

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC
Form N-CSR
January 30, 2018

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: 11/30/17

FORM N-CSR

Item 1. Reports to Stockholders.

Dreyfus Strategic Municipal Bond Fund, Inc.

ANNUAL REPORT
November 30, 2017

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(s) 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 annual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the 12-month period from December 1, 2016 through November 30, 2017. 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.

Stocks set a series of new record highs and bonds produced mixed results over the past year in response to changing economic and political conditions. Financial markets at the start of the reporting period were dominated by the election of a new U.S. presidential administration. Equities and corporate-backed bonds surged higher in anticipation of more business-friendly regulatory, tax, and fiscal policies, but high-quality bonds generally lost value due to expectations of rising interest rates and accelerating inflation in a stronger economy. U.S. and international stocks continued to rally in 2017 as corporate earnings grew, global economic conditions improved, and tax reform legislation appeared to make progress. Despite a series of short-term interest-rate hikes, bonds recovered their previous losses over much of 2017.

The markets' recent strong performance has been supported by solid underlying fundamentals. While we currently expect these favorable conditions to persist, we remain watchful for economic and political developments that could derail the markets. As always, we encourage you to discuss the risks and opportunities of today's investment environment with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Renee Laroche-Morris
President
The Dreyfus Corporation
December 15, 2017

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DISCUSSION OF FUND PERFORMANCE

For the period from December 1, 2016 through November 30, 2017, as provided by Daniel Rabasco and Jeffrey Burger, Portfolio Managers

Market and Fund Performance Overview

For the 12-month period ended November 30, 2017, Dreyfus Strategic Municipal Bond Fund, Inc. achieved a total return of 7.42% on a net-asset-value basis.¹ Over the same period, the fund provided aggregate income dividends of \$0.498 per share, which reflects an annualized distribution rate of 5.93%.²

Municipal bonds produced positive returns when moderating long-term interest rates and favorable supply-and-demand dynamics more than offset bouts of market weakness early and late in the reporting period. The fund particularly benefited from its focus on longer-term, income-oriented securities.

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.

Supply-and-Demand Dynamics Buoyed Municipal Bonds

Uncertainty regarding potential changes in tax policy in the wake of the 2016 U.S. presidential election sparked sharp market declines early in the reporting period. In addition, market performance had been dampened by a flood of new securities as issuers sought to lock in low financing rates in advance of short-term interest-rate hikes from the Federal Reserve Board (the "Fed").

These negative trends quickly reversed, and municipal bonds rebounded steadily from low valuations over the ensuing months as the supply of newly issued securities moderated and investor demand increased. However, municipal bonds encountered renewed weakness in the closing months of the reporting period when tax reform legislation made progress and investors increasingly expected further interest-rate hikes from the Fed. Nonetheless, municipal bonds produced higher returns than comparable U.S. Treasury securities for the reporting period overall.

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DISCUSSION OF FUND PERFORMANCE *(continued)*

Although growth in tax revenues has slowed and several states are facing pressure from underfunded pension systems, credit conditions have remained stable for most municipal issuers.

Longer-Term Securities Supported Fund Results

The fund produced a strongly positive total return and a competitive dividend distribution rate during the reporting period, in part due to emphasis on securities with 20- to 30-year maturities and generally light exposure to bonds with maturities in the five-year range. In addition, a gradual reduction in the fund's average duration over the reporting period helped cushion the brunt of market weakness in the fall.

Overweighted exposure to revenue-backed bonds, and commensurately lighter positions in lower yielding general obligation bonds, also produced favorable results. The fund further benefited from its security selection strategy, most notably a focus on higher-yielding, longer-term municipal bonds with strong income characteristics. The fund achieved especially helpful results through investments in bonds backed by revenues from special taxes, public power utilities, health care facilities, and the states' settlement of litigation with U.S. tobacco companies.

On a more negative note, the fund's holdings of short-term escrowed bonds dampened its performance, as did weakness among insured bonds from Puerto Rico. The fund's leveraging strategy was undermined to a degree by higher financing costs when short-term interest rates climbed.

A Constructive Investment Posture

We believe that current market volatility surrounding tax reform legislation will ease in early 2018. Indeed, if the current proposal is enacted into law, we expect the supply of newly issued municipal bonds to decrease, while demand should remain robust from individuals in the higher tax brackets. These favorable supply-and-demand dynamics should support municipal bond prices. In addition, municipal bonds historically have been less sensitive than U.S. Treasury securities to rising interest rates. Therefore, we have maintained a constructive investment posture, including an emphasis on higher-yielding, longer-term revenue bonds.

December 15, 2017

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 figures provided reflect the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an undertaking in effect through May 31, 2018, at which time it may be extended, terminated, or modified. Had these expenses not been absorbed, the fund's returns 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.

Bonds 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.

