

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC

Form N-CSR

August 01, 2006

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 811-5877

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)

Mark N. Jacobs, Esq.

200 Park Avenue

New York, New York 10166

(Name and address of agent for service)

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

Date of fiscal year end: 11/30

Date of reporting period: 5/31/06

FORM N-CSR

Item 1. Reports to Stockholders.

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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Strategic Municipal Bond Fund, Inc.

The Fund

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2005, through May 31, 2006.

Since June 2004, the Federal Reserve Board (the "Fed") has attempted to manage U.S. economic growth and forestall potential inflation by gradually raising short-term interest rates. In our view, the Fed's shift from a stimulative monetary policy to a neutral one has so far been successful: the economy has grown at a moderate pace, the unemployment rate has dropped, corporate profits have risen, and inflation has generally remained in check despite recent cost pressures stemming from higher energy and import prices.

As we near the second half of the year, the financial markets appear more likely to be influenced not by what the Fed already has accomplished, but by investors' expectations of what is to come, including the Fed's decision to increase rates further, maintain them at current levels or reduce them to stimulate future growth. We believe that this decision will depend largely on the outlook for core inflation in 2007. The Fed probably can stand pat as long as it expects inflation to remain subdued. But if inflationary pressures continue to build, the Fed may choose to tighten monetary policy further. As always, we urge you to discuss with your financial advisor the potential implications of these possibilities on your investments.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's portfolio manager.

Thank you for your continued confidence and support.

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
June 15, 2006

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DISCUSSION OF FUND PERFORMANCE

James Welch, Portfolio Manager

How did Dreyfus Strategic Municipal Bond Fund perform during the period?

For the six-month period ended May 31, 2006, the fund achieved a total return of 3.49%.¹ Over the same period, the fund provided aggregate income dividends of \$0.258 per share, which reflects a distribution rate of 5.93%.²

Longer-term municipal bond prices continued to hold up relatively well amid rising short-term interest rates for much of the reporting period, until intensifying inflation fears led to a bout of market weakness in the spring of

2006. The fund continued to receive strong income contributions from its core holdings of seasoned municipal bonds, which were purchased at a time when yields were higher than today, as well as lower-rated, corporate-backed securities.

What is 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. Municipal bonds are classified as general obligation bonds, revenue bonds and notes. 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 issues auction rate preferred stock and invests the proceeds in a manner consistent with its investment objective. This has the effect of "leveraging" the portfolio, which can increase the fund's performance potential as well as, depending on market conditions, enhance net asset value volatility.

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DISCUSSION OF FUND PERFORMANCE *(continued)*

Over time, many of the fund's older, higher yielding bonds have matured or were redeemed by their issuers. We have generally 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 optimal redemption date or maturity. In addition, we conduct credit analysis of the fund's holdings in an attempt to avoid potential defaults on interest and principal payments.

What other factors influenced the fund's performance?

The Federal Reserve Board (the "Fed") implemented four more increases in the overnight federal funds rate, driving it to 5% by the reporting period's end. While longer-term bond yields also rose, they initially climbed less steeply than short-term rates, supporting bond prices and contributing to a further narrowing of yield differences between the short and long ends of the market's maturity range. A more pronounced rise in long-term yields beginning in March 2006 was not enough to erase the fund's positive total returns for the reporting period overall.

The fund's results also were influenced by supply-and-demand factors in the municipal bond market. The growing U.S. economy benefited most states and municipalities, helping to reduce unemployment and boost corporate and personal income tax receipts. As a result, the national supply of newly issued bonds moderated compared to the same period one year ago. However, demand from individual and institutional investors generally remained robust, putting downward pressure on bond yields and supporting their prices.

In this environment, the fund continued to receive strong income contributions from its core holdings of seasoned bonds. Some of those holdings were called by their issuers during the reporting period, and some were "pre-refunded," a process in which new securities are issued at lower yields and part of the proceeds is set aside to redeem higher

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yielding bonds at the earliest available opportunity. Prices of pre-refunded bonds tend to rise. The fund also received strong income contributions from its corporate-backed holdings, including bonds issued on behalf of airlines, as well as securities backed by the states' settlement of litigation with U.S. tobacco companies.

As yield differences along the market's maturity spectrum narrowed, we focused more intently on bonds with maturities in the 20-year range while reducing exposure to securities with 10-year maturities. This strategy helped the fund participate more fully in strength among longer-term securities while managing the risks that

longer-dated positions typically entail.

What is the fund's current strategy?

