

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC  
Form N-CSRS  
July 29, 2016

**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 811-05877

Dreyfus Strategic Municipal Bond Fund, 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)

Bennett A. MacDougall, Esq.

200 Park Avenue

New York, New York 10166  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6400

Date of fiscal year end: 11/30

Date of reporting period: 05/31/16

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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Dreyfus Strategic Municipal Bond Fund, Inc.

**SEMIANNUAL REPORT**  
May 31, 2016

**Dreyfus Strategic Municipal Bond Fund, Inc.**

**Protecting Your Privacy**  
**Our Pledge to You**

**THE FUND IS COMMITTED TO YOUR PRIVACY.** On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding "nonpublic personal information," which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

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

**THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.** The Fund collects a variety of nonpublic personal information, which may include:

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

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

*Thank you for this opportunity to serve you.*

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

decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

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

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## **Dreyfus Strategic Municipal Bond Fund, Inc.**

The Fund

### A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, covering the six-month period from December 1, 2015 through May 31, 2016. 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.

A choppy U.S. economic recovery generally has remained intact. New job creation, declining unemployment claims, improved consumer confidence, and higher housing prices have supported an economic expansion that so far has lasted seven years. In response, the Federal Reserve Board raised short-term interest rates in December 2015 for the first time in nearly a decade. Broad measures of U.S. stock and bond market performance exhibited heightened volatility on their way to posting relatively mild gains or losses for the reporting period overall.

On the other hand, the global economy has continued to struggle with persistently slow growth despite historically aggressive monetary policies as weak demand, volatile commodity prices, and the lingering effects of various financial crises took their toll. These developments proved especially challenging for financial markets in early 2016,

but stocks and riskier sectors of the bond market later rallied to recoup some of their previous losses, and high-quality sovereign bonds mostly benefited from falling interest rates.

While we are encouraged by the recent resilience of the financial markets, we expect volatility to persist until global economic uncertainty abates. In addition, wide differences in underlying fundamental and technical influences across various asset classes, economic sectors, and regional markets suggest that selectivity may be an important determinant of investment success over the months ahead. We encourage you to discuss the implications of our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona  
President  
The Dreyfus Corporation  
June 15, 2016

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## DISCUSSION OF FUND PERFORMANCE

*For the period of December 1, 2015 through May 31, 2016, as provided by Daniel Barton and Jeffrey Burger, Portfolio Managers*

### **Fund and Market Performance Overview**

For the six-month period ended May 31, 2016, Dreyfus Strategic Municipal Bond Fund achieved a total return of 5.84% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.249 per share, which reflects an annualized distribution rate of 5.78%.<sup>2</sup>

Municipal bonds produced solidly positive returns over the reporting period amid robust demand for competitive levels of after-tax income. The fund achieved particularly favorable results from its interest rate and sector allocation strategies.

### **The Fund's Investment Approach**

The fund seeks to maximize current income exempt from federal income tax to the extent believed by Dreyfus to be consistent with the preservation of capital. In pursuing this goal, the fund invests at least 80% of its assets in municipal bonds. Under normal market conditions, the weighted average maturity of the fund's portfolio is expected to exceed 10 years. Under normal market conditions, the fund invests at least 80% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus.

The fund also has issued auction-rate preferred stock (ARPS), a percentage of which remains outstanding from its initial public offering, and has invested the proceeds in a manner consistent with its investment objective. This, along with the fund's participation in secondary inverse floater structures, has the effect of "leveraging" the portfolio, which can magnify gain and loss potential depending on market conditions.

Over time, many of the fund's older, higher yielding bonds have matured or were redeemed by their issuers. We have attempted to replace those bonds with investments consistent with the fund's investment policies. We have also sought to upgrade the fund with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings. When such opportunities arise, we usually look to sell bonds that are close to their optional redemption date or maturity.

### **Flight to Safety Supported Municipal Bonds**

Municipal bonds were influenced during the reporting period by bouts of economic uncertainty. The U.S. economy continued to grow, but global economic instability and declining commodity prices early in the reporting period caused investors to turn away from riskier assets and toward high-quality securities. Commodity prices subsequently rebounded when global economic conditions seemed to stabilize, but investors continued to flock to U.S. Treasury securities, keeping interest rates low.

The after-tax yields of municipal bonds generally compared favorably with those of taxable U.S. Treasury securities throughout the reporting period, resulting in persistently robust demand. Supply dynamics also generally proved favorable: New issuance volumes increased in advance of the Federal Reserve Board's (the "Fed") December 2015 rate hike, but the supply of newly issued securities moderated over the first five months of 2016.

In this environment, municipal bonds with longer term maturities benefited from falling long-term interest rates, even after the Fed raised short-term interest rates. Meanwhile, credit

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### **DISCUSSION OF FUND PERFORMANCE *(continued)***

conditions improved as tax revenues recovered beyond pre-recession levels for most states. Pockets of fiscal instability in Puerto Rico, Illinois, and New Jersey had little impact on the national market.

### **Longer Term Maturities Bolstered Relative Results**

The fund focused on municipal bonds with maturities in the 15- to 30-year range and underweighted positions in bonds with maturities of five years and less. This positioning enabled it to participate more fully in the benefits of falling long-term interest rates and narrowing yield differences along the market's maturity range.

The fund also achieved strong results through underweighted exposure to general obligation bonds and overweighted positions in higher yielding revenue bonds, including those at the lower end of the investment-grade spectrum. Results were especially robust among bonds backed by health care facilities and the states' settlement of litigation with U.S. tobacco companies. The fund further benefited from lack of direct exposure to uninsured municipal bonds from Puerto Rico, and its leveraging strategy helped magnify gains.

Although disappointments during the reporting period were relatively mild, higher quality municipal bonds—including those backed by essential municipal services such as sewer systems, waterworks, and public utilities—trailed market averages. Total returns from escrowed bonds continue to offer highly competitive yields.

### **A More Opportunistic Approach**

We remain optimistic regarding the prospects for the municipal bond market as the U.S. economy continues to grow and supply-and-demand dynamics have remained positive. However, we also are aware of the potential risks posed by

political uncertainty and narrower yield differences along the market's credit-quality spectrum.

Therefore, we have adopted a somewhat more opportunistic investment posture. For example, we have complemented the fund's core of higher quality holdings with more yield-oriented investments, including those with longer term maturities and BBB credit ratings.

June 15, 2016

*Bond funds are subject generally to interest rate, credit, liquidity, and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. 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.*

<sup>1</sup> *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. 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 figures provided reflect the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an undertaking in effect through November 30, 2016, at which time it may be extended, terminated, or modified. Had these expenses not been absorbed, the fund's returns would have been lower.*

<sup>2</sup> *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.*

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### STATEMENT OF INVESTMENTS

May 31, 2016 (Unaudited)

| <b>Long-Term Municipal Investments - 140.9%</b>   | <b>Coupon<br/>Rate (%)</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount (\$)</b> | <b>Value (\$)</b>      |
|---|----------------------------|--------------------------|----------------------------------|------------------------|
| <b>Alabama - 4.6%</b>   |                            |                          |                                  |                        |
| Birmingham Special Care Facilities Financing Authority,<br>Improvement Revenue (Methodist Home for the Aging) | 5.50                       | 6/1/30                   | 1,800,000                        | 1,854,432              |
| Birmingham Special Care Facilities Financing Authority,<br>Improvement Revenue (Methodist Home for the Aging) | 6.00                       | 6/1/50                   | 1,750,000                        | 1,820,718              |
| Jefferson County,<br>Limited Obligation School Warrants   | 5.25                       | 1/1/17                   | 2,000,000                        | 2,011,740              |
| Jefferson County,<br>Limited Obligation School Warrants   | 5.25                       | 1/1/19                   | 2,150,000                        | 2,162,620              |
| Jefferson County,<br>Limited Obligation School Warrants   | 5.00                       | 1/1/24                   | 1,000,000                        | 1,005,870              |
| Jefferson County,<br>Sewer Revenue Warrants   | 0/7.75                     | 10/1/46                  | 6,000,000                        | <sup>a</sup> 4,554,840 |

