

DREYFUS STRATEGIC MUNICIPALS INC  
Form N-CSRS  
May 30, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number      811-5245

Dreyfus Strategic Municipals, Inc.  
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166  
(Address of principal executive offices) (Zip code)

Janette E. Farragher, Esq.

200 Park Avenue

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

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

Date of fiscal year end:      9/30

Date of reporting period:      3/31/12

1

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**FORM N-CSR**

**Item 1. Reports to Stockholders.**

2

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# Dreyfus Strategic Municipals, Inc.

SEMIANNUAL REPORT March 31, 2012

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## Dreyfus Strategic Municipals, Inc.

### Protecting Your Privacy

#### Our Pledge to You

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

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

#### **THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.**

The Fund collects a variety of nonpublic personal information, which may include:

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

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

*Thank you for this opportunity to serve you.*

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

Not FDIC-Insured Not Bank-Guaranteed May Lose Value

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# Contents

## THE FUND

- 2 A Letter from the Chairman and CEO
- 3 Discussion of Fund Performance
- 6 Statement of Investments
- 25 Statement of Assets and Liabilities
- 26 Statement of Operations
- 27 Statement of Cash Flows
- 28 Statement of Changes in Net Assets
- 29 Financial Highlights
- 31 Notes to Financial Statements
- 41 Information About the Renewal of the Fund's Management Agreement
- 49 Officers and Directors

## FOR MORE INFORMATION

Back Cover

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Dreyfus  
Strategic Municipals, Inc.

## The Fund

### A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

This semiannual report for Dreyfus Strategic Municipals, Inc. covers the six-month period from October 1, 2011, through March 31, 2012. 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.

Municipal bonds continued to benefit from positive supply-and-demand factors during the last six-month period, which enabled them to avoid some of the volatility affecting their taxable fixed-income counterparts as economic sentiment changed. The supply of newly issued tax-exempt bonds remained muted when issuers responded to political pressure by reducing spending and borrowing, while demand remained robust from individual and institutional investors seeking high current after-tax yields in a low interest-rate environment. Consequently, municipal bonds produced higher total returns, on average, than most other fixed-income market sectors for the reporting period.

Our economic forecast anticipates that the United States will continue to post better economic data than most of the rest of the developed world. An aggressively accommodative monetary policy, pent-up demand in several industry groups and gradual improvement in housing prices appear likely to offset risks stemming from the ongoing European debt crisis and volatile energy prices. As always, we encourage you to talk with your financial adviser about how these developments may affect your investments.

Thank you for your continued confidence and support.

Jonathan R. Baum  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
April 16, 2012

2

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## DISCUSSION OF FUND PERFORMANCE

*For the period of October 1, 2011, through March 31, 2012, as provided by Daniel Barton and Steven Harvey, Portfolio Managers*

### Fund and Market Performance Overview

For the six-month period ended March 31, 2012, Dreyfus Strategic Municipals, Inc. achieved a total return of 8.40% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.29 per share, which reflects a distribution rate of 6.45%.<sup>2</sup>

Falling long-term interest rates and favorable supply-and-demand factors helped fuel strong performance among municipal bonds over the reporting period. The fund's return was enhanced, primarily due to our security selection strategy and focus on municipal bonds with longer maturities.

As a side note, Daniel Barton and Steven Harvey have served as primary portfolio managers of the fund since November 2011 and February 2012, respectively.

### The Fund's Investment Approach

The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and in the two highest-rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having or deemed to have maturities of less than one year.

To this end, portfolio construction focuses on income opportunities, through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features. When making new investments, we focus on identifying undervalued sectors and securities, and we minimize the use of interest rate forecasting. We select municipal bonds by using fundamental credit analysis to estimate the relative value and attractiveness of various sectors and securities and to exploit pricing inefficiencies in the municipal bond market.

The Fund

3

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## DISCUSSION OF FUND PERFORMANCE *(continued)*

We actively trade among various sectors, such as escrowed, general obligation and revenue, based on their apparent relative values.

### Municipal Bonds Rallied as Economic Concerns Eased

The reporting period began in the wake of heightened turmoil in the financial markets sparked by an unprecedented downgrade of one agency's credit-rating of long-term U.S. government debt, a sovereign debt crisis in Greece that threatened to spread to other members of the European Union, and uncertainties regarding the sustainability of the U.S. economic recovery. Declines were especially severe among stocks and lower-rated bonds, including some municipal securities. The Federal Reserve Board (the "Fed") responded to these economic concerns with Operation Twist, in which the central bank sold short-term U.S. Treasury securities and purchased long-term bonds, driving longer-term yields lower.

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Fortunately, most of investors' concerns at the time did not materialize, and better economic data soon cheered investors, who returned their attention to riskier assets. As a result, lower-rated municipal bonds that had been punished during the downturn rallied through the reporting period's end, while bonds with AAA ratings generally lagged market averages.

Positive supply-and-demand forces also buoyed municipal bond prices. New issuance volumes fell sharply in 2011 after a flood of new supply in late 2010, and political pressure led to reduced borrowing for capital projects. Meanwhile, investor demand remained robust from individuals seeking competitive levels of current income in a low interest-rate environment. From a credit-quality perspective, many states and municipalities cut spending, helping to bridge budget gaps and easing fiscal concerns that had weighed on the market.

### Credit Selection Strategies Proved Effective

The fund's relative performance was buoyed by its longstanding focus on municipal bonds with longer maturities, which rallied as long-term interest rates declined and investors reached for higher levels of income. In addition, our security selection strategy fared well in the rally, as bonds backed by revenues from hospitals, industrial development projects and the states' settlement of litigation with U.S. tobacco companies either

4

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rebounded from previous weakness or benefited from robust demand from individuals and institutional investors seeking alternatives to low yielding taxable bonds. In this environment, the fund's leveraging strategy, which employs tender option bonds and auction-rate preferred securities, was effective in magnifying the market's gains.

These successes were balanced to a degree by our ongoing efforts to upgrade the fund's overall credit quality. While we believe that a shift to higher-rated securities is the right strategy for the longer term, it proved to be a slight drag on performance when investors refocused on lower-rated securities during the reporting period.