Although the Fed appears to be near the end of its credit tightening campaign, we believe that one or more additional rate hikes are likely. Indeed, recent economic data have been mixed, with some suggesting that inflationary pressures are mounting, while others show signs of economic weakness. Therefore, while we generally have maintained the same income-oriented strategy that we employed during the reporting period, we are prepared to alter the fund's profile when we become convinced that short-term interest rates have peaked and the U.S. economy is moving to the next phase of its cycle.

June 15, 2006

- ¹ Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain expenses by The Dreyfus Corporation pursuant to an undertaking in effect through October 31, 2006. Had these expenses not been absorbed, the fund's return would have been lower.
- ² 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, 2006 (Unaudited)

Long-Term Municipal Investments	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Alabama 1.0%				
Jefferson County, Limited Obligation School Warrants	5.50	1/1/22	4,000,000	4,278,280
Alaska 4.1%				
Alaska Housing Finance Corp. (Veterans Mortgage Program)	6.25	6/1/35	5,085,000	5,319,419
Alaska Housing Finance Corp., General Mortgage Revenue (Insured; MBIA)	6.05	6/1/39	11,915,000	12,248,858
Arizona .5%				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Co. Project)	5.85	3/1/28	2,220,000	2,220,932
Arkansas 1.9%				
Arkansas Development Finance Authority, SFMR (Mortgage				

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Backed Securities Program) (Collateralized; GNMA)	6.25	1/1/32	2,780,000	2,785,755
Little Rock School District (Insured; FSA)	5.25	2/1/30	5,000,000	5,193,600
California 5.7%				
California, GO	5.50	4/1/28	4,855,000	5,272,287
California, GO (Various Purpose)	5.25	11/1/27	4,240,000	4,442,587
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	5,000,000	5,002,000
California Health Facilities Financing Authority, Revenue (Cedars-Sinai Medical Center)	6.25	12/1/09	3,750,000 ^a	4,096,162
Chula Vista, IDR (San Diego Gas and Electric Co.)	5.00	12/1/27	3,000,000	3,030,360
Chula Vista, IDR (San Diego Gas and Electric Co.)	5.00	12/1/27	2,500,000	2,525,300

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Colorado 4.4%				
Colorado Health Facilities Authority, Revenue (American Housing Foundation 1, Inc.)	8.50	12/1/31	1,995,000	2,059,179
Colorado Housing Finance Authority (Collateralized; FHA)	6.60	8/1/32	2,285,000	2,376,103
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)	6.88	10/1/32	2,885,000 ^b	2,967,222
Northwest Parkway Public Highway Authority, Revenue	7.13	6/15/41	7,000,000	6,575,590
Silver Dollar Metropolitan District	7.05	12/1/06	4,755,000 ^a	4,834,361
Connecticut 5.6%				
Connecticut Connecticut Development Authority, PCR (Connecticut Light and Power Co. Project)	5.00	5/1/25	3,500,000	3,680,110
Connecticut Health and Educational Facilities Authority, Revenue (Yale University Issue)	5.95	9/1/28	9,000,000	9,463,230
Connecticut Resources Recovery Authority (American REF-FUEL	5.00	7/1/42	4,735,000	4,851,954

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Co. of Southeastern Connecticut Project)	6.45	11/15/22	4,985,000	5,026,874
Mohegan Tribe Indians Gaming Authority, Public Improvement-Priority Distribution	6.25	1/1/31	1,000,000	1,066,170
District of Columbia 1.0%				
Metropolitan Washington Airports Authority, Special Facilities Revenue (Caterair International Corp.)	10.13	9/1/11	4,300,000	4,305,762
Florida 4.8%				
Florida Housing Finance Corp., Housing Revenue (Seminole Ridge Apartments) (Collateralized; GNMA)	6.00	4/1/41	6,415,000	6,652,932

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Florida (continued)				
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	7,000,000 ^c	7,253,470
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	70,000 ^a	75,541
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	3,430,000	3,610,178
Orange County Health Facilities Authority, Revenue (Adventist Health System)	6.25	11/15/24	3,000,000	3,285,240
Georgia 2.6%				
Atlanta, Airport Revenue (Insured; FSA)	5.25	1/1/25	3,000,000	3,133,380
Augusta, Airport Revenue	5.45	1/1/31	2,500,000	2,528,900
Georgia Housing and Finance Authority, SFMR	5.60	12/1/32	2,495,000	2,568,752
Savannah Economic Development				

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Authority, EIR (International Paper Co.)	6.20	8/1/27	2,670,000	2,872,600
Idaho 1.1%				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	550,000	570,460
Illinois 10.0%				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	2,240,000	2,289,840
Chicago O'Hare International Airport, General Airport Revenue (3rd Lien) (Insured; XLCA)	6.00	1/1/29	5,000,000	5,499,050
Chicago O'Hare International Airport, Special Facilities Revenue (American Airlines Inc. Project)	8.20	12/1/24	7,200,000	7,235,928