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|  |      |         |                           |                   |
|--|------|---------|---------------------------|-------------------|
| Lower Alabama Gas District,<br>Gas Project Revenue   | 5.00 | 9/1/46  | 5,000,000                 | 6,515,400         |
|  |      |         |                           | <b>19,925,620</b> |
| <b>Alaska - 1.9%</b>   |      |         |                           |                   |
| Northern Tobacco Securitization Corporation of Alaska,<br>Tobacco Settlement Asset-Backed Bonds  | 5.00 | 6/1/46  | 8,465,000                 | <b>8,110,063</b>  |
| <b>Arizona - 6.5%</b>  |      |         |                           |                   |
| Barclays Capital Municipal Trust Receipts (Series 21 W),<br>(Salt River Project Agricultural Improvement and Power District,<br>Salt River Project Electric System Revenue) Recourse | 5.00 | 1/1/38  | 13,198,367 <sup>b,c</sup> | 14,016,899        |
| Phoenix Industrial Development Authority,<br>Education Facility Revenue (BASIS Schools Projects)   | 5.00 | 7/1/46  | 2,000,000 <sup>c</sup>    | 2,093,520         |
| Phoenix Industrial Development Authority,<br>Education Facility Revenue (BASIS Schools, Inc. Projects)   | 5.00 | 7/1/45  | 1,000,000 <sup>c</sup>    | 1,046,990         |
| Phoenix Industrial Development Authority,<br>Education Facility Revenue (Legacy Traditional Schools Projects)  | 5.00 | 7/1/45  | 1,300,000 <sup>c</sup>    | 1,356,134         |
| Pima County Industrial Development Authority,<br>Education Revenue (American Charter Schools Foundation<br>Project)  | 5.50 | 7/1/26  | 4,000,000                 | 3,993,680         |
| Salt Verde Financial Corporation,<br>Senior Gas Revenue  | 5.00 | 12/1/37 | 4,550,000                 | 5,693,961         |
|  |      |         |                           | <b>28,201,184</b> |

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| <b>Long-Term Municipal Investments - 140.9% (continued)</b>  | Coupon Rate (%) | Maturity Date | Principal Amount (\$)    | Value (\$) |
|--|-----------------|---------------|--------------------------|------------|
| <b>California - 17.4%</b>  |                 |               |                          |            |
| Barclays Capital Municipal Trust Receipts (Series 80 W),<br>(Los Angeles Department of Airports, Senior Revenue (Los<br>Angeles International Airport)) Recourse | 5.00            | 5/15/31       | 5,247,500 <sup>b,c</sup> | 6,039,541  |
| California,<br>GO (Various Purpose)  | 5.75            | 4/1/31        | 7,800,000                | 8,867,586  |
| California,<br>GO (Various Purpose)  | 6.00            | 3/1/33        | 2,250,000                | 2,668,500  |
| California,<br>GO (Various Purpose)  | 6.50            | 4/1/33        | 5,000,000                | 5,787,600  |
| California,<br>GO (Various Purpose)  | 6.00            | 11/1/35       | 5,000,000                | 5,854,200  |
| California Statewide Communities Development Authority,<br>Revenue (Front Porch Communities and Services Project)  | 5.13            | 4/1/37        | 4,975,000 <sup>c</sup>   | 5,078,331  |
| California Statewide Communities Development Authority,<br>Revenue (Loma Linda University Medical Center)  | 5.25            | 12/1/56       | 1,700,000 <sup>c</sup>   | 1,918,586  |
| Golden State Tobacco Securitization Corporation,<br>Tobacco Settlement Asset-Backed Bonds  | 5.75            | 6/1/47        | 5,000,000                | 5,057,950  |



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|   |      |         |                          |                   |
|---|------|---------|--------------------------|-------------------|
| JPMorgan Chase Putters/Drivers Trust (Series 4361),<br>(Los Angeles Department of Water and Power, Water System<br>Revenue) Non-recourse  | 5.00 | 7/1/20  | 5,000,000 <sup>b,c</sup> | 5,933,900         |
| JPMorgan Chase Putters/Drivers Trust (Series 4414),<br>(Los Angeles Department of Airports, Senior Revenue (Los<br>Angeles International Airport)) Non-recourse   | 5.00 | 5/15/21 | 6,000,000 <sup>b,c</sup> | 6,914,880         |
| JPMorgan Chase Putters/Drivers Trust (Series 4421),<br>(The Regents of the University of California, General Revenue)<br>Non-recourse<br>Sacramento County,<br>Airport System Subordinate and Passenger Facility Charges Grant<br>Revenue | 5.00 | 5/15/21 | 6,250,000 <sup>b,c</sup> | 7,506,750         |
| San Buenaventura,<br>Revenue (Community Memorial Health System)   | 6.00 | 7/1/35  | 4,000,000                | 4,407,800         |
| Santa Margarita/Dana Point Authority,<br>Revenue (Santa Margarita Water District Improvement Districts<br>Numbers 2,3 and 4)  | 7.50 | 12/1/41 | 1,500,000                | 1,854,900         |
| Tuolumne Wind Project Authority,<br>Revenue (Tuolumne Company Project)  | 5.13 | 8/1/38  | 5,000,000                | 5,451,650         |
|   | 5.88 | 1/1/29  | 2,000,000                | 2,252,940         |
|   |      |         |                          | <b>75,595,114</b> |

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| <b>Long-Term Municipal Investments - 140.9% (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount<br>(\$) | Value (\$)        |
|---|--------------------|------------------|-----------------------------|-------------------|
| <b>Colorado - 1.3%</b><br>JPMorgan Chase Putters/Drivers Trust (Series 4386),<br>(Board of Governors of the Colorado State University, System<br>Enterprise Revenue) Non-recourse | 5.00               | 3/1/20           | 4,950,000 <sup>b,c</sup>    | <b>5,746,851</b>  |
| <b>Connecticut - 1.1%</b><br>Connecticut Resources Recovery Authority,<br>Special Obligation Revenue (American REF-FUEL Company of<br>Southeastern Connecticut Project)           | 6.45               | 11/15/22         | 4,985,000                   | <b>4,996,316</b>  |
| <b>District of Columbia - 4.1%</b><br>RIB Floater Trust (Barclays Bank PLC) (Series 15 U),<br>(District of Columbia, Income Tax Secured Revenue) Recourse                         | 5.00               | 12/1/35          | 14,828,227 <sup>b,c</sup>   | <b>17,827,224</b> |
| <b>Florida - 5.2%</b><br>Cape Coral Health Facilities Authority,<br>Senior Housing Revenue (Gulf Care, Inc. Project)  | 5.88               | 7/1/40           | 1,600,000 <sup>c</sup>      | 1,660,896         |
| Mid-Bay Bridge Authority,<br>Springing Lien Revenue (Prerefunded)   | 7.25               | 10/1/21          | 5,000,000 <sup>d</sup>      | 6,497,950         |
| Palm Beach County Health Facilities Authority,<br>Retirement Community Revenue (Adult Communities Total<br>Services, Inc. Retirement - Life Communities, Inc. Obligated<br>Group) | 5.50               | 11/15/33         | 6,825,000                   | 7,721,600         |
| Saint Johns County Industrial Development Authority,<br>Revenue (Presbyterian Retirement Communities Project)   | 6.00               | 8/1/45           | 3,500,000                   | 3,946,985         |

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|   |      |        |           |                   |
|---|------|--------|-----------|-------------------|
| South Lake County Hospital District,<br>Revenue (South Lake Hospital, Inc.) | 6.25 | 4/1/39 | 2,500,000 | 2,819,575         |
|   |      |        |           | <b>22,647,006</b> |

**Georgia - 3.5%**

|   |      |         |           |                   |
|---|------|---------|-----------|-------------------|
| Atlanta,<br>Water and Wastewater Revenue (Insured; Assured Guaranty<br>Municipal Corp.)   | 5.25 | 11/1/34 | 1,000,000 | 1,122,940         |
| Atlanta,<br>Water and Wastewater Revenue (Prerefunded)  | 6.00 | 11/1/19 | 4,865,000 | 5,687,428         |
| Atlanta Development Authority,<br>Senior Lien Revenue (New Downtown Atlanta Stadium Project)  | 5.25 | 7/1/40  | 1,000,000 | 1,207,750         |
| RIB Floater Trust (Barclays Bank PLC) (Series 20 U),<br>(Private Colleges and Universities Authority, Revenue (Emory<br>University)) Recourse | 5.00 | 10/1/43 | 6,000,000 | 7,074,000         |
|   |      |         |           | <b>15,092,118</b> |