### Adjusting to a Changing Market Environment

While we are encouraged by recently improved data, the U.S. economy remains vulnerable to unexpected shocks and uncertainty regarding future Fed policy. In addition, we believe that higher yielding bonds may have become more richly valued after the recent rally. Consequently, we expect market volatility to remain elevated, and we intend to remain nimble in order to make tactical moves out of fully valued bonds and into those selling below our estimate of their intrinsic values.

April 16, 2012

*Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.*

*High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.*

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

*1 Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect until November 30, 2012, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.*

*2 Distribution rate per share is based upon dividends per share paid from net investment income*

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*during the period, annualized, divided by the market price per share at the end of the period,  
adjusted for any capital gain distributions.*

The Fund

5

### STATEMENT OF INVESTMENTS

March 31, 2012 (Unaudited)

<b>Long-Term Municipal</b>	Coupon	Maturity	Principal	
<b>Investments—150.5%</b>	Rate (%)	Date	Amount (\$)	Value (\$)
<b>Alabama—3%</b>				
Jefferson County, Limited Obligation School Warrants				
	5.00	1/1/24	2,000,000	1,887,640
<b>Alaska—4%</b>				
Northern Tobacco Securitization Corporation of Alaska, Tobacco Settlement Asset-Backed Bonds				
	5.00	6/1/46	3,000,000	2,221,200
<b>Arizona—6.8%</b>				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project)				
	4.50	3/1/30	4,000,000	4,017,360
Arizona Housing Finance Authority, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)				
	5.55	12/1/41	5,370,000	5,615,516
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)				
	5.00	1/1/38	17,210,000 a,b	18,335,706
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue				
	6.25	7/1/38	5,000,000	5,357,300
Pima County Industrial Development				



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Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	3,410,000	3,111,898
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	500,000	497,140
<b>California—17.8%</b>				
Barclays Capital Municipal Trust Receipts (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport))	5.00	5/15/31	5,247,500 a,b	5,789,983
California, GO (Various Purpose)	5.75	4/1/31	10,800,000	12,416,868
California, GO (Various Purpose)	6.50	4/1/33	10,000,000	12,178,200

6

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>				
California, GO (Various Purpose)	6.00	11/1/35	7,500,000	8,725,950
California Statewide Communities Development Authority, Revenue (Bentley School)	7.00	7/1/40	2,090,000	2,188,418
California Statewide Communities Development Authority, Revenue (Bentley School)	0.00	7/1/50	5,910,000 c	244,910
California Statewide Communities Development Authority, Student Housing Revenue (CHF-Irvine, LLC-UCI East Campus Apartments, Phase II)	5.75	5/15/32	2,000,000	2,098,600
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	4.50	6/1/27	2,000,000	1,677,340
Golden State Tobacco Securitization Corporation,				

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Tobacco Settlement				
Asset-Backed Bonds	5.00	6/1/33	9,075,000	6,929,579
Golden State Tobacco				
Securitization Corporation,				
Tobacco Settlement Asset-Backed				
Bonds (Prerefunded)	7.80	6/1/13	8,100,000 <sup>d</sup>	8,805,186
Golden State Tobacco				
Securitization Corporation,				
Tobacco Settlement Asset-Backed				
Bonds (Prerefunded)	7.90	6/1/13	2,000,000 <sup>d</sup>	2,176,360
JPMorgan Chase Putters/Drivers				
Trust (California Educational				
Facilities Authority, Revenue				
(University of Southern California))	5.25	10/1/16	10,100,000 <sup>a,b</sup>	11,269,883
Sacramento County,				
Airport System Subordinate and				
Passenger Facility Charges				
Grant Revenue	6.00	7/1/35	6,250,000	6,999,188
San Buenaventura,				
Revenue (Community Memorial				
Health System)	7.50	12/1/41	2,000,000	2,316,200

The Fund

7

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal</b>	Coupon	Maturity	Principal	
<b>Investments (continued)</b>	Rate (%)	Date	Amount (\$)	Value (\$)
<b>California (continued)</b>				
San Diego Public Facilities				
Financing Authority, Senior				
Sewer Revenue	5.25	5/15/34	2,500,000	2,796,250
Tobacco Securitization Authority				
of Southern California,				
Tobacco Settlement				
Asset-Backed Bonds (San Diego				
County Tobacco Asset				
Securitization Corporation)	5.00	6/1/37	7,300,000	5,492,447
Tuolumne Wind Project Authority,				

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Revenue (Tuolumne Company Project)	5.88	1/1/29	3,500,000	4,024,230
<b>Colorado—2.7%</b>				
Beacon Point Metropolitan District, GO	6.25	12/1/35	2,000,000	1,975,460
Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)	8.00	12/1/40	3,500,000	4,254,145
Colorado Health Facilities Authority, Revenue (Catholic Health Initiatives)	5.00	2/1/41	5,000,000	5,252,900
Colorado Housing and Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA)	6.60	8/1/32	840,000	903,050
Southlands Metropolitan District Number 1, GO (Prerefunded)	7.13	12/1/14	2,000,000 <sup>d</sup>	2,347,860
<b>Delaware—0.9%</b>				
Delaware Economic Development Authority, Exempt Facility Revenue (Indian River Power LLC Project)	5.38	10/1/45	5,000,000	5,119,900
<b>Florida—7.6%</b>				
Clearwater, Florida, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds	5.25	12/1/39	5,000,000	5,536,000
	5.00	7/1/24	5,000,000	5,846,050

8

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Florida (continued)</b>				
Greater Orlando Aviation Authority, Airport Facilities Revenue	6.25	10/1/20	8,000,000	9,742,400
Mid-Bay Bridge Authority,				