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Illinois (continued)				
Illinois Educational Facilities Authority, Revenue (Chicago University) (Insured; MBIA)	5.13	7/1/38	5,000,000	5,128,750
Illinois Educational Facilities Authority, Revenue (Northwestern University)	5.00	12/1/38	5,000,000	5,098,650
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,000,000 ^a	5,476,550
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	10,900,000 ^a	11,876,640
Indiana 1.5%				
Franklin Township School Building Corp., First Mortgage	6.13	7/15/10	6,000,000 ^a	6,638,100
Kansas 0.8%				
Burlington, PCR (Kansas Gas and Electric Co. Project) (Insured; MBIA)	4.85	6/1/31	3,250,000 ^c	3,268,687
Louisiana 1.8%				
West Feliciana Parish, PCR (Entergy Gulf States)	7.00	11/1/15	3,000,000	3,011,220
West Feliciana Parish,				

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PCR (Entergy Gulf States)	6.60	9/1/28	4,700,000	4,751,230
Maryland 1.2%				
Maryland Economic Development Corp., Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	2,439,916
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility)	8.75	11/15/10	3,710,000	2,706,816
Massachusetts 6.7%				
Massachusetts Development Finance Agency, Revenue (WGBH Educational Foundation) (Insured; AMBAC)	5.38	1/1/12	5,750,000 ^a	6,264,797

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Massachusetts (continued)				
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments)	9.00	12/15/15	2,000,000	2,447,760
Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology)	5.50	7/1/32	4,000,000	4,606,880
Massachusetts Health and Educational Facilities Authority, Revenue (Partners Healthcare System)	5.75	7/1/32	3,000,000	3,235,740
Massachusetts Housing Finance Agency, Housing	5.00	6/1/30	1,000,000	1,022,150
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/35	6,000,000	6,023,760
Massachusetts Turnpike Authority, Metropolitan Highway System Revenue (Insured; MBIA)	5.00	1/1/37	5,205,000	5,274,435
Michigan 3.2%				

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Charyl Stockwell Academy, COP	5.90	10/1/35	1,000,000	1,006,770
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	4,000,000	4,288,960
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	8,720,000	8,700,031
Minnesota 1.0%				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/25	1,000,000	1,078,970

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Minnesota (continued)				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	3,000,000	3,227,520
Mississippi 0.7%				
Mississippi Business Finance Corp., PCR (Systems Energy Resources, Inc.)	5.90	5/1/22	3,160,000	3,181,520
Nebraska 0.3%				
Nebraska Investment Finance Authority, SFMR	8.02	3/1/26	1,250,000 ^{d,e}	1,274,125
Nevada 3.9%				
Clark County, IDR (Nevada Power Co. Project)	5.60	10/1/30	3,000,000	3,015,270
Washoe County (Reno-Sparks Convention Center) (Insured; FSA)	6.40	1/1/10	8,000,000 ^a	8,711,360
Washoe County, Water Facility Revenue (Sierra Pacific Power Co.)	5.00	7/1/09	5,000,000	5,031,650
New Hampshire 3.4%				
New Hampshire Business Finance Authority, PCR (Public Service Co.) (Insured; MBIA)	6.00	5/1/21	2,690,000	2,834,749
New Hampshire Business Finance Authority, PCR (Public Service Co.) (Insured; MBIA)	6.00	5/1/21	6,000,000	6,322,860
New Hampshire Industrial				

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Development Authority, PCR (Connecticut Light)	5.90	11/1/16	5,400,000	5,556,060
New Jersey 3.7%				
New Jersey Economic Development Authority, Special Facilities Revenue (Continental Airlines, Inc. Project)	6.25	9/15/19	4,620,000	4,609,143

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New Jersey (continued)				
Tobacco Settlement Financing Corp. of New Jersey, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/41	10,095,000	11,443,894
New York 4.9%				
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	3,000,000	3,445,500
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	11,000,000	12,356,080
New York State Dormitory Authority, Revenue (Marymount Manhattan College) (Insured; Radian)	6.25	7/1/29	4,000,000	4,286,640
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	817,851
North Carolina 6%				
North Carolina Eastern Municipal Power Agency, Power Systems Revenue	6.70	1/1/19	2,500,000	2,719,075
Ohio 5.4%				
Cuyahoga County, Hospital Facilities Revenue (UHHS/CSAHS-Cuyahoga, Inc. and CSAHS/UHHS-Canton, Inc. Project)	7.50	1/1/30	3,500,000	3,856,825

