capital Stock Transactions (\$): | | |
| Dividends reinvested | 1,611,858 | 3,502,182 |
| Total Increase (Decrease) in Net Assets | (3,341,688) | 58,510,081 |
| Net Assets (\$): | | |
| Beginning of Period | 573,908,924 | 515,398,843 |
| End of Period | 570,567,236 | 573,908,924 |
| Undistributed investment income—net | 6,406,196 | 8,181,431 |
| Capital Share Transactions (Shares): | | |
| Increase in Shares Outstanding as a Result of Dividends Reinvested | 172,359 | 398,049 |

See notes to financial statements.

The Fund

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FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and dis-tributions. These figures have been derived from the fund's financial statements and, with respect to common stock, market price data for the fund's common shares.

| | Six Months Ended | | Year Ended September 30, | | | |
|-----------------------------|-------------------------------|--------|--------------------------|--------|--------|---------|
| | March 31, 2013 (Unaudited) | 2012 | 2011 | 2010 | 2009 | 2008 |
| Per Share Data (\$): | | | | | | |
| Net asset value, | | | | | | |
| beginning of period | 9.31 | 8.41 | 8.65 | 8.47 | 7.88 | 9.12 |
| Investment Operations: | | | | | | |
| Investment income—net | .27 | .58 | .60 | .62 | .67 | .68 |
| Net realized and unrealized | | | | | | |
| gain (loss) on investments | (.06) | .92 | (.24) | .15 | .48 | (1.25) |
| Dividends to Preferred | | | | | | |
| Shareholders from | | | | | | |
| investment income—net | (.00) ^b | (.01) | (.01) | (.02) | (.06) | (.17) |
| Total from | | | | | | |
| Investment Operations | .21 | 1.49 | .35 | .75 | 1.09 | (.74) |
| Distributions to | | | | | | |
| Common Shareholders: | | | | | | |
| Dividends from | | | | | | |
| investment income—net | (.29) | (.59) | (.59) | (.57) | (.50) | (.50) |

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| | | | | | | |
|-------------------------------------|-------------------|-------|------|-------|-------|----------|
| Net asset value, end of period | 9.23 | 9.31 | 8.41 | 8.65 | 8.47 | 7.88 |
| Market value, end of period | 9.20 | 10.02 | 8.50 | 9.02 | 7.91 | 6.75 |
| Total Return (%)^c | 5.26 ^d | 25.98 | 1.32 | 22.13 | 26.05 | (18.00) |

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| | Six Months Ended | | Year Ended September 30, | | | |
|---|-------------------------------|---------|--------------------------|---------|---------|---------|
| | March 31, 2013 (Unaudited) | 2012 | 2011 | 2010 | 2009 | 2008 |
| Ratios/Supplemental Data (%): | | | | | | |
| Ratio of total expenses to average net assets applicable to Common Stock ^e | 1.28 ^f | 1.30 | 1.40 | 1.40 | 1.50 | 1.58 |
| Ratio of net expenses to average net assets applicable to Common Stock ^e | 1.14 ^f | 1.16 | 1.26 | 1.24 | 1.34 | 1.42 |
| Ratio of interest and expense related to floating rate notes issued to average net assets applicable to Common Stock ^e | .09 ^f | .10 | .10 | .05 | — | .17 |
| Ratio of net investment income to average net assets applicable to Common Stock ^e | 5.76 ^f | 6.59 | 7.51 | 7.43 | 9.09 | 7.79 |
| Ratio of total expenses to total average net assets | .93 ^f | .94 | .96 | .92 | .92 | 1.03 |
| Ratio of net expenses to total average net assets | .83 ^f | .84 | .86 | .82 | .82 | .92 |
| Ratio of interest and expense related to floating rate notes issued to total average net assets .06f | | .07 | .07 | .03 | — | .11 |
| Ratio of net investment income to total average net assets | 4.21 ^f | 4.73 | 5.18 | 4.89 | 5.57 | 5.07 |
| Portfolio Turnover Rate | 7.07 ^d | 19.16 | 17.81 | 24.41 | 28.72 | 48.60 |
| Asset coverage of Preferred Stock, end of period | 367 | 368 | 341 | 324 | 281 | 268 |
| Net Assets, net of Preferred Stock, end of period (\$ x 1,000) | 570,567 | 573,909 | 515,399 | 528,607 | 514,786 | 478,586 |
| Preferred Stock outstanding, end of period (\$ x 1,000) | 213,750 | 213,750 | 213,750 | 235,750 | 285,000 | 285,000 |