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Springing Lien Revenue	7.25	10/1/34	6,000,000	6,633,360
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)	5.50	8/1/34	6,000,000	6,564,960
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	6.00	8/1/45	6,500,000	6,963,320
<b>Georgia—7.5%</b>				
Atlanta, Airport General Revenue	5.00	1/1/26	5,000,000	5,352,550
Atlanta, Water and Wastewater Revenue	6.00	11/1/27	6,000,000	7,025,580
Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	6,000,000	6,583,020
Brooks County Development Authority, Senior Health and Housing Facilities Revenue (Presbyterian Home, Quitman, Inc.) (Collateralized; GNMA)	5.70	1/20/39	4,445,000	4,677,829
DeKalb County Hospital Authority, RAC (DeKalb Medical Center, Inc. Project)	6.13	9/1/40	7,765,000	8,339,610
Fulton County Development Authority, Revenue (Georgia Tech North Avenue Apartments Project) (Insured; XLCA)	5.00	6/1/32	2,300,000	2,411,251
Georgia Higher Education Facilities Authority, Revenue (USG Real Estate Foundation I, LLC Project) (Insured; Assured Guaranty Municipal Corp.)	5.63	6/15/38	6,000,000	6,471,060

The Fund

9

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Hawaii—.9%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawai'i Pacific Health Obligated Group)	5.75	7/1/40	4,415,000	4,714,734
<b>Idaho—.9%</b>				
Power County Industrial Development Corporation, SWDR (FMC Corporation Project)	6.45	8/1/32	5,000,000	5,006,100
<b>Illinois—5.2%</b>				
Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	5,000,000	5,655,850
Chicago, Sales Tax Revenue	5.25	1/1/38	3,500,000	3,869,565
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.55	4/1/33	1,510,000	1,564,722
Greater Chicago Metropolitan Water Reclamation District, GO Capital Improvement Limited Tax Bonds	5.00	12/1/32	7,500,000	8,551,200
Illinois Finance Authority, Recovery Zone Facility Revenue (Navistar International Corporation Project)	6.50	10/15/40	4,000,000	4,314,800
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	4,000,000	4,486,360
<b>Indiana—.9%</b>				
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	4,500,000	4,607,775
<b>Iowa—.3%</b>				
Tobacco Settlement Authority of				

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Iowa, Tobacco Settlement				
Asset-Backed Bonds	5.60	6/1/34	2,000,000	1,777,080

10

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Kansas—.2%</b>				
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FNMA and GNMA)	5.70	12/1/35	1,060,000	1,114,569
<b>Kentucky—.5%</b>				
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's HealthCare, Inc. Project)	6.13	2/1/37	2,300,000	2,924,381
<b>Louisiana—2.3%</b>				
Jefferson Parish Hospital Service District Number 2, HR (East Jefferson General Hospital)	6.25	7/1/31	3,000,000	3,392,310
Lakeshore Villages Master Community Development District, Special Assessment Revenue	5.25	7/1/17	2,979,000 <sup>e</sup>	1,191,421
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	6.75	11/1/32	7,000,000	7,696,010
<b>Maine—.6%</b>				
Maine Health and Higher Educational Facilities Authority, Revenue (MaineGeneral Medical Center Issue)	7.50	7/1/32	3,000,000	3,460,800
<b>Maryland—1.2%</b>				
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of				

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Maryland, Baltimore Project)	5.75	10/1/33	4,590,000	3,039,636
Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project) (Prerefunded)	6.50	6/1/13	3,000,000 <sup>d</sup>	3,217,620

The Fund

11

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Massachusetts—10.2%</b>				
Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	13,110,000 <sup>a,b</sup>	14,762,253
JPMorgan Chase Putters/Drivers Trust (Massachusetts, Consolidated Loan)	5.00	4/1/19	8,600,000 <sup>a,b</sup>	10,039,038
JPMorgan Chase Putters/Drivers Trust (Massachusetts Development Finance Agency, Revenue (Harvard University Issue))	5.25	2/1/34	10,000,000 <sup>a,b</sup>	11,755,900
Massachusetts Development Finance Agency, Revenue (Partners HealthCare System Issue)	5.00	7/1/36	5,000,000	5,441,700
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue) (Prerefunded)	9.00	12/15/12	1,200,000 <sup>d</sup>	1,287,324
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	5,500,000	6,203,725

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Massachusetts Industrial Finance Agency, RRR (Ogden Haverhill Project)	5.60	12/1/19	6,000,000	6,020,940
<b>Michigan—9.5%</b>				
Charyl Stockwell Academy, COP	5.90	10/1/35	2,580,000	2,184,563
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.00	7/1/27	2,500,000	3,024,825
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	5,700,000	7,126,026

12

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Michigan (continued)</b>				
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	3,000,000	3,099,660
Detroit School District, School Building and Site Improvement Bonds (GO—Unlimited Tax) (Insured; FGIC) (Prerefunded)	5.00	5/1/13	3,930,000 <sup>d</sup>	4,130,666
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	2,930,000	2,984,146
Michigan Hospital Finance Authority, HR (Henry Ford Health System)	5.63	11/15/29	5,000,000	5,472,450
Michigan Strategic Fund, LOR (The Detroit Edison Company Exempt Facilities Project) (Insured; XLCA)	5.25	12/15/32	3,000,000	3,019,560
Michigan Strategic Fund,				



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SWDR (Genesee Power Station Project)	7.50	1/1/21	10,400,000	10,103,808
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.25	9/1/39	5,500,000	6,891,280
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	3,435,000	3,382,101
<b>Minnesota—2.7%</b>				
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	12/1/38	1,286,829	1,331,984
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.30	12/1/39	1,416,619	1,512,708

The Fund

13

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Minnesota (continued)</b>				
Minneapolis, Health Care System Revenue (Fairview Health Services) (Insured; Assured Guaranty Municipal Corp.)	6.50	11/15/38	5,000,000	5,833,200
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	5.15	11/15/20	3,310,000	3,352,335
Winona,				