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Cuyahoga County, Hospital Improvement Revenue (The Metrohealth Systems Project)	6.15	2/15/09	10,000,000 ^a	10,709,800
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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Ohio (continued)				
Ohio Air Quality Development Authority, PCR (Cleveland Electric Illuminating Co. Project) (Insured; ACA)	6.10	8/1/20	2,400,000	2,481,768
Ohio Housing Finance Agency, Residential Mortgage Revenue Program (Mortgage-Backed Securities Program) (Collateralized; GNMA)	6.15	3/1/29	1,885,000	1,910,429
Ohio Water Development Authority, Pollution Control Facilities Revenue (Cleveland Electric Illuminating Co. Project) (Insured; ACA)	6.10	8/1/20	4,000,000	4,136,280
Oklahoma 3.4%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	9,000,000	9,503,010
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/09	2,105,000 ^a	2,248,940
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/29	2,895,000	3,063,228
Oregon 1.2%				
Oregon, GO (Veterans Welfare)	5.25	10/1/42	2,000,000	2,026,560
Western Generation Agency, Cogeneration Project Revenue (Wauna Cogeneration Project)	7.40	1/1/16	3,250,000	3,261,928
Pennsylvania 1.7%				
Allegheny County Port Authority, Special Transportation Revenue (Insured; MBIA)	6.13	3/1/09	4,750,000 ^a	5,093,520

The Fund **13**STATEMENT OF INVESTMENTS (Unaudited) *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Pennsylvania (continued)				
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant Energy Seward, LLC Project)	6.75	12/1/36	2,000,000	2,129,620
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	8.25	12/15/19	249,000	249,543
Rhode Island 1.5%				
Rhode Island Health and Educational Building Corp. Higher Educational Facilities (University of Rhode Island) (Insured; MBIA)	5.88	9/15/09	5,910,000 ^a	6,362,706
South Carolina 7.2%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	7.27	12/1/28	9,500,000 ^{d,e}	11,330,365
Greenville Hospital System, Hospital Facilities Revenue (Insured; AMBAC)	5.50	5/1/26	7,000,000	7,478,520
Medical University of South Carolina, Hospital Facilities Revenue	6.00	7/1/09	5,000,000 ^a	5,372,900
Richland County, EIR (International Paper Co.)	6.10	4/1/23	6,500,000	7,006,675
Tennessee 3.7%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/25	2,000,000	2,322,780
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/33	4,875,000	5,642,081

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Tennessee (continued)				
Memphis Center Revenue Finance Corp., Sports Facility Revenue (Memphis Redbirds)	6.50	9/1/28	6,000,000	5,856,660
Tennessee Housing Development Agency (Homeownership Program)	6.00	1/1/28	1,940,000	1,958,100
Texas 20.8%				
Alliance Airport Authority Inc., Special Facilities Revenue (American Airlines, Inc. Project)	7.50	12/1/29	5,000,000	4,966,150
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corp. Revenue (Bombardier Inc.)	6.15	1/1/16	3,000,000	3,029,550
Gregg County Health Facilities Development Corp., HR (Good Shephard Medical Center Project) (Insured; Radian)	6.38	10/1/25	2,500,000	2,730,450
Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare System)	6.38	6/1/11	7,000,000 ^a	7,847,350
Harris County-Houston Sports Authority, Revenue (Third Lien-A-3) (Insured; MBIA)	0.00	11/15/31	9,685,000	2,545,993
Houston, Combined Utility System First Lien Revenue (Insured; MBIA)	5.25	5/15/25	7,785,000	8,268,449
Katy Independent School District (Permanent School Fund Guaranteed)	6.13	2/15/09	11,360,000 ^a	12,068,296
Lubbock Texas Housing Financing Corp., SFMR (Collateralized: FNMA and GNMA)	6.70	10/1/30	1,800,000	1,851,318
Sabine River Authority, PCR (TXU Electric Co. Project)	5.50	11/1/11	2,490,000	2,637,234
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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Sabine River Authority, PCR (TXU Electric Co. Project) Texas	6.45	6/1/21	4,900,000	5,222,420
(Veterans) Texas (Veterans Housing Assistance Program)	6.00	12/1/30	3,935,000	4,154,180
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	6.10	6/1/31	8,510,000	8,908,013
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	9.87	7/2/24	1,700,000 ^d	1,714,824
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.35	7/1/33	5,625,000	5,726,025
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	5.25	8/15/42	6,775,000	7,087,328
Tyler Health Facilities Development Corp., HR (East Texas Medical Center)	6.00	7/1/25	4,650,000	4,804,891