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

| <b>Long-Term Municipal Investments - 140.9% (continued)</b>  | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$)        |
|--|-----------------|---------------|-----------------------|-------------------|
| <b>Hawaii - 1.2%</b>   |                 |               |                       |                   |
| Hawaii Department of Budget and Finance,<br>Special Purpose Revenue (Hawai'i Pacific Health Obligated Group)                     | 5.63            | 7/1/30        | 2,500,000             | 2,863,650         |
| Hawaii Department of Budget and Finance,<br>Special Purpose Revenue (Hawaiian Electric Company, Inc. and<br>Subsidiary Projects) | 6.50            | 7/1/39        | 2,000,000             | 2,276,400         |
|  |                 |               |                       | <b>5,140,050</b>  |
| <b>Illinois - 4.3%</b>   |                 |               |                       |                   |
| Chicago,<br>General Airport Third Lien Revenue (Chicago O'Hare International<br>Airport)   | 5.63            | 1/1/35        | 3,000,000             | 3,483,960         |
| Chicago,<br>Second Lien Wastewater Transmission Revenue  | 5.00            | 1/1/39        | 2,330,000             | 2,614,656         |
| Illinois Finance Authority,<br>Revenue (Plymouth Place, Inc.)  | 5.25            | 5/15/45       | 1,000,000             | 1,041,290         |
| Illinois Toll Highway Authority,<br>Toll Highway Senior Revenue  | 5.00            | 1/1/40        | 1,500,000             | 1,772,895         |
| Metropolitan Pier and Exposition Authority,<br>Revenue (McCormick Place Expansion Project)                                       | 5.00            | 12/15/28      | 2,500,000             | 2,751,450         |
| Metropolitan Pier and Exposition Authority,<br>Revenue (McCormick Place Expansion Project)                                       | 5.00            | 6/15/53       | 2,500,000             | 2,758,950         |
| Railsplitter Tobacco Settlement Authority,<br>Tobacco Settlement Revenue   | 6.00            | 6/1/28        | 3,600,000             | 4,292,028         |
|  |                 |               |                       | <b>18,715,229</b> |
| <b>Iowa - 1.7%</b>   |                 |               |                       |                   |

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|  |      |         |           |                  |
|--|------|---------|-----------|------------------|
| Iowa Finance Authority,<br>Midwestern Disaster Area Revenue (Iowa Fertilizer Company<br>Project) | 5.25 | 12/1/25 | 5,125,000 | 5,485,185        |
| Tobacco Settlement Authority of Iowa,<br>Tobacco Settlement Asset-Backed Bonds                   | 5.60 | 6/1/34  | 2,000,000 | 2,005,940        |
|  |      |         |           | <b>7,491,125</b> |

**Kentucky - .2%**

|   |      |        |           |                  |
|---|------|--------|-----------|------------------|
| Louisville/Jefferson County Metro Government,<br>Health Facilities Revenue (Jewish Hospital and Saint Mary's<br>HealthCare, Inc. Project) (Prerefunded) | 6.13 | 2/1/18 | 1,000,000 | <b>1,088,990</b> |
|---|------|--------|-----------|------------------|

**Louisiana - 2.1%**

|   |      |         |           |           |
|---|------|---------|-----------|-----------|
| Louisiana Local Government Environmental Facilities and<br>Community Development Authority,<br>Revenue (Westlake Chemical Corporation Projects) | 6.75 | 11/1/32 | 4,000,000 | 4,320,320 |
| Louisiana Public Facilities Authority,<br>Revenue (Entergy Louisiana, LLC Project)  | 3.50 | 6/1/30  | 3,500,000 | 3,615,185 |

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**Long-Term Municipal Investments - 140.9% (continued)**

**Louisiana - 2.1% (continued)**

|                               | Coupon Rate<br>(%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$)       |
|-------------------------------|--------------------|------------------|--------------------------|------------------|
| New Orleans,<br>Water Revenue | 5.00               | 12/1/40          | 1,000,000                | 1,157,990        |
|                               |                    |                  |                          | <b>9,093,495</b> |

**Maine - .5%**

|   |      |        |           |                  |
|---|------|--------|-----------|------------------|
| Maine Health and Higher Educational Facilities Authority,<br>Revenue (Maine General Medical Center Issue) | 7.50 | 7/1/32 | 2,000,000 | <b>2,395,240</b> |
|---|------|--------|-----------|------------------|

**Maryland - 1.1%**

|  |      |        |           |                  |
|--|------|--------|-----------|------------------|
| JPMorgan Chase Putters/Drivers Trust (Series 4422),<br>(Mayor and City Council of Baltimore, Project Revenue (Water<br>Projects)) Non-recourse | 5.00 | 7/1/21 | 4,000,000 | <b>4,697,380</b> |
|--|------|--------|-----------|------------------|

**Massachusetts - 9.6%**

|  |      |         |            |                   |
|--|------|---------|------------|-------------------|
| JPMorgan Chase Putters/Drivers Trust (Series 3840),<br>(Massachusetts Development Finance Agency, Revenue<br>(Harvard University Issue)) Non-recourse  | 5.25 | 8/1/18  | 10,000,000 | <b>11,784,300</b> |
| JPMorgan Chase Putters/Drivers Trust (Series 3898),<br>(Massachusetts, Consolidated Loan) Non-recourse   | 5.00 | 4/1/19  | 6,400,000  | <b>7,518,016</b>  |
| JPMorgan Chase Putters/Drivers Trust (Series 4395),<br>(University of Massachusetts Building Authority, Project and<br>Refunding Revenue) Non-recourse | 5.00 | 5/1/21  | 7,406,665  | <b>8,740,798</b>  |
| Massachusetts Development Finance Agency,<br>Revenue (Tufts Medical Center Issue)  | 7.25 | 1/1/32  | 2,500,000  | 3,034,725         |
| Massachusetts Health and Educational Facilities Authority,<br>Revenue (Suffolk University Issue)   | 6.25 | 7/1/30  | 5,000,000  | 5,710,500         |
| Massachusetts Housing Finance Agency,<br>Housing Revenue   | 7.00 | 12/1/38 | 4,575,000  | 4,936,882         |

**41,725,221**

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**Michigan - 5.6%**

|   |      |         |           |           |
|---|------|---------|-----------|-----------|
| Detroit,<br>Water Supply System Senior Lien Revenue                         | 5.00 | 7/1/31  | 3,780,000 | 4,190,281 |
| Detroit,<br>Water Supply System Senior Lien Revenue                         | 5.00 | 7/1/36  | 3,290,000 | 3,606,136 |
| Kent Hospital Finance Authority,<br>Revenue (Metropolitan Hospital Project) | 6.00 | 7/1/35  | 2,000,000 | 2,005,560 |
| Michigan Finance Authority,<br>HR (Trinity Health Credit Group)             | 5.00 | 12/1/45 | 2,500,000 | 2,952,900 |

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

| <b>Long-Term Municipal Investments - 140.9% (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount<br>(\$) | Value (\$)        |
|---|--------------------|------------------|-----------------------------|-------------------|
| <b>Michigan - 5.6% (continued)</b>  |                    |                  |                             |                   |
| Michigan Finance Authority,<br>Local Government Loan Program Revenue (Detroit Water and<br>Sewerage Department, Sewage Disposal System Revenue Second Lien<br>Local Project Bonds)  | 5.00               | 7/1/34           | 2,000,000                   | 2,322,840         |
| Michigan Finance Authority,<br>Local Government Loan Program Revenue (Detroit Water and<br>Sewerage Department, Water Supply System Revenue Senior Lien<br>Local Project Bonds) (Insured; National Public Finance Guarantee<br>Corp.) | 5.00               | 7/1/36           | 1,000,000                   | 1,145,680         |
| Michigan Strategic Fund,<br>SWDR (Genesee Power Station Project)  | 7.50               | 1/1/21           | 2,295,000                   | 2,294,633         |
| Royal Oak Hospital Finance Authority,<br>HR (William Beaumont Hospital Obligated Group) (Prerefunded)   | 8.00               | 9/1/18           | 5,000,000                   | 4,580,400         |
|   |                    |                  |                             | <b>24,318,430</b> |
| <b>Missouri - .6%</b>   |                    |                  |                             |                   |
| Missouri Health and Educational Facilities Authority,<br>Senior Living Facilities Revenue (Lutheran Senior Services Projects)   | 5.00               | 2/1/46           | 2,200,000                   | <b>2,498,518</b>  |
| <b>New Jersey - 4.2%</b>  |                    |                  |                             |                   |
| Essex County Improvement Authority,<br>SWDR (Covanta Project)   | 5.25               | 7/1/45           | 1,000,000                   | c 1,023,760       |
| New Jersey Economic Development Authority,<br>School Facilities Construction Revenue  | 5.50               | 12/15/29         | 5,000,000                   | 5,491,700         |
| New Jersey Economic Development Authority,<br>School Facilities Construction Revenue  | 5.25               | 6/15/40          | 4,250,000                   | 4,697,100         |
| New Jersey Economic Development Authority,<br>Water Facilities Revenue (New Jersey - American Water Company,<br>Inc. Project)   | 5.70               | 10/1/39          | 3,000,000                   | 3,394,800         |
| Tobacco Settlement Financing Corporation of New Jersey,<br>Tobacco Settlement Asset-Backed Bonds  | 4.50               | 6/1/23           | 915,000                     | 930,463           |
|   | 4.63               | 6/1/26           | 1,600,000                   | 1,616,288         |