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Health Care Facilities Revenue (Winona Health Obligated Group)	6.00	7/1/26	2,500,000	2,558,500
<b>Mississippi—3.2%</b>				
Clairborne County, PCR (System Energy Resources, Inc. Project)	6.20	2/1/26	2,525,000	2,527,171
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	9,310,000	9,339,792
Mississippi Development Bank, Special Obligation Revenue (Magnolia Regional Health Center Project)	6.50	10/1/31	5,000,000	5,648,650
<b>Missouri—1.6%</b>				
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project) (Prerefunded)	5.38	12/1/12	2,000,000 <sup>d</sup>	2,068,620
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project) (Prerefunded)	5.50	12/1/12	4,500,000 <sup>d</sup>	4,658,175
Missouri Development Finance Board, Infrastructure Facilities Revenue (Independence, Crackerneck Creek Project)	5.00	3/1/28	2,000,000	2,021,520
<b>Montana—0%</b>				
Montana Board of Housing, SFMR	6.45	6/1/29	245,000	249,381

14

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Nevada—1.0%</b>				
Clark County, Passenger Facility Charge Revenue (Las Vegas-McCarran International Airport)	5.00	7/1/30	5,000,000	5,311,350
<b>New Hampshire—0.9%</b>				

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New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,000,000	5,012,950
<b>New Jersey—4.4%</b>				
New Jersey Economic Development Authority, Cigarette Tax Revenue	5.75	6/15/34	5,500,000	6,064,630
New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.)	6.13	6/1/30	5,000,000	5,356,650
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	4.50	6/1/23	2,500,000	2,348,925
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/41	5,500,000	4,194,355
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/13	5,640,000 <sup>d</sup>	6,074,167
<b>New Mexico—1.5%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	7,000,000	7,512,330
New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA)	6.15	7/1/35	615,000	654,791

The Fund

15

STATEMENT OF INVESTMENTS (Unaudited) (continued)

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New York—11.2%</b>				
Barclays Capital Municipal Trust Receipts (New York City Municipal Water Finance Authority, Water and Sewer System General Resolution Revenue)	5.00	6/15/39	20,000,000 a,b	21,624,200
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.50	11/1/27	5,000,000 a,b	6,004,850
JPMorgan Chase Putters/Drivers Trust (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.25	11/1/18	5,000,000 a,b	5,942,050
New York City Educational Construction Fund, Revenue	6.50	4/1/27	4,490,000	5,561,718
New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Municipal Corp.)	7.00	3/1/49	5,000,000	5,844,350
New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue	5.00	11/1/38	10,000,000	11,062,100
New York State Dormitory Authority, Revenue (Orange Regional Medical Center Obligated Group)	6.13	12/1/29	1,625,000	1,708,379
Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air Terminal LLC Project)	6.00	12/1/36	2,000,000	2,244,520
<b>Ohio—4.2%</b>				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	5.88	6/1/30	3,000,000	2,323,080
Buckeye Tobacco Settlement				

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Financing Authority, Tobacco				
Settlement Asset-Backed Bonds	5.88	6/1/47	2,300,000	1,733,832

16

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Ohio (continued)</b>				
Butler County, Hospital Facilities Revenue (UC Health)	5.50	11/1/40	3,500,000	3,671,850
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO—Unlimited Tax) (Insured; National Public Finance Guarantee Corp.)	0.00	12/1/29	3,955,000 <sup>c</sup>	1,844,137
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO—Unlimited Tax) (Insured; National Public Finance Guarantee Corp.)	0.00	12/1/31	3,955,000 <sup>c</sup>	1,645,636
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)	5.63	10/1/19	1,900,000	2,164,404
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	3,000,000 <sup>b</sup>	2,382,120
Toledo Lucas County Port Authority, Airport Revenue (Baxter Global Project)	6.25	11/1/13	1,800,000	1,801,620
Toledo-Lucas County Port				

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Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	5,000,000	5,075,150
<b>Oregon—6%</b>				
Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)	6.38	11/1/33	3,300,000	3,418,206

The Fund

17

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Pennsylvania—1.4%</b>				
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	3,000,000 a,b	3,243,600
Philadelphia, GO	6.50	8/1/41	3,550,000	4,208,205
<b>Rhode Island—1.1%</b>				
Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue (Lifespan Obligated Group Issue) (Insured; Assured Guaranty Municipal Corp.)	7.00	5/15/39	5,000,000	5,901,650
<b>South Carolina—4.1%</b>				
Barclays Capital Municipal Trust Receipts (Columbia, Waterworks and Sewer System Revenue)	5.00	2/1/40	10,000,000 a,b	11,110,300
South Carolina Public Service Authority, Revenue Obligations	5.50	1/1/38	10,000,000	11,209,000
<b>Tennessee—3.5%</b>				
Barclays Capital Municipal Trust				

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Receipts (Rutherford County Health and Educational Facilities Board, Revenue (Ascension Health Senior Credit Group))	5.00	11/15/40	10,000,000 a,b	10,722,500
Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/34	7,000,000	8,119,510
<b>Texas—12.2%</b>				
Barclays Capital Municipal Trust Receipts (Leander Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program))	5.00	8/15/40	8,510,000 a,b	9,255,008

18

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Texas (continued)</b>				
Dallas and Fort Worth, Joint Revenue (Dallas/Fort Worth International Airport) (Insured; National Public Finance Guarantee Corp.)	6.25	11/1/28	2,540,000	2,550,185
Dallas Area Rapid Transit, Senior Lien Sales Tax Revenue Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	5.25	12/1/48	10,000,000	10,846,000
Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.25	12/1/35	2,000,000	2,377,700
North Texas Tollway Authority, First Tier System Revenue	6.00	11/15/36	5,000,000	5,939,750

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(Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	10,300,000	11,258,930
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	5,500,000	5,903,645
Pasadena Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)	5.00	2/15/31	3,175,000	3,671,507
Sam Rayburn Municipal Power Agency, Power Supply System Revenue	5.75	10/1/21	6,000,000	6,075,780
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	13.30	7/2/24	500,000 <sup>f</sup>	540,600
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.75	8/15/38	7,100,000	7,195,495
<b>Vermont—1.1%</b>				
Vermont Housing Finance Agency, SFHR (Insured; Assured Guaranty Municipal Corp.)	6.40	11/1/30	425,000	433,746