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SELECTED INFORMATION

November 30, 2017 (Unaudited)

Market Price per share November 30, 2017	\$ 8.40
Shares Outstanding November 30, 2017	49,337,173
New York Stock Exchange Ticker Symbol	DSM

MARKET PRICE (NEW YORK STOCK EXCHANGE)

Fiscal Year Ended November 30, 2017

	Quarter Ended February 28, 2017	Quarter Ended May 31, 2017	Quarter Ended August 31, 2017	Quarter Ended November 30, 2017
High	\$8.47	\$8.51	\$8.83	\$8.63
Low	7.94	8.12	8.37	8.39
Close	8.46	8.46	8.65	8.40

PERCENTAGE GAIN (LOSS) based on change in Market Price[†]

November 22, 1989 (commencement of operations)	446.78%
through November 30, 2017	
December 1, 2007 through November 30, 2017	108.4
December 1, 2012 through November 30, 2017	18.18
December 1, 2016 through November 30, 2017	10.46
March 1, 2017 through November 30, 2017	3.79
June 1, 2017 through November 30, 2017	2.27
September 1, 2017 through November 30, 2017	(1.44)

NET ASSET VALUE PER SHARE

November 22, 1989 (commencement of operations)	\$9.32
November 30, 2016	8.19
February 28, 2017	8.36
May 31, 2017	8.48
August 31, 2017	8.48
November 30, 2017	8.29

PERCENTAGE GAIN (LOSS) based on change in Net Asset Value[†]

November 22, 1989 (commencement of operations)	479.01%
through November 30, 2017	
December 1, 2007 through November 30, 2017	85.83
December 1, 2012 through November 30, 2017	22.78
December 1, 2016 through November 30, 2017	7.42
March 1, 2017 through November 30, 2017	3.66
June 1, 2017 through November 30, 2017	0.69
September 1, 2017 through November 30, 2017	(0.78)

[†]With dividends reinvested.

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STATEMENT OF INVESTMENTS

November 30, 2017

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Long-Term Municipal Investments - 148.0%				
Alabama - 4.0%	5.50	6/1/30	1,800,000	2,012,004

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Birmingham Special Care Facilities Financing Authority, Improvement Revenue (Methodist Home for the Aging)	6.00	6/1/50	2,750,000	3,075,490
Birmingham Special Care Facilities Financing Authority, Improvement Revenue (Methodist Home for the Aging)	0/7.75	10/1/46	6,000,000	a 4,987,800
Jefferson County, Sewer Revenue Warrants	5.00	9/1/46	5,000,000	6,164,400
Lower Alabama Gas District, Gas Project Revenue				16,239,694

Alaska - 2.0%

Northern Tobacco Securitization Corporation of Alaska, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/46	8,465,000	8,057,918
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Arizona - 6.3%

Arizona Industrial Development Authority, Education Revenue (BASIS Schools Projects)	5.25	7/1/47	1,500,000	b 1,582,530
Phoenix Industrial Development Authority, Education Facility Revenue (BASIS Schools Projects)	5.00	7/1/46	2,000,000	b 2,068,720
Phoenix Industrial Development Authority, Education Facility Revenue (BASIS Schools Projects)	5.00	7/1/45	1,000,000	b 1,035,010
Phoenix Industrial Development Authority, Education Facility Revenue (Legacy Traditional Schools Project)	6.75	7/1/44	1,000,000	b 1,121,350
Phoenix Industrial Development Authority, Education Facility Revenue (Legacy Traditional Schools Projects)	5.00	7/1/45	1,300,000	b 1,302,444
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	4,550,000	5,555,095

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Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Long-Term Municipal Investments - 148.0% (continued)				
Arizona - 6.3% (continued)				
Tender Option Bond Trust Receipts (Series 2016-XM0447), 1/1/2038, (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue) Recourse	5.00	1/1/38	13,198,367	b,c 13,235,525
				25,900,674
California - 16.3%				
California, GO (Various Purpose)	5.75	4/1/31	7,800,000	8,247,954
California, GO (Various Purpose)	6.00	3/1/33	2,250,000	2,473,358
California, GO (Various Purpose)	6.50	4/1/33	5,000,000	5,336,900
California, GO (Various Purpose)	6.00	11/1/35	5,000,000	5,421,650
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	4,695,000	4,730,212

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Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	6.00	7/1/35	4,000,000	4,106,120
San Buenaventura, Revenue (Community Memorial Health System)	7.50	12/1/41	1,500,000	1,748,460
Santa Margarita/Dana Point Authority, Revenue (Santa Margarita Water District Improvement Districts Numbers 2,3 and 4) (Prerefunded)	5.13	8/1/18	5,000,000	d 5,127,550
Tender Option Bond Trust Receipts (Series 2016-XM0379), 7/1/2043, (Los Angeles Department of Water and Power, Water System Revenue) Non-recourse	5.00	7/1/20	5,000,000	b,c 5,611,450
Tender Option Bond Trust Receipts (Series 2016-XM0387), 5/15/2038, (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport)) Non-recourse	5.00			