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|  |      |        |           |                   |
|--|------|--------|-----------|-------------------|
| Tobacco Settlement Financing Corporation of New Jersey,<br>Tobacco Settlement Asset-Backed Bonds |      |        |           |                   |
| Tobacco Settlement Financing Corporation of New Jersey,<br>Tobacco Settlement Asset-Backed Bonds | 5.00 | 6/1/41 | 1,000,000 | 973,830           |
|  |      |        |           | <b>18,127,941</b> |

**New Mexico - 1.3%**

|  |      |        |           |                  |
|--|------|--------|-----------|------------------|
| Farmington,<br>PCR (Public Service Company of New Mexico San Juan Project) | 5.90 | 6/1/40 | 5,000,000 | <b>5,688,250</b> |
|--|------|--------|-----------|------------------|

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**Long-Term Municipal Investments - 140.9% (continued)**

**New York - 15.4%**

|   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$)            |
|---|--------------------|------------------|--------------------------|-----------------------|
| Barclays Capital Municipal Trust Receipts (Series 11 B),<br>(New York City Transitional Finance Authority, Future Tax<br>Secured Revenue) Recourse                              | 5.00               | 5/1/30           | 4,488,203                | b,c 5,001,141         |
| Barclays Capital Municipal Trust Receipts (Series 7 B),<br>(New York City Transitional Finance Authority, Future Tax<br>Secured Subordinate Revenue) Recourse                   | 5.50               | 11/1/27          | 5,000,000                | b,c 5,981,700         |
| JPMorgan Chase Putters/Drivers Trust (Series 3857),<br>(New York City Transitional Finance Authority, Future Tax<br>Secured Subordinate Revenue) Non-recourse                   | 5.25               | 11/1/18          | 5,000,000                | b,c 5,913,450         |
| Long Island Power Authority,<br>Electric System General Revenue (Prerefunded)   | 6.25               | 4/1/19           | 3,000,000                | d 3,446,580           |
| Metropolitan Transportation Authority,<br>Transportation Revenue  | 6.25               | 11/15/23         | 1,775,000                | 2,012,069             |
| Metropolitan Transportation Authority,<br>Transportation Revenue (Prerefunded)  | 6.25               | 11/15/18         | 6,650,000                | d 7,517,293           |
| New York City Educational Construction Fund,<br>Revenue   | 6.50               | 4/1/28           | 2,785,000                | 3,437,303             |
| New York City Industrial Development Agency,<br>Special Facility Revenue (American Airlines, Inc. John F.<br>Kennedy International Airport Project)                             | 7.75               | 8/1/31           | 5,000,000                | 5,109,000             |
| New York Liberty Development Corporation,<br>Revenue (3 World Trade Center Project)   | 5.00               | 11/15/44         | 5,500,000                | c 6,197,895           |
| Niagara Area Development Corporation,<br>Solid Waste Disposal Facility Revenue (Covanta Energy Project)   | 5.25               | 11/1/42          | 2,000,000                | c 2,030,860           |
| Port Authority of New York and New Jersey,<br>Special Project Bonds (JFK International Air Terminal LLC<br>Project)   | 6.00               | 12/1/36          | 4,710,000                | 5,543,576             |
| RIB Floater Trust (Barclays Bank PLC) (Series 16 U),<br>(New York City Municipal Water Finance Authority, Water and<br>Sewer System Second General Resolution Revenue) Recourse | 5.00               | 6/15/44          | 12,600,000               | b,c 14,747,922        |
|   |                    |                  |                          | <b>66,938,789</b>     |
| <b>North Carolina - 2.6%</b>  |                    |                  |                          |                       |
| Barclays Capital Municipal Trust Receipts (Series 31 W),<br>(North Carolina Medical Care Commission, Health Care Facilities   | 5.00               | 6/1/42           | 10,000,000               | b,c <b>11,070,600</b> |

Revenue (Duke University Health System)) Recourse

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

| <b>Long-Term Municipal Investments - 140.9% (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$)        |
|---|-----------------|---------------|-----------------------|-------------------|
| <b>Ohio - 7.0%</b>  |                 |               |                       |                   |
| Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds   | 5.88            | 6/1/30        | 2,000,000             | 1,991,900         |
| Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds   | 6.50            | 6/1/47        | 11,285,000            | 11,486,889        |
| Butler County, Hospital Facilities Revenue (UC Health)  | 5.50            | 11/1/40       | 3,000,000             | 3,506,040         |
| Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)  | 5.63            | 10/1/19       | 4,200,000             | 4,655,448         |
| Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)                   | 5.63            | 2/1/36        | 2,530,000             | c 2,560,917       |
| Southeastern Ohio Port Authority, Hospital Facilities Improvement Revenue (Memorial Health System Obligated Group Project)                              | 6.00            | 12/1/42       | 2,000,000             | 2,280,960         |
| Southeastern Ohio Port Authority, Hospital Facilities Improvement Revenue (Memorial Health System Obligated Group Project)                              | 5.00            | 12/1/43       | 1,000,000             | 1,050,130         |
| Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)  | 5.38            | 12/1/35       | 3,000,000             | 3,003,750         |
|   |                 |               |                       | <b>30,536,034</b> |
| <b>Oregon - .4%</b>   |                 |               |                       |                   |
| Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)  | 6.38            | 11/1/33       | 1,500,000             | <b>1,637,175</b>  |
| <b>Pennsylvania - 2.1%</b>  |                 |               |                       |                   |
| JPMorgan Chase Putters/Drivers Trust (Series 3916), (Geisinger Authority, Health System Revenue (Geisinger Health System)) Non-recourse                 | 5.13            | 6/1/35        | 3,000,000             | b,c 3,361,980     |
| Philadelphia, GO  | 6.50            | 8/1/41        | 4,700,000             | 5,647,379         |
|   |                 |               |                       | <b>9,009,359</b>  |
| <b>Rhode Island - 1.3%</b>  |                 |               |                       |                   |
| Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue (Lifespan Obligated Group Issue) (Insured; Assured Guaranty Corp.) | 7.00            | 5/15/39       | 5,000,000             | <b>5,777,900</b>  |

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| <b>Long-Term Municipal Investments - 140.9% (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)     | Value (\$)        |
|---|-----------------|---------------|---------------------------|-------------------|
| <b>South Carolina - 2.7%</b>  |                 |               |                           |                   |
| JPMorgan Chase Putters/Drivers Trust (Series 4379),<br>(South Carolina Public Service Authority, Revenue Obligations<br>(Santee Cooper)) Non-recourse   | 5.13            | 6/1/37        | 10,200,000 <sup>b,c</sup> | <b>11,885,958</b> |
| <b>Tennessee - 2.3%</b>   |                 |               |                           |                   |
| JPMorgan Chase Putters/Drivers Trust (Series 4416),<br>(Metropolitan Government of Nashville and Davidson County,<br>Water and Sewer Revenue) Non-recourse                                      | 5.00            | 7/1/21        | 3,000,000 <sup>b,c</sup>  | 3,561,090         |
| Metropolitan Government of Nashville and Davidson County<br>Health and Educational Facilities Board,<br>Revenue (The Vanderbilt University)   | 5.50            | 10/1/29       | 2,050,000                 | 2,340,772         |
| Metropolitan Government of Nashville and Davidson County<br>Health and Educational Facilities Board,<br>Revenue (The Vanderbilt University) (Prerefunded)                                       | 5.50            | 10/1/19       | 450,000 <sup>d</sup>      | 517,014           |
| Metropolitan Government of Nashville and Davidson County<br>Health and Educational Facilities Board,<br>Revenue (The Vanderbilt University) (Prerefunded)                                       | 5.50            | 10/1/19       | 3,000,000 <sup>d</sup>    | 3,446,760         |
|   |                 |               |                           | <b>9,865,636</b>  |
| <b>Texas - 19.2%</b>  |                 |               |                           |                   |
| Barclays Capital Municipal Trust Receipts (Series 28 W),<br>(Leander Independent School District, Unlimited Tax School<br>Building Bonds (Permanent School Fund Guarantee Program))<br>Recourse | 5.00            | 8/15/40       | 9,997,299 <sup>b,c</sup>  | 11,212,349        |
| Barclays Capital Municipal Trust Receipts (Series 39 W),<br>(Texas A&M University System Board of Regents, Financing<br>System Revenue) Recourse  | 5.00            | 5/15/39       | 13,160,000 <sup>b,c</sup> | 15,013,981        |
| Board of Managers, Joint Guadalupe County,<br>Hospital Mortgage Improvement Revenue (City of Seguin<br>Hospital)  | 5.00            | 12/1/45       | 1,000,000                 | 1,060,530         |
| Central Texas Regional Mobility Authority,<br>Senior Lien Revenue   | 5.00            | 1/1/45        | 1,500,000                 | 1,738,245         |
| Clifton Higher Education Finance Corporation,<br>Education Revenue (International Leadership of Texas)  | 5.75            | 8/15/45       | 2,500,000                 | 2,665,275         |
| Clifton Higher Education Finance Corporation,<br>Education Revenue (Uplift Education)   | 4.50            | 12/1/44       | 2,500,000                 | 2,579,225         |
| Harris County Health Facilities Development Corporation,<br>HR (Memorial Hermann Healthcare System) (Prerefunded)   | 7.25            | 12/1/18       | 7,290,000 <sup>d</sup>    | 8,430,812         |