The Fund

19

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Virginia—2.0%</b>				
Barclays Capital Municipal Trust Receipts (Virginia Small Business Financing Authority, Health Care Facilities Revenue (Sentara Healthcare))	5.00	11/1/40	10,000,000 <sup>a,b</sup>	10,724,000
<b>Washington—4.7%</b>				
Barclays Capital Municipal Trust Receipts (King County, Limited Tax GO (Payable				



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from Sewer Revenues))	5.13	1/1/33	10,000,000 a,b	11,056,600
Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue)	5.00	1/1/29	3,998,716 a,b	4,572,076
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	5,975,000	6,859,121
Washington Higher Education Facilities Authority, Revenue (Seattle University Project) (Insured; AMBAC)	5.25	11/1/37	3,000,000	3,175,950
<b>West Virginia—8%</b>				
The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	2,000,000	2,039,120
West Virginia Water Development Authority, Water Development Revenue (Insured; AMBAC)	6.38	7/1/39	2,250,000	2,284,358
<b>Wisconsin—3.8%</b>				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	6.13	6/1/12	2,795,000 d	2,823,174
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/12	12,995,000 d	13,144,962
Madison, IDR (Madison Gas and Electric Company Projects)	5.88	10/1/34	2,390,000	2,391,052

20

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Wisconsin (continued)</b>				
Wisconsin Health and Educational Facilities Authority, Revenue				

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(Aurora Health Care, Inc.)	6.40	4/15/33	2,000,000	2,049,180
<b>Wyoming—1.0%</b>				
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/33	2,360,000	2,566,052
Wyoming Municipal Power Agency, Power Supply System Revenue	5.38	1/1/42	2,750,000	2,946,075
<b>U.S. Related—7.8%</b>				
Guam, LOR (Section 30)	5.75	12/1/34	2,000,000	2,101,580
Guam Housing Corporation, SFMR (Guaranteed Mortgage-Backed Securities Program) (Collateralized; FHLMC)	5.75	9/1/31	965,000	1,119,371
Guam Waterworks Authority, Water and Wastewater System Revenue	5.63	7/1/40	2,000,000	1,990,560
Puerto Rico Aqueduct and Sewer Authority, Senior Lien Revenue	5.13	7/1/37	7,500,000	7,343,400
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	2,000,000	2,117,300
Puerto Rico Commonwealth, Public Improvement GO	6.00	7/1/39	1,610,000	1,704,282
Puerto Rico Commonwealth, Public Improvement GO	6.50	7/1/40	2,390,000	2,718,243
Puerto Rico Electric Power Authority, Power Revenue	5.25	7/1/40	2,500,000	2,588,650
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/38	5,000,000	5,353,000
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	2,500,000	2,665,900
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	11,000,000	12,389,850
<b>Total Long-Term Municipal Investments</b> (cost \$757,568,909)				<b>815,659,908</b>

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Short-Term Municipal Investments—</b>	Coupon	Maturity	Principal	Value (\$)
<b>Investments—</b>	Rate (%)	Date	Amount (\$)	
<b>California—</b>				
<b>California—1%</b>				
California, GO Notes (Kindergarten-University) (LOC: California State Teachers Retirement System and Citibank NA)	0.16	4/1/12	600,000 g	600,000
Irvine Assessment District Number 03-19, Limited Obligation Improvement Bonds (LOC: California State Teachers Retirement System and U.S. Bank NA)	0.16	4/1/12	100,000 g	100,000
<b>New York—</b>				
<b>New York—0.8%</b>				
New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.17	4/1/12	4,100,000 g	4,100,000
<b>Total Short-Term Municipal Investments</b> (cost \$4,800,000)				<b>4,800,000</b>
<b>Total Investments</b> (cost \$762,368,909)			<b>151.4 %</b>	<b>820,459,908</b>
<b>Liabilities, Less Cash and Receivables</b>			<b>(12.0 %)</b>	<b>(64,781,235 )</b>
<b>Preferred Stock, at redemption value</b>			<b>(39.4 %)</b>	<b>(213,750,000 )</b>
<b>Net Assets Applicable to Common Shareholders</b>			<b>100.0 %</b>	<b>541,928,673</b>

a Collateral for floating rate borrowings.

b Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2012, these securities were valued at \$168,590,067 or 31.1% of net assets applicable to Common Shareholders.

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

d These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are

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*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.*

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

*f Inverse floater security—the interest rate is subject to change periodically. Rate shown is the interest rate in effect at March 31, 2012.*

*g Variable rate demand note—rate shown is the interest rate in effect at March 31, 2012. Maturity date represents the next demand date, or the ultimate maturity date if earlier.*

22

### Summary of Abbreviations

<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>LOC</b>	Letter of Credit
<b>LOR</b>	Limited Obligation Revenue	<b>LR</b>	Lease Revenue
<b>MERLOTS</b>	Municipal Exempt Receipt 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

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<b>RAN</b>	Revenue Anticipation Notes	<b>RAW</b>	Revenue Anticipation Warrants
<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>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

The Fund

**23**

### STATEMENT OF INVESTMENTS (Unaudited) *(continued)*

#### Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's	Value (%) <sup>†</sup>
AAA		Aaa		AAA	17.1
AA		Aa		AA	29.1
A		A		A	25.4
BBB		Baa		BBB	16.5
BB		Ba		BB	4.5
B		B		B	1.8
F1		MIG1/P1		SP1/A1	.1
Not Rated <sup>h</sup>		Not Rated <sup>h</sup>		Not Rated <sup>h</sup>	5.5
					<b>100.0</b>

<sup>†</sup> Based on total investments.

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

See notes to financial statements.