- a Based on average common shares outstanding at each month end.
- b Amount represents less than \$.01 per share.
- c Calculated based on market value.
- d Not annualized.
- e Does not reflect the effect of dividends to Preferred Shareholders.
- f Annualized.

See notes to financial statements.

The Fund

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1—Significant Accounting Policies:

Dreyfus Strategic Municipals, Inc. (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified closed-end management investment company. The fund’s investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. The Dreyfus Corporation (the “Manager” or “Dreyfus”), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”), serves as the fund’s investment adviser. The fund’s Common Stock trades on the New York Stock Exchange (the “NYSE”) under the ticker symbol LEO.

The fund has outstanding 1,710 shares of Series M, Series T, Series W, Series TH and Series F for a total of 8,550 shares of Auction Preferred Stock (“APS”), with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions or by reference to a market rate. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .15%-.25% of the purchase price of the shares of APS.

The fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the fund from declaring any distributions to Common Shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value. Thus, redemptions of APS may be deemed to be outside of the control of the fund.

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS will vote as a separate class on certain other matters, as required by law. The fund has

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designated Robin A. Melvin and John E. Zuccotti as directors to be elected by the holders of APS.

On February 11, 2013, the fund’s Board of Directors (the “Board”) authorized the fund to redeem up to an additional 25% of the original amount of the fund’s outstanding APS, subject to market, regulatory and other conditions and factors, over a period of up to approximately twelve months.

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund’s financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

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The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Fund

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NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued each business day by an independent pricing service (the "Service") approved by the Board. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of the following: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and

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general market conditions. All of the preceding securities are categorized within Level 2 of the fair value hierarchy.

The Service's procedures are reviewed by Dreyfus under the general supervision of the Board.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

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For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of March 31, 2013 in valuing the fund's investments:

| | Level 1— Unadjusted Quoted Prices | Level 2—Other Significant Observable Inputs | Level 3— Significant Unobservable Inputs | Total |
|----------------------------------|---|--|---|----------------------|
| Assets (\$) | | | | |
| Investments in Securities: | | | | |
| Municipal Bonds | — | 853,218,753 | — | 853,218,753 |
| Liabilities (\$) | | | | |
| Floating Rate Notes [†] | — | (74,886,216) | — | (74,886,216) |

[†] Certain of the fund's liabilities are held at carrying amount, which approximates fair value for financial reporting purposes.

The Fund

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NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

At March 31, 2013, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Interest income, adjusted for accretion of discount and amortization of premium on investments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when issued or delayed delivery basis may be settled a month or more after the trade date.

(c) Dividends to shareholders of Common Stock (“Common Shareholders(s)”) Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) in additional shares of the fund at the lower of the prevailing market price or net asset value (but not less than 95% of market value at the time of valuation) unless such Common Shareholder elects to receive cash as provided below. If market price is equal to or exceeds net asset value, shares will be issued at net asset value. If net asset value exceeds market price or if a cash dividend only is declared, Computershare Shareowner Services LLC (“Computershare”), the fund’s transfer agent, will buy fund shares in the open market. Computershare is not affiliated with the Manager.

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On March 27, 2013, the Board declared a cash dividend of \$.049 per share from investment income-net, payable on April 30, 2013 to Common Shareholders of record as of the close of business on April 12, 2013.