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

| <b>Long-Term Municipal Investments - 140.9% (continued)</b> | Coupon Rate (%) | Maturity | Principal | Value (\$) |
|---|-----------------|----------|-----------|------------|
|---|-----------------|----------|-----------|------------|

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|  |       | Date     | Amount<br>(\$) |                   |
|--|-------|----------|----------------|-------------------|
| <b>Texas - 19.2% (continued)</b>   |       |          |                |                   |
| Harris County-Houston Sports Authority,<br>Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)<br>Houston,   | 0.00  | 11/15/51 | 7,500,000      | e 1,577,925       |
| Combined Utility System First Lien Revenue (Insured; Assured<br>Guaranty Corp.)<br>Houston,  | 6.00  | 11/15/36 | 230,000        | 265,958           |
| Combined Utility System First Lien Revenue (Insured; Assured<br>Guaranty Corp.) (Prerefunded)  | 6.00  | 5/15/19  | 4,770,000      | d 5,474,911       |
| JPMorgan Chase Putters/Drivers Trust (Series 4356),<br>(San Antonio, Electric and Gas Systems Junior Lien Revenue)<br>Non-recourse   | 5.00  | 2/1/21   | 12,450,000     | b,c 14,608,705    |
| Love Field Airport Modernization Corporation,<br>Special Facilities Revenue (Southwest Airlines Company - Love<br>Field Modernization Program Project)   | 5.00  | 11/1/28  | 1,000,000      | 1,141,610         |
| New Hope Cultural Education Facilities Finance Corporation,<br>Student Housing Revenue (National Campus and Community<br>Development Corporation - College Station Properties LLC - Texas<br>A&M University Project) | 5.00  | 7/1/35   | 500,000        | 557,205           |
| North Texas Tollway Authority,<br>First Tier System Revenue (Insured; Assured Guaranty Corp.)  | 5.75  | 1/1/40   | 1,575,000      | 1,694,810         |
| North Texas Tollway Authority,<br>First Tier System Revenue (Insured; Assured Guaranty Corp.)<br>(Prerefunded)   | 5.75  | 1/1/18   | 9,500,000      | d 10,235,965      |
| North Texas Tollway Authority,<br>Second Tier System Revenue (Prerefunded)   | 5.75  | 1/1/18   | 1,400,000      | d 1,508,458       |
| Tarrant County Cultural Education Facilities Finance Corporation,<br>Retirement Facility Revenue (Buckingham Senior Living<br>Community, Inc. Project)   | 5.50  | 11/15/45 | 3,000,000      | 3,231,300         |
| Texas Department of Housing and Community Affairs,<br>Home Mortgage Revenue (Collateralized: FHLMC, FNMA and<br>GNMA)  | 13.15 | 7/2/24   | 150,000        | f 158,547         |
|  |       |          |                | <b>83,155,811</b> |

**Virginia - 3.7%**

|  |      |        |         |         |
|--|------|--------|---------|---------|
| Chesterfield County Economic Development Authority,<br>Retirement Facilities First Mortgage Revenue (Brandermill Woods<br>Project) | 5.13 | 1/1/43 | 700,000 | 734,300 |
|--|------|--------|---------|---------|

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| <b>Long-Term Municipal Investments - 140.9% (continued)</b>   | Coupon Rate<br>(%) | Maturity<br>Date | Principal<br>Amount<br>(\$) | Value (\$)  |
|---|--------------------|------------------|-----------------------------|-------------|
| <b>Virginia - 3.7% (continued)</b><br>Henrico County Industrial Development Authority,<br>Revenue (Bon Secours Health System, Inc.) (Insured; Assured | 10.80              | 8/23/27          | 6,350,000                   | f 8,378,063 |



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|   |      |          |           |     |                   |
|---|------|----------|-----------|-----|-------------------|
| Guaranty Municipal Corp.)<br>Virginia College Building Authority,<br>Educational Facilities Revenue (Marymount University Project)                | 5.00 | 7/1/45   | 2,110,000 | c   | 2,273,103         |
| Virginia College Building Authority,<br>Educational Facilities Revenue (Marymount University Project)<br>(Green Bonds)                            | 5.00 | 7/1/45   | 1,000,000 | c   | 1,077,300         |
| Washington County Industrial Development Authority,<br>HR (Mountain States Health Alliance)   | 7.75 | 7/1/38   | 3,000,000 |     | 3,422,730         |
|   |      |          |           |     | <b>15,885,496</b> |
| <b>Washington - 3.1%</b>  |      |          |           |     |                   |
| Barclays Capital Municipal Trust Receipts (Series 27 B),<br>(King County, Sewer Revenue) Recourse   | 5.00 | 1/1/29   | 8,577,246 | b,c | 9,963,988         |
| Washington Health Care Facilities Authority,<br>Mortgage Revenue (Highline Medical Center) (Collateralized;<br>FHA) (Prerefunded)                 | 6.25 | 8/1/18   | 2,975,000 | d   | 3,321,498         |
|   |      |          |           |     | <b>13,285,486</b> |
| <b>West Virginia - 1.4%</b>   |      |          |           |     |                   |
| The County Commission of Harrison County,<br>SWDR (Allegheny Energy Supply Company, LLC Harrison Station<br>Project)                              | 5.50 | 10/15/37 | 5,670,000 |     | <b>5,901,790</b>  |
| <b>Wisconsin - 1.1%</b>   |      |          |           |     |                   |
| Public Finance Authority of Wisconsin,<br>Lease Development Revenue (KU Campus Development<br>Corporation - Central District Development Project) | 5.00 | 3/1/46   | 4,000,000 |     | <b>4,635,080</b>  |

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| Long-Term Municipal Investments - 140.9% (continued)   | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$)          |
|--|-----------------|---------------|-----------------------|---------------------|
| <b>U.S. Related - .6%</b>  |                 |               |                       |                     |
| Puerto Rico Commonwealth,<br>Public Improvement GO (Insured; Assured Guaranty Municipal Corp.) | 5.00            | 7/1/35        | 2,500,000             | <b>2,545,675</b>    |
| <b>Total Investments</b> (cost \$542,032,663)  |                 |               | <b>140.9%</b>         | <b>611,252,154</b>  |
| <b>Liabilities, Less Cash and Receivables</b>  |                 |               | <b>(19.5%)</b>        | <b>(84,573,351)</b> |
| <b>Preferred Stock, at redemption value</b>  |                 |               | <b>(21.4%)</b>        | <b>(93,000,000)</b> |
| <b>Net Assets Applicable to Common Shareholders</b>  |                 |               | <b>100.0%</b>         | <b>433,678,803</b>  |

<sup>a</sup> Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.

<sup>b</sup> Collateral for floating rate borrowings.

<sup>c</sup> Security 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 May 31, 2016, these securities amounted to \$244,441,695, or 56.36% of net assets applicable to Common Shareholders.

<sup>d</sup> 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.

<sup>e</sup> Security issued with a zero coupon. Income is recognized through the accretion of discount.

<sup>f</sup> Inverse floater security—the interest rate is subject to change periodically. Rate shown is the interest rate in effect at May 31, 2016.

| Portfolio Summary (Unaudited) † | Value (%)    |
|---------------------------------|--------------|
| Education                       | 27.1         |
| Health Care                     | 20.6         |
| Special Tax                     | 17.7         |
| Utility-Electric                | 14.9         |
| Prerefunded                     | 14.1         |
| Utility-Water and Sewer         | 13.7         |
| Transportation Services         | 8.8          |
| State/Territory                 | 5.3          |
| Industrial                      | 4.4          |
| Asset-Backed                    | 4.3          |
| Resource Recovery               | 3.0          |
| Pollution Control               | 2.8          |
| Housing                         | 1.5          |
| City                            | 1.3          |
| County                          | .4           |
| Other                           | 1.0          |
|                                 | <b>140.9</b> |

†Based on net assets applicable to Common Shareholders.

See notes to financial statements.