**24**

### STATEMENT OF ASSETS AND LIABILITIES

March 31, 2012 (Unaudited)

	Cost	Value
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<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments	762,368,909	820,459,908
Interest receivable		13,589,291
Prepaid expenses		14,714
		<b>834,063,913</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 2(b)		443,692
Cash overdraft due to Custodian		2,714,016
Payable for floating rate notes issued—Note 3		74,886,216
Interest and expense payable related to floating rate notes issued—Note 3		157,626
Commissions payable—Note 1		15,038
Dividends payable to Preferred Shareholders		6,112
Accrued expenses		162,540
		<b>78,385,240</b>
<b>Auction Preferred Stock, Series M,T,W,Th and F, par value</b>		
\$.001 per share (8,550 shares issued and outstanding at \$25,000 per share liquidation preference)—Note 1		213,750,000
<b>Net Assets applicable to Common Shareholders (\$)</b>		<b>541,928,673</b>
<b>Composition of Net Assets (\$):</b>		
Common Stock, par value, \$.001 per share (61,494,281 shares issued and outstanding)		61,494
Paid-in capital		559,760,396
Accumulated undistributed investment income—net		9,086,348
Accumulated net realized gain (loss) on investments		(85,070,564)
Accumulated net unrealized appreciation (depreciation) on investments		58,090,999
<b>Net Assets applicable to Common Shareholders (\$)</b>		<b>541,928,673</b>
<b>Shares Outstanding</b>		
(500 million shares authorized)		61,494,281
<b>Net Asset Value, per share of Common Stock (\$)</b>		<b>8.81</b>

See notes to financial statements.

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STATEMENT OF OPERATIONS

Six Months Ended March 31, 2012 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Interest Income</b>	<b>21,209,258</b>
<b>Expenses:</b>	
Management fee—Note 2(a)	2,779,786
Interest and expense related to floating rate notes issued—Note 3	265,702
Commission fees—Note 1	178,172
Directors' fees and expenses—Note 2(c)	53,413
Shareholders' report	48,856
Professional fees	45,151
Shareholder servicing costs—Note 2(b)	36,053
Registration fees	27,688
Custodian fees—Note 2(b)	26,817
Miscellaneous	35,202
<b>Total Expenses</b>	<b>3,496,840</b>
Less—reduction in management fee due to undertaking—Note 2(a)	(370,638)
<b>Net Expenses</b>	<b>3,126,202</b>
<b>Investment Income—Net</b>	<b>18,083,056</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 3 (\$):</b>	
Net realized gain (loss) on investments	2,732,024
Net unrealized appreciation (depreciation) on investments	22,129,435
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>24,861,459</b>
<b>Dividends to Preferred Shareholders</b>	<b>(214,071)</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>42,730,444</b>

*See notes to financial statements.*

26

## STATEMENT OF CASH FLOWS

March 31, 2012 (Unaudited)

<b>Cash Flows from Operating Activities (\$):</b>	
Interest received	21,889,074
Operating expenses paid	(2,845,557 )
Dividends paid to Preferred Shareholders	(212,332 )
Purchases of portfolio securities	(73,530,086 )
Net purchases of short-term portfolio securities	(265,000 )
Proceeds from sales of portfolio securities	71,731,595
	<b>16,767,694</b>

<b>Cash Flows from Financing Activities (\$):</b>		
Dividends paid to Common Shareholders	(16,200,615 )	
Interest and expense related		
to floating rate notes issued paid	(288,191 )	<b>(16,488,806)</b>
Increase in cash		<b>278,888</b>
Cash overdraft at beginning of period		(2,992,904)
<b>Cash overdraft at end of period</b>		<b>(2,714,016)</b>
<b>Reconciliation of Net Increase in Net Assets Applicable to</b>		
<b>Common Shareholders Resulting from Operations to</b>		
<b>Net Cash Provided by Operating Activities (\$):</b>		
Net Increase in Net Assets Applicable to Common		
Shareholders Resulting From Operations		<b>42,730,444</b>
<b>Adjustments to reconcile net increase in net assets applicable</b>		
<b>to Common Shareholders resulting from operations to</b>		
<b>net cash provided by operating activities (\$):</b>		
Increase in investments in securities, at cost		(2,850,216)
Decrease in receivable for investment securities sold		506,101
Decrease in payable for investment securities purchased		(2,451,400)
Decrease in interest receivable		174,403
Decrease in commissions payable and accrued expenses		(12,574)
Decrease in prepaid expenses		22,930
Increase in Due to The Dreyfus Corporation and affiliates		4,587
Increase in dividends payable to Preferred Shareholders		1,739
Interest and expense related to floating rate notes issued		265,702
Net unrealized appreciation on investments		(22,129,435)
Net amortization of premiums on investments		505,413
<b>Net Cash Provided by Operating Activities</b>		<b>16,767,694</b>
<b>Supplemental disclosure cash flow information (\$):</b>		
Non-cash financing activities:		
Reinvestment of dividends		<b>1,843,442</b>

See notes to financial statements.

The Fund

27

## STATEMENT OF CHANGES IN NET ASSETS

Six Months Ended

March 31, 2012

Year Ended



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	(Unaudited)	September 30, 2011
<b>Operations (\$):</b>		
Investment income—net	18,083,056	36,731,618
Net realized gain (loss) on investments	2,732,024	(10,313,792)
Net unrealized appreciation (depreciation) on investments	22,129,435	(4,208,833)
Dividends to Preferred Shareholders	(214,071)	(751,790)
<b>Net Increase (Decrease) in Net Assets</b>		
<b>Resulting from Operations</b>	<b>42,730,444</b>	<b>21,457,203</b>
<b>Dividends to Common Shareholders from (\$)</b>		
<b>Investment income—net</b>	<b>(18,044,056)</b>	<b>(35,988,735)</b>
<b>Capital Stock Transactions (\$):</b>		
<b>Dividends reinvested</b>	<b>1,843,442</b>	<b>1,323,153</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>26,529,830</b>	<b>(13,208,379)</b>
<b>Net Assets (\$):</b>		
Beginning of Period	515,398,843	528,607,222
<b>End of Period</b>	<b>541,928,673</b>	<b>515,398,843</b>
Undistributed investment income—net	9,086,348	9,261,419
<b>Capital Share Transactions (Shares):</b>		
<b>Increase in Shares Outstanding as a Result of Dividends Reinvested</b>	<b>215,290</b>	<b>167,099</b>

See notes to financial statements.