(d) Dividends to shareholders of APS: Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of March 31, 2013, for each Series of APS were as follows: Series M-0.197%, Series T-0.197%, Series W-0.197%, Series TH-0.197% and Series F-0.197%. These rates reflect the “maximum rates” under the governing instruments as a result of “failed auctions” in which sufficient clearing bids are not received. The average dividend rates for the period ended March 31, 2013 for each Series of APS were as follows: Series M-0.22%, Series T-0.22%, Series W-0.22%, Series TH-0.22% and Series F-0.22%.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, which can distribute tax-exempt dividends, by complying with the applicable provisions of the Code, and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended March 31, 2013, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended September 30, 2012 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the “2010 Act”), the fund is permitted to carry forward capital

The Fund

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NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

losses incurred in taxable years beginning after December 22, 2010 (“post-enactment losses”) for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act (“pre-enactment losses”). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of \$55,684,767 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to September 30, 2012. If not applied, \$264,789 of the carryover expires in fiscal year 2016, \$9,875,465 expires in fiscal year 2017, \$32,540,019 expires in fiscal year 2018 and \$6,369,224 expires in fiscal year 2019. The fund has \$2,783,034 of post-enactment short-term capital losses and \$3,852,236 of post-enactment long-term capital losses which can be carried forward for an unlimited period.

The tax character of distributions paid to shareholders during the fiscal year ended September 30, 2012 was as follows: tax-exempt income \$36,538,290 and ordinary income \$125,238. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement with the Manager (the “Agreement”), the management fee is computed at the annual rate of .75% of the value of the fund’s average weekly net assets, inclusive of the outstanding APS, and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the fund’s aggregate expenses (excluding taxes, interest on borrowings, brokerage fees and extraordinary expenses) in any full fiscal year exceed the lesser of (1) the

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expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million, $1\frac{1}{2}\%$ of the next \$20 million and 1% of the excess over \$30 million of the average weekly value of the fund's net assets. The Manager has currently undertaken from October 1, 2012 through November 30, 2013, to waive receipt of a portion of the fund's management fee, in the amount of .10% of the value of the fund's average weekly net assets (including net assets representing APS outstanding). The reduction in expenses, pursuant to the undertaking, amounted to \$394,286 during the period ended March 31, 2013.

(b) The fund has an arrangement with the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of the Manager, under a custody agreement for providing custodial services to the fund. During the period ended March 31, 2013, the fund was charged \$28,993 pursuant to the custody agreement.

During the period ended March 31, 2013, the fund was charged \$3,981 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees \$500,111, custodian fees \$18,454 and Chief Compliance Officer fees \$5,972, which are offset against an expense reimbursement currently in effect in the amount of \$66,703.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

The Fund

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NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

NOTE 3—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended March 31, 2013, amounted to \$57,921,207 and \$54,544,092, respectively.

Inverse Floater Securities: The fund participates in secondary inverse floater structures in which fixed-rate, tax-exempt municipal bonds are transferred to a trust. The trust subsequently issues two or more variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One or more of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals. A residual interest tax-exempt security is also created by the trust, which is transferred to the fund, and is paid interest based on the remaining cash flow of the trust, after payment of interest on the other securities and various expenses of the trust.

The fund accounts for the transfer of bonds to the trust as secured borrowings, with the securities transferred remaining in the fund's investments, and the related floating rate certificate securities reflected as fund liabilities in the Statement of Assets and Liabilities.

The average amount of borrowings outstanding under the inverse floater structure during the period ended March 31, 2013 was approximately \$74,886,200, with a related weighted average annualized interest rate of .71%.

At March 31, 2013, accumulated net unrealized appreciation on investments was \$81,895,420, consisting of \$85,060,782 gross unrealized appreciation and \$3,165,362 gross unrealized depreciation.

At March 31, 2013, the cost of investments for federal income tax purposes substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

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INFORMATION ABOUT THE RENEWAL OF THE
FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on November 5-6, 2012, the Board considered the renewal of the fund's Management Agreement pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"). The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from Dreyfus representatives. In considering the renewal of the Agreement, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives confirmed that there had been no material changes in this information. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to the fund.

The Board also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that Dreyfus also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board also considered Dreyfus' extensive administrative, accounting, and compliance infrastructures.

The Fund

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INFORMATION ABOUT THE RENEWAL OF THE FUND'S
MANAGEMENT AGREEMENT (Unaudited) (continued)

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended September 30, 2012, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe. Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds.