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### Summary of Abbreviations (Unaudited)

|              |   |                |  |
|--------------|---|----------------|--|
| <b>ABAG</b>  | Association of Bay Area Governments           | <b>ACA</b>     | American Capital Access                |
| <b>AGC</b>   | ACE Guaranty Corporation                      | <b>AGIC</b>    | Asset Guaranty Insurance Company       |
| <b>AMBAC</b> | American Municipal Bond Assurance Corporation | <b>ARRN</b>    | Adjustable Rate Receipt Notes          |
| <b>BAN</b>   | Bond Anticipation Notes                       | <b>BPA</b>     | Bond Purchase Agreement                |
| <b>CIFG</b>  | CDC Ixis Financial Guaranty                   | <b>COP</b>     | Certificate of Participation           |
| <b>CP</b>    | Commercial Paper                              | <b>DRIVERS</b> | Derivative Inverse Tax-Exempt Receipts |
| <b>EDR</b>   | Economic Development Revenue                  | <b>EIR</b>     | Environmental Improvement Revenue      |
| <b>FGIC</b>  | Financial Guaranty Insurance Company          | <b>FHA</b>     | Federal Housing Administration         |

|                 |  |                |   |
|-----------------|--|----------------|---|
| <b>FHLB</b>     | Federal Home Loan Bank                       | <b>FHLMC</b>   | Federal Home Loan Mortgage Corporation            |
| <b>FNMA</b>     | Federal National Mortgage Association        | <b>GAN</b>     | Grant Anticipation Notes                          |
| <b>GIC</b>      | Guaranteed Investment Contract               | <b>GNMA</b>    | Government National Mortgage Association          |
| <b>GO</b>       | General Obligation                           | <b>HR</b>      | Hospital Revenue                                  |
| <b>IDB</b>      | Industrial Development Board                 | <b>IDC</b>     | Industrial Development Corporation                |
| <b>IDR</b>      | Industrial Development Revenue               | <b>LIFERS</b>  | Long Inverse Floating Exempt Receipts             |
| <b>LOC</b>      | Letter of Credit                             | <b>LOR</b>     | Limited Obligation Revenue                        |
| <b>LR</b>       | Lease Revenue                                | <b>MERLOTS</b> | Municipal Exempt Receipts Liquidity Option Tender |
| <b>MFHR</b>     | Multi-Family Housing Revenue                 | <b>MFMR</b>    | Multi-Family Mortgage Revenue                     |
| <b>PCR</b>      | Pollution Control Revenue                    | <b>PILOT</b>   | Payment in Lieu of Taxes                          |
| <b>P-FLOATS</b> | Puttable Floating Option Tax-Exempt Receipts | <b>PUTTERS</b> | Puttable Tax-Exempt Receipts                      |
| <b>RAC</b>      | Revenue Anticipation Certificates            | <b>RAN</b>     | Revenue Anticipation Notes                        |
| <b>RAW</b>      | Revenue Anticipation Warrants                | <b>RIB</b>     | Residual Interest Bonds                           |
| <b>ROCS</b>     | Reset Options Certificates                   | <b>RRR</b>     | Resources Recovery Revenue                        |
| <b>SAAN</b>     | State Aid Anticipation Notes                 | <b>SBPA</b>    | Standby Bond Purchase Agreement                   |
| <b>SFHR</b>     | Single Family Housing Revenue                | <b>SFMR</b>    | Single Family Mortgage Revenue                    |
| <b>SONYMA</b>   | State of New York Mortgage Agency            | <b>SPEARS</b>  | Short Puttable Exempt Adjustable Receipts         |
| <b>SWDR</b>     | Solid Waste Disposal Revenue                 | <b>TAN</b>     | Tax Anticipation Notes                            |
| <b>TAW</b>      | Tax Anticipation Warrants                    | <b>TRAN</b>    | Tax and Revenue Anticipation Notes                |
| <b>XLCA</b>     | XL Capital Assurance                         |                |   |

*See notes to financial statements.*

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## STATEMENT OF ASSETS AND LIABILITIES

May 31, 2016 (Unaudited)

|  | Cost        | Value       |
|--|-------------|-------------|
| <b>Assets (\$):</b>                                    |             |             |
| Investments in securities—See Statement of Investments | 542,032,663 | 611,252,154 |
| Cash   |             | 195,926     |

|  |                    |
|--|--------------------|
| Interest receivable  | 9,184,990          |
| Prepaid expenses   | 42,163             |
|  | <b>620,675,233</b> |
| <b>Liabilities (\$):</b>   |                    |
| Due to The Dreyfus Corporation and affiliates—Note 2(b)  | 292,626            |
| Payable for floating rate notes issued—Note 3  | 93,368,507         |
| Interest and expense payable related to floating rate notes issued—Note 3  | 183,766            |
| Commissions payable—Note 1   | 24,449             |
| Dividends payable to Preferred Shareholders  | 2,968              |
| Accrued expenses   | 124,114            |
|  | <b>93,996,430</b>  |
| <b>Auction Preferred Stock, Series A, B and C, par value \$.001 per share (3,720 shares issued and outstanding at \$25,000 per share liquidation value)—Note 1</b> | <b>93,000,000</b>  |
| <b>Net Assets Applicable to Common Shareholders (\$)</b>   | <b>433,678,803</b> |
| <b>Composition of Net Assets (\$):</b>   |                    |
| Common Stock, par value, \$.001 per share (49,110,994 shares issued and outstanding)   | 49,111             |
| Paid-in capital  | 417,730,795        |
| Accumulated undistributed investment income—net  | 3,147,834          |
| Accumulated net realized gain (loss) on investments  | (56,468,428)       |
| Accumulated net unrealized appreciation (depreciation) on investments  | 69,219,491         |
| <b>Net Assets Applicable to Common Shareholders (\$)</b>   | <b>433,678,803</b> |
| <b>Shares Outstanding</b>  |                    |
| (110 million shares authorized)  | 49,110,994         |
| <b>Net Asset Value Per Share of Common Stock (\$)</b>  | <b>8.83</b>        |
| <i>See notes to financial statements.</i>  |                    |

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## STATEMENT OF OPERATIONS

Six Months Ended May 31, 2016 (Unaudited)

|   |                   |
|---|-------------------|
| <b>Investment Income (\$):</b>                                    |                   |
| <b>Interest Income</b>  | <b>14,686,662</b> |
| <b>Expenses:</b>  |                   |
| Investment advisory fee—Note 2(a)                                 | 1,302,508         |
| Administration fee—Note 2(a)                                      | 651,256           |
| Interest and expense related to floating rate notes issued—Note 3 | 302,474           |
| Commission fees—Note 1  | 97,439            |
| Professional fees   | 61,849            |

|   |                   |
|---|-------------------|
| Directors' fees and expenses—Note 2(c)  | 20,200            |
| Shareholders' reports   | 16,377            |
| Registration fees   | 15,737            |
| Shareholder servicing costs   | 4,553             |
| Custodian fees—Note 2(b)  | 749               |
| Miscellaneous   | 24,868            |
| <b>Total Expenses</b>   | <b>2,498,010</b>  |
| Less—reduction in expenses due to undertaking—Note 2(a)                                       | (260,502)         |
| <b>Net Expenses</b>   | <b>2,237,508</b>  |
| <b>Investment Income—Net</b>  | <b>12,449,154</b> |
| <b>Realized and Unrealized Gain (Loss) on Investments—Note 3 (\$):</b>                        |                   |
| Net realized gain (loss) on investments   | 2,805,202         |
| Net unrealized appreciation (depreciation) on investments                                     | 9,155,276         |
| <b>Net Realized and Unrealized Gain (Loss) on Investments</b>                                 | <b>11,960,478</b> |
| <b>Dividends to Preferred Shareholders</b>  | <b>(193,762)</b>  |
| <b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b> | <b>24,215,870</b> |
| <i>See notes to financial statements.</i>   |                   |

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## STATEMENT OF CASH FLOWS

Six Months Ended May 31, 2016 (Unaudited)

|  |              |                     |
|--|--------------|---------------------|
| <b>Cash Flows from Operating Activities (\$):</b>  |              |                     |
| Interest received  | 15,120,178   |                     |
| Operating expenses paid  | (1,959,676)  |                     |
| Dividends paid to Preferred Shareholders   | (192,274)    |                     |
| Purchases of portfolio securities  | (37,812,923) |                     |
| Proceeds from sales of portfolio securities  | 33,881,951   |                     |
| <b>Net Cash Provided by Operating Activities</b>   |              | <b>9,037,256</b>    |
| <b>Cash Flows from Financing Activities (\$):</b>  |              |                     |
| Dividends paid to Common Shareholders  | (11,969,354) |                     |
| Interest and expense related to floating rate notes issued paid  | (327,880)    |                     |
| <b>Net Cash Used in Financing Activities</b>   |              | <b>(12,297,234)</b> |
| Decrease in cash   |              | (3,259,978)         |
| Cash at beginning of period  |              | 3,455,904           |
| <b>Cash at end of period</b>   |              | <b>195,926</b>      |
| <b>Reconciliation of Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations to Net Cash Provided by Operating Activities (\$):</b> |              |                     |

|   |                  |
|---|------------------|
| Net Increase in Net Assets Applicable to Common Shareholders Resulting From Operations  | 24,215,870       |
| <b>Adjustments to reconcile net increase in net assets applicable to Common Shareholders resulting from operations to net cash provided by operating activities (\$):</b> |                  |
| Increase in investments in securities, at cost  | (648,433)        |
| Decrease payable for investment securities purchased  | (987,740)        |
| Increase in interest receivable   | (15,969)         |
| Increase in prepaid expenses  | (33,599)         |
| Decrease in commissions payable and accrued expenses  | (8,230)          |
| Increase in Due to The Dreyfus Corporation and affiliates   | 17,188           |
| Increase in dividends payable to Preferred Shareholders   | 1,488            |
| Decrease in payable for floating rate notes issued  | (5,100,000)      |
| Interest and expense related to floating rate notes issued  | 302,474          |
| Net unrealized appreciation on investments  | (9,155,276)      |
| Net amortization of premiums on investments   | 449,483          |
| <b>Net Cash Provided by Operating Activities</b>  | <b>9,037,256</b> |
| <b>Supplemental disclosure cash flow information (\$):</b>  |                  |
| Reinvestment of dividends   | 252,639          |
| <i>See notes to financial statements.</i>   |                  |