28

## 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		Year Ended September 30,			
	March 31, 2012	2011	2010	2009	2008	2007
	(Unaudited)					
<b>Per Share Data (\$):</b>						
Net asset value,						
beginning of period	8.41	8.65	8.47	7.88	9.12	9.46
<b>Investment Operations:</b>						
Investment income—net	.29	.60	.62	.67	.68	.69
Net realized and unrealized gain (loss) on investments	.40	(.24)	.15	.48	(1.25)	(.36)

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Dividends to Preferred Shareholders from						
investment income—net	(.00) <sup>b</sup>	(.01)	(.02)	(.06)	(.17)	(.17)
Total from						
Investment Operations	.69	.35	.75	1.09	(.74)	.16
Distributions to Common Shareholders:						
Dividends from						
investment income—net	(.29)	(.59)	(.57)	(.50)	(.50)	(.50)
Net asset value, end of period	8.81	8.41	8.65	8.47	7.88	9.12
Market value, end of period	9.12	8.50	9.02	7.91	6.75	8.74
<b>Total Return (%)<sup>c</sup></b>	11.02 <sup>d</sup>	1.32	22.13	26.05	(18.00)	.46

The Fund

29

FINANCIAL HIGHLIGHTS (continued)

	Six Months Ended		Year Ended September 30,			
	March 31, 2012 (Unaudited)	2011	2010	2009	2008	2007
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets applicable to Common Stock <sup>e</sup>	1.33 <sup>f</sup>	1.40	1.40	1.50	1.58	1.63
Ratio of net expenses to average net assets applicable to Common Stock <sup>e</sup>	1.19 <sup>f</sup>	1.26	1.24	1.34	1.42	1.48
Ratio of interest and expense related to floating rate notes issued to average net assets applicable to Common Stock <sup>e</sup>	.10 <sup>f</sup>	.10	.05	—	.17	.28
Ratio of net investment income to average net assets applicable to Common Stock <sup>e</sup>	6.86 <sup>f</sup>	7.51	7.43	9.09	7.79	7.38
Ratio of total expenses to total average net assets	.94 <sup>f</sup>	.96	.92	.92	1.03	1.09
Ratio of net expenses to total average net assets	.84 <sup>f</sup>	.86	.82	.82	.92	.99
Ratio of interest and expense related						

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to floating rate notes issued						
to total average net assets	.07 <sup>f</sup>	.07	.03	—	.11	.19
Ratio of net investment income						
to total average net assets	4.88 <sup>f</sup>	5.18	4.89	5.57	5.07	4.92
Portfolio Turnover Rate	9.79 <sup>d</sup>	17.81	24.41	28.72	48.60	34.75
Asset coverage of Preferred Stock,						
end of period	354	341	324	281	268	294
Net Assets,						
net of Preferred Stock,						
end of period (\$ x 1,000)	541,929	515,399	528,607	514,786	478,586	553,598
Preferred Stock outstanding,						
end of period (\$ x 1,000)	213,750	213,750	235,750	285,000	285,000	285,000

*a Based on average common shares outstanding at each month end.*

*b Amount represents less than \$.01 per share.*

*c Calculated based on market value.*

*d Not annulized.*

*e Does not reflect the effect of dividends to Preferred Shareholders.*

*f Annualized.*

*See notes to financial statements.*

**30**

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### NOTE 1—Significant Accounting Policies:

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

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

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

The Fund

**31**

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

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS will vote as a separate class on certain other matters, as required by law. The fund has designated Robin A. Melvin and John E. Zuccotti as directors to be elected by the holders of APS.

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

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.

32

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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 of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of: 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 categorized within Level 2 of the fair value hierarchy.

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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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 (for example, a foreign exchange or market), 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 of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

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

The following is a summary of the inputs used as of March 31, 2012 in valuing the fund's investments:

	Level 1— Unadjusted Quoted Prices	Level 2—Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
<b>Assets (\$)</b>				
Investments in Securities:				
Municipal Bonds	—	820,459,908	—	<b>820,459,908</b>

In May 2011, FASB issued Accounting Standards Update (“ASU”) No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards (“IFRS”)” (“ASU 2011-04”). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require

34

reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) based on the record date's respective prices. If the net asset value per share on the record date is lower than the market price per share, shares will be issued by the fund at the record date's net asset value on the payable date of the distribution. If the net asset value per share is less than 95% of the market value, shares will be issued by the fund at 95% of the market value. If the market price is lower than the net asset value per share on the record date, Computershare Shareowner Services LLC, will purchase fund shares in the open market commencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

On March 29, 2012, the Board of Directors declared a cash dividend of \$0.049 per share from investment income-net, payable on April 30, 2012 to Common Shareholders of record as of the close of business on April 16, 2012.

**(d) Dividends to shareholders of APS:** Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of March 31, 2012, for each Series of APS were as follows: Series M-0.259%, Series T-0.274%, Series W-0.274%, Series TH-0.274% and Series F-0.244%. These rates reflect the "maximum rates" under the governing instruments as a result of "failed auctions" in which sufficient clearing bids are not received. The average dividend rates for the period ended March 31, 2012 for each Series of APS were as follows: Series M-0.21%, Series T-0.20%, Series W-0.20%, Series TH-0.20% and Series F-0.20%.

**(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

36

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Code and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended March 31, 2012, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended September 30, 2011 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 \$76,307,603 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to September 30, 2011. If not applied, \$27,258,106 of the carryover expires in fiscal 2012, \$264,789 expires in fiscal 2016, \$9,875,465 expires in fiscal 2017, \$32,540,019 expires in fiscal 2018 and \$6,369,224 expires in fiscal 2019.

The tax character of distributions paid to shareholders during the fiscal year ended September 30, 2011 was as follows: tax exempt income \$36,656,908 and ordinary income \$83,617. The tax character of current year distributions will be determined at the end of the current fiscal year.

The Fund

37

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

NOTE 2—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement (“Agreement”) with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund’s average weekly net assets, inclusive of the outstanding APS, and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the fund’s aggregate expenses, exclusive of taxes, interest on borrowings, brokerage and extraordinary expenses, in any full fiscal year exceed the lesser of (1) the expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million, 1 <sup>1</sup>/<sub>2</sub> % of the next \$20 million and 1% of the excess over \$30 million of the average weekly value of the fund’s net assets. The Manager has currently undertaken for the period from October 1, 2011 through May 31, 2012, to waive receipt of a portion of the fund’s management fee, in the amount of .10% of the value of the fund’s average weekly net assets (including net assets representing APS outstanding). The reduction in management fee, pursuant to the undertaking, amounted to \$370,638 during the period ended March 31, 2012.