The Board discussed the results of the comparisons and noted that the fund's total return performance, on both a net asset value basis and a market price basis, was variously above and below the Performance Group and Performance Universe medians for the various periods, but above the Performance Group and Performance Universe medians for the one-, two- and three-year periods. The Board also noted that the fund's yield performance, on both a net asset value basis and a market price basis, was above the Performance Group and Performance Universe medians for each of the one-year periods ended September 30th. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's Lipper category average.

The Board received a presentation from the fund's portfolio managers, who described the fundamental and technical conditions at work in the municipal bond market, the level of volatility in the market, and

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the managers' ongoing focus on mitigating downside risk in the fund's portfolio. The portfolio managers, who became portfolio managers of the fund in 2011 and 2012, also discussed the strategy implemented for the fund in 2009, quantitative risk management tools applied in overseeing the fund and the fund's current structure to defend against volatility and otherwise defensively position the fund's credit posture. The portfolio managers also explained the fund's performance relative to its duration and credit structure and the degree to which it impacts maximizing yield

performance.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. The Board noted that the fund's contractual management fee with respect to common assets was above the Expense Group median, and the fund's actual management fee with respect to both common assets and common and leveraged assets was above the Expense Group and Expense Universe medians. The fund's total expenses with respect to common assets were at the Expense Group median and below the Expense Universe median, and the fund's total expenses with respect to common and leveraged assets were above the Expense Group median and below the Expense Universe median. A Dreyfus representative noted that the undertaking by Dreyfus to waive receipt of .10% of the fund's investment advisory fee would be extended through May 31, 2013.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Dreyfus-affiliated primary employer of the fund's primary portfolio manager(s) for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differ-

The Fund

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INFORMATION ABOUT THE RENEWAL OF THE FUND'S
MANAGEMENT AGREEMENT (Unaudited) *(continued)*

ences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

Analysis of Profitability and Economies of Scale. Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The Board also noted the fee waiver arrangement and its effect on Dreyfus' profitability. The Board also had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board should consider the profitability analysis (1) as part of the evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had

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been stable or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus from acting as investment adviser and noted that there were no soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreement. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board generally was satisfied with the fund's overall performance, in light of the considerations described above.
- The Board concluded that the fee paid to Dreyfus was reasonable in light of the considerations described above.

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- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Fund

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INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited) *(continued)*

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreement for the ensuing year was in the best interests of the fund and its shareholders.

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The Fund

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OFFICERS AND DIRECTORS

Dreyfus Strategic Municipals, Inc.

200 Park Avenue
New York, NY 10166

The fund's net asset value per share appears in the following publications: Barron's, Closed-End Bond Funds section under the heading "Municipal Bond Funds" every Monday; Wall Street Journal, Mutual Funds section under the heading "Closed-End Bond Funds" every Monday.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the fund may purchase shares of its common stock in the open market when it can do so at prices below the then current net asset value per share.

The Fund

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For More Information

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Information regarding how the fund voted proxies relating to portfolio securities for the most recent 12-month period ended June 30 is available on the SEC's website at <http://www.sec.gov> and without charge, upon request, by calling 1-800-DREYFUS.

Item 2. Code of Ethics.

Not applicable.

Item 3. Audit Committee Financial Expert.

Not applicable.

Item 4. Principal Accountant Fees and Services.

Not applicable.

Item 5. Audit Committee of Listed Registrants.

Not applicable.

Item 6. Investments.

(a) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.

Not applicable. [CLOSED END FUNDS ONLY]

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures applicable to Item 10.

Item 11. Controls and Procedures.

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Not applicable.

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable.

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940.

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.

Dreyfus Strategic Municipals, Inc.

By: /s/ Bradley J. Skapyak
Bradley J. Skapyak,

President

Date: May 17, 2013

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/ Bradley J. Skapyak
Bradley J. Skapyak,

President

Date: May 17, 2013

By: /s/ James Windels
James Windels,

Treasurer

Date: May 17, 2013

EXHIBIT INDEX

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940. (EX-99.906CERT)