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## STATEMENT OF CHANGES IN NET ASSETS

|  | Six Months Ended<br>May 31, 2016 (Unaudited) | Year Ended<br>November 30, 2015 |
|--|--|---------------------------------|
| <b>Operations (\$):</b>  |  |                                 |
| Investment income—net  | 12,449,154                                   | 25,608,616                      |
| Net realized gain (loss) on investments  | 2,805,202                                    | 3,112,077                       |
| Net unrealized appreciation (depreciation) on investments  | 9,155,276                                    | (3,155,212)                     |
| Dividends to Preferred Shareholders  | (193,762)                                    | (125,517)                       |
| <b>Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b> | <b>24,215,870</b>                            | <b>25,439,964</b>               |

**Dividends to Common Shareholders from (\$):**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Investment income—net</b>   | <b>(12,221,993)</b> | <b>(24,443,018)</b> |
| <b>Capital Stock Transactions (\$):</b>                                  |                     |                     |
| Net proceeds from shares sold  | 252,639             | -                   |
| <b>Increase (Decrease) in Net Assets from Capital Stock Transactions</b> | <b>252,639</b>      | <b>-</b>            |
| <b>Total Increase (Decrease) in Net Assets</b>                           | <b>12,246,516</b>   | <b>996,946</b>      |
| <b>Applicable to Common Shareholders</b>                                 |                     |                     |
| <b>Net Assets Applicable to Common Shareholders (\$):</b>                |                     |                     |
| Beginning of Period  | 421,432,287         | 420,435,341         |
| <b>End of Period</b>   | <b>433,678,803</b>  | <b>421,432,287</b>  |
| Undistributed investment income—net                                      | 3,147,834           | 3,114,435           |
| <b>Capital Share Transactions (Common Shares):</b>                       |                     |                     |
| Shares sold  | 28,628              | -                   |

*See notes to financial statements.*

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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 distributions. 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<br>May 31, 2016<br>(Unaudited) |      | Year Ended November 30, |      |        |      |      |
|---|------|-------------------------|------|--------|------|------|
|   |      | 2015                    | 2014 | 2013   | 2012 | 2011 |
| <b>Per Share Data (\$):</b>                     |      |                         |      |        |      |      |
| Net asset value, beginning of period            | 8.59 | 8.57                    | 7.94 | 9.30   | 8.10 | 7.87 |
| Investment Operations:                          |      |                         |      |        |      |      |
| Investment income—net                           | .25  | .52                     | .52  | .53    | .55  | .57  |
|   | .24  | (.00) <sup>b</sup>      | .68  | (1.31) | 1.23 | .24  |

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|  |                    |                    |                    |         |       |       |
|--|--------------------|--------------------|--------------------|---------|-------|-------|
| Net realized and unrealized gain (loss) on investments         |                    |                    |                    |         |       |       |
| Dividends to Preferred Shareholders from investment income—net | (.00) <sup>b</sup> | (.00) <sup>b</sup> | (.00) <sup>b</sup> | (.01)   | (.01) | (.01) |
| Total from Investment Operations                               | .49                | .52                | 1.20               | (.79)   | 1.77  | .80   |
| Distributions to Common Shareholders:                          |                    |                    |                    |         |       |       |
| Dividends from investment income—net                           | (.25)              | (.50)              | (.57)              | (.57)   | (.57) | (.57) |
| Net asset value, end of period                                 | 8.83               | 8.59               | 8.57               | 7.94    | 9.30  | 8.10  |
| Market value, end of period                                    | 8.61               | 7.95               | 7.88               | 7.31    | 9.79  | 8.39  |
| <b>Total Return (%)<sup>c</sup></b>                            | 11.51 <sup>d</sup> | 7.41               | 15.77              | (20.01) | 24.46 | 13.67 |

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| Six Months Ended<br>May 31, 2016<br>(Unaudited)   |                   | Year Ended November 30, |      |      |      |      |
|---|-------------------|-------------------------|------|------|------|------|
|   |                   | 2015                    | 2014 | 2013 | 2012 | 2011 |
| <b>Ratios/Supplemental Data (%):</b>  |                   |                         |      |      |      |      |
| Ratio of total expenses to average net assets applicable to Common Stock <sup>e</sup>   | 1.17 <sup>f</sup> | 1.19                    | 1.21 | 1.24 | 1.23 | 1.30 |
| Ratio of net expenses to average net assets applicable to Common Stock <sup>e</sup>   | 1.05 <sup>f</sup> | 1.07                    | 1.09 | 1.11 | 1.07 | 1.16 |
| Ratio of interest and expense related to floating rate notes issued to average net assets applicable to Common Stock <sup>e</sup> | .14 <sup>f</sup>  | .15                     | .16  | .11  | .10  | .10  |
| Ratio of net investment income to average net assets applicable to Common Stock <sup>e</sup>                                      | 5.82 <sup>f</sup> | 6.10                    | 6.25 | 6.21 | 6.22 | 7.36 |
|   | .96 <sup>f</sup>  | .98                     | .99  | .94  | .93  | .95  |



|   |                   |         |         |         |         |         |
|---|-------------------|---------|---------|---------|---------|---------|
| Ratio of total expenses to total average net assets   |                   |         |         |         |         |         |
| Ratio of net expenses to total average net assets   | .86 <sup>f</sup>  | .88     | .89     | .84     | .81     | .85     |
| Ratio of interest and expense related to floating rate notes issued to total average net assets | .12 <sup>f</sup>  | .13     | .13     | .08     | .07     | .07     |
| Ratio of net investment income to total average net assets                                      | 4.78 <sup>f</sup> | 4.99    | 5.07    | 4.70    | 4.69    | 5.36    |
| Portfolio Turnover Rate   | 6.60 <sup>d</sup> | 15.27   | 7.29    | 20.27   | 15.99   | 20.50   |
| Asset Coverage of Preferred Stock, end of period  | 566               | 553     | 552     | 428     | 427     | 383     |
| Net Assets, applicable to Common Shareholders, end of period (\$ x 1,000)                       | 433,679           | 421,432 | 420,435 | 389,692 | 455,706 | 394,955 |
| Preferred Stock Outstanding, end of period (\$ x 1,000)   | 93,000            | 93,000  | 93,000  | 118,800 | 139,500 | 139,500 |
| Floating Rate Notes Outstanding, end of period (\$ x 1,000)                                     | 93,369            | 98,469  | 103,469 | 103,469 | 57,129  | 57,129  |

<sup>a</sup> Based on average common shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Calculated based on market value.

<sup>d</sup> Not annualized.

<sup>e</sup> Does not reflect the effect of dividends to Preferred Shareholders.

<sup>f</sup> Annualized.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

**NOTE 1—Significant Accounting Policies:**

Dreyfus Strategic Municipal Bond Fund, 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 seek 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 DSM.

The fund has outstanding 1,240 shares each of Series A, Series B and Series C 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 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 shareholders of Common Stock (“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 APS, voting as a separate class, have the right to elect at least two directors. The holders of APS will vote as a separate class on certain other matters, as required by law. The fund’s Board of Directors (the “Board”) has designated Robin A. Melvin and Hans C. Mautner as directors to be elected by the holders of APS.

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 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).

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

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

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 general market conditions. All of the preceding securities are generally 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 within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

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

The following is a summary of the inputs used as of May 31, 2016 in valuing the fund's investments:

|                                      | Level 1 - Unadjusted<br>Quoted Prices | Level 2 - Other Significant<br>Observable Inputs | Level 3 -Significant<br>Unobservable Inputs | Total               |
|--------------------------------------|---------------------------------------|--|---|---------------------|
| <b>Assets (\$)</b>                   |                                       |  |   |                     |
| Investments in<br>Securities:        |                                       |  |   |                     |
| Municipal Bonds <sup>†</sup>         | -                                     | 611,252,154                                      | -   | <b>611,252,154</b>  |
| <b>Liabilities (\$)</b>              |                                       |  |   |                     |
| Floating Rate<br>Notes <sup>††</sup> | -                                     | (93,368,507)                                     | -   | <b>(93,368,507)</b> |

<sup>†</sup>See *Statement of Investments* for additional detailed categorizations.

<sup>††</sup>Certain of the fund's liabilities are held at carrying amount, which approximates fair value for financial reporting purposes.

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At May 31, 2016, there were no transfers between levels 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 Common Shareholders:** Dividends are recorded on the ex-dividend date. Dividends from investment income-net are normally 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.

Common Shareholders will have their distributions reinvested in additional shares of the fund, unless such Common Shareholders elect to receive cash, at the lower of the market price or net asset value per share (but not less than 95% of the market price). 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, Computershare Inc., the transfer agent for the fund's Common Stock, will buy fund shares in the open market and reinvest those shares accordingly.

On May 27, 2016, the Board declared a cash dividend of \$.0415 per share from investment income-net, payable on June 30, 2016 to Common Shareholders of record as of the close of business on June 13, 2016.

**(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 May 31, 2016, for each Series of APS were as follows: Series A-0.474%, Series B-0.426% and Series C-0.474%. 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 May 31, 2016 for each Series of APS were as follows: Series A-0.41%, Series B-0.42% and Series C-0.41%.

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

**(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 May 31, 2016, 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 ended May 31, 2016, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended November 30, 2015 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 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 \$59,808,508 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to November 30, 2015. If not applied, \$5,522,685 of the carryover expires in fiscal year 2016, \$20,261,695 expires in fiscal year 2017, \$5,075,624 expires in fiscal year 2018 and \$21,871,958 expires in fiscal year 2019. The fund has \$1,131,582 of post-enactment short-term capital losses and \$5,944,964 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 November 30, 2015 was as follows: tax-exempt income \$24,397,001 and ordinary income \$171,534. The tax character of current year distributions will be determined at the end of the current fiscal year.

**NOTE 2—Investment Advisory Fee, Administration Fee and Other Transactions with Affiliates:**

**(a)** Pursuant to an investment advisory agreement with Dreyfus, the management fee is computed at the annual rate of .50% of the value of the

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fund’s average weekly net assets, inclusive of the outstanding APS, and is payable monthly. The fund also has an administration agreement with Dreyfus and a custody agreement with The Bank of New York Mellon (the “Custodian”), a subsidiary of BNY Mellon and an affiliate of Dreyfus. The fund pays in the aggregate for administration, custody and transfer agency services, a monthly fee based on an annual rate of .25% of the value of the fund’s average weekly net assets, inclusive of the outstanding APS. All out-of-pocket transfer agency and custody expenses, including custody transaction expenses, are paid separately by the fund.

Dreyfus has currently undertaken, from December 1, 2015 through November 30, 2016, to waive receipt of a portion of the fund's investment advisory 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 \$260,502 during the period ended May 31, 2016.

(b) The fund compensates the Custodian under a custody agreement for providing custodial services for the fund. These fees are determined based on transaction activity. During the period ended May 31, 2016, the fund was charged \$749 for out-of-pocket and custody transaction expenses, pursuant to the custody agreement.

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.

During the period ended May 31, 2016, the fund was charged \$2,887 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: investment advisory fees \$223,107, Administration fees \$111,554, Custodian fees \$181 and Chief Compliance Officer fees \$2,406, which are offset against an expense reimbursement currently in effect in the amount of \$44,622.

(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.

### **NOTE 3—Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended May 31, 2016, amounted to \$36,825,183 and \$33,881,951, respectively.

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

**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 "Inverse Floater Trust"). The Inverse Floater Trust typically issues two variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals ("Trust Certificates"). A residual interest tax-exempt security is also created by the Inverse Floater Trust, which is transferred to the fund, and is paid interest based on the remaining cash flows of the Inverse Floater Trust, after payment of interest on the other securities and various expenses of the Inverse Floater Trust. An inverse floater security may be collapsed without the consent of the fund due to certain termination events such as bankruptcy, default or other credit event.

The fund accounts for the transfer of bonds to the Inverse Floater 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 fund may invest in inverse floater securities on either a non-recourse or recourse basis. These securities are typically supported by a liquidity facility provided by a bank or other financial institution (the "Liquidity Provider") that allows the holders of the Trust Certificates to tender their certificates in exchange for payment from the Liquidity

Provider of par plus accrued interest on any business day prior to a termination event. When the fund invests in inverse floater securities on a non-recourse basis, the Liquidity Provider is required to make a payment under the liquidity facility due to a termination event to the holders of the Trust Certificates. When this occurs, the Liquidity Provider typically liquidates all or a portion of the municipal securities held in the Inverse Floater Trust. A liquidation shortfall occurs if the Trust Certificates exceed the proceeds of the sale of the bonds in the Inverse Floater Trust ("Liquidation Shortfall"). When a fund invests in inverse floater securities on a recourse basis, the fund typically enters into a reimbursement agreement with the Liquidity Provider where the fund is required to repay the Liquidity Provider the amount of any Liquidation Shortfall. As a result, a fund investing in a recourse inverse floater security bears the risk of loss with respect to any Liquidation Shortfall.

The average amount of borrowings outstanding under the inverse floater structure during the period ended May 31, 2016 was approximately \$94,218,500, with a related weighted average annualized interest rate of .64%.

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At May 31, 2016, accumulated net unrealized appreciation on investments was \$69,219,491, consisting of \$69,543,716 gross unrealized appreciation and \$324,225 gross unrealized depreciation.

At May 31, 2016, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

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## NOTES

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## OFFICERS AND DIRECTORS

Dreyfus Strategic Municipal Bond Fund, Inc.

200 Park Avenue  
New York, NY 10166

### Directors

Joseph S. DiMartino, Chairman  
Gordon J. Davis †  
Joni Evans  
Ehud Houminer  
Hans C. Mautner††  
Robin A. Melvin ††  
Burton N. Wallack

### Officers (continued)

Chief Compliance Officer  
Joseph W. Connolly

### Portfolio Managers

Daniel A. Barton  
Jeffrey B. Burger

Benaree Pratt Wiley

*†Interested Board Member*

*†Auction Preferred Stock Director*

**Investment Adviser and Administrator**

The Dreyfus Corporation

**Officers**

President

Bradley J. Skapyak

Chief Legal Officer

Bennett A. MacDougall

Vice President and Secretary

Janette E. Farragher

Vice President and Secretaries

James Bitetto

Joni Lacks Charatan

Joseph M. Chioffi

Maureen E. Kane

Sarah S. Kelleher

Jeff Prusnofsky

Treasurer

James Windels

Assistant Treasurers

Richard Cassaro

Gavin C. Reilly

Robert S. Robol

Robert Salviolo

Robert Svagna

**Custodian**

The Bank of New York Mellon

**Counsel**

Stroock & Stroock & Lavan LLP

**Transfer Agent,**

**Dividend -Paying Agent**

**Disbursing Agent and Registrar**

Computershare Inc.

(Common Stock)

Deutsche Bank Trust Company America

(Auction Preferred Stock)

**Auction Agent**

Deutsche Bank Trust Company America

(Auction Preferred Stock)

**Stock Exchange Listing**

NYSE Symbol: DSM

**Initial SEC Effective Date**

11/22/89

*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; and Wall Street Journal, Mutual Funds section under the heading*

*"Closed-End Funds" every Monday.*

*Notice is hereby given in accordance with Section 23(c) of the Act 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.*



For More Information

**Dreyfus Strategic Municipal Bond Fund, Inc.**

200 Park Avenue  
New York, NY 10166

**Investment Adviser and Administrator**

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

**Custodian**

The Bank of New York Mellon  
225 Liberty Street  
New York, NY 10286

**Transfer Agent &  
Registrar (Common Stock)**

Computershare Inc.  
480 Washington Boulevard  
Jersey City, NJ 07310

**Dividend Disbursing Agent (Common Stock)**

Computershare Inc.  
P.O. Box 30170  
College Station, TX 77842

**Ticker Symbol:** DSM

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 [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. (phone 1-800-SEC-0330 for information).

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at [www.dreyfus.com](http://www.dreyfus.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov) and without charge, upon request, by calling 1-800-DREYFUS.

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**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.**

None.

**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.

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**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.

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**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 Municipal Bond Fund, Inc.

By: /s/ Bradley J. Skapyak

Bradley J. Skapyak

President

Date: July 21, 2016

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: July 21, 2016

By: /s/ James Windels

James Windels

Treasurer

Date: July 21, 2016



**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)