(b) For the period from October 1, 2011 to December 31, 2011, the fund compensated BNY Mellon Shareowner Services, an affiliate of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2011, the fund was charged \$32,477 pursuant to the transfer agency agreement with BNY Mellon Shareowner Services, which is included in Shareholder servicing costs in the Statement of Operations. Effective January 1, 2012, Computershare Shareowner Services LLC acquired BNY Mellon Shareowner Services and is performing the transfer agency services for the fund. Computershare Shareowner Services LLC is not affiliated with the Manager.

38

The fund compensates The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, under a custody agreement for providing custodial services to the fund. During the period ended March 31, 2012, the fund was charged \$26,817 pursuant to the custody agreement.

During the period ended March 31, 2012, the fund was charged \$3,183 for services performed by the Chief Compliance Officer and his staff.

The components of “Due to The Dreyfus Corporation and affiliates” in the Statement of Assets and Liabilities consist of: management fees \$480,008, custodian fees \$26,094 and chief compliance officer fees \$1,591 which are offset against an expense reimbursement currently in effect in the amount of \$64,001.

(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 March 31, 2012, amounted to \$71,078,686 and \$71,225,494, respectively.

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

The Fund

39

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

is also created by the trust, which is transferred to the fund, and is paid interest based on the remaining cash flow of the trust, after payment of interest on the other securities and various expenses of the trust.

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

The average amount of borrowings outstanding under the inverse floater structure during the period ended March 31, 2012, was approximately \$74,886,200, with a related weighted average annualized interest rate of .71%.

At March 31, 2012, accumulated net unrealized appreciation on investments was \$58,090,999, consisting of \$63,042,192 gross unrealized appreciation and \$4,951,193 gross unrealized depreciation.

At March 31, 2012, 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).

40

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

At a meeting of the fund's Board of Directors held on November 7-8, 2011, the Board considered the renewal of the fund's Management Agreement pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"). The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from Dreyfus representatives. In considering the renewal of the Agreement, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives confirmed that there had been no material changes in this information. Dreyfus' representatives noted the fund's closed-end structure. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

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

The Fund

41

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

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended September 30, 2011, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of September 30, 2011. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.



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Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. They also noted that performance generally should be considered over longer periods of time, although it is possible that long-term performance can be adversely affected by even one period of significant underperformance so that a single investment decision or theme has the ability to affect disproportionately long-term performance.

The Board discussed the results of the comparisons and noted that the fund's total return performance on a net asset value basis was below the Performance Group median for various time periods, and was below the Performance Universe median for each time period except for the 2-year period where it was above the median. The Board members also noted that the fund's total return performance on a market price basis variously was at, above, or below the Performance Group median and the Performance Universe median for the various 1-year time periods.

42

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The Board also noted that the fund's yield performance, on a net asset value basis and on a market price basis, was variously at or above the Performance Group median and the Performance Universe median for the various 1-year time periods. Dreyfus also provided a comparison of the fund's calendar year total returns (on a net asset value basis) to the returns of the fund's Lipper category average.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. They noted that the fund's contractual management fee was above the Expense Group median, the fund's actual management fee and actual total expenses (based on net assets attributable to common and preferred shares and to common shares only) was above the Expense Group medians and the Expense Universe medians. A Dreyfus representative noted that the undertaking by Dreyfus to waive receipt of .10% of the fund's management fee would be extended through May 31, 2012.

The Board received a presentation from the fund's portfolio managers, who described how the dramatic changes to the municipal bond market over the prior several years, evidenced by historically high volatility and liquidity challenges, suggested an increased focus on seeking to protect against downside risk in the fund's portfolio. The portfolio manager also discussed the strategy as implemented for the fund in 2009, quantitative risk management tools applied to overseeing the fund, the fund's current structure to defend against interest rate volatility, and credit review policies and strategies that seek to mitigate credit risk. The portfolio managers then explained the fund's performance in light of its duration structure, credit structure, and the market and economic environment. The Board noted the generally compressed spread among the returns of the Performance Group funds (on a net asset value basis) and the fund's income objective and

The Fund

43

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

generally more competitive yield performance results. The Board agreed to continue to closely monitor the implementation of portfolio strategy and its impact on relative total return results.

Dreyfus representatives reviewed with the Board the management or investment advisory fees paid by Similar Funds, and explained the nature of the Similar Funds. Representatives of Dreyfus noted that there were no Similar Accounts. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the fund's management fee.

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

The Board's counsel stated that the Board should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services,

and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved

44

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

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

- The Board concluded that the nature, extent, and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board agreed to closely monitor performance and determined to approve renewal of the Agreement only through May 31, 2012.
- The Board concluded that the fees paid to Dreyfus were reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Management Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Fund

45

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

The Board considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreement through May 31, 2012 was in the best interests of the fund and its shareholders.

46

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The Fund

47

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48

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## OFFICERS AND DIRECTORS

Dreyfus Strategic Municipals, Inc.

200 Park Avenue

New York, NY 10166

*The Net Asset Value appears in the following publications: Barron's, Closed-End Bond Funds section under the heading "Municipal Bond Funds" every Monday; Wall Street Journal, Mutual Funds section under the heading "Closed-End Bond Funds" every Monday.*

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

The Fund

49

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## For More Information

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

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

### **Item 2. Code of Ethics.**

Not applicable.

### **Item 3. Audit Committee Financial Expert.**

Not applicable.

### **Item 4. Principal Accountant Fees and Services.**

Not applicable.

### **Item 5. Audit Committee of Listed Registrants.**

Not applicable.

### **Item 6. Investments.**

(a) Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable. [CLOSED END FUNDS ONLY]

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

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

**Item 11. Controls and Procedures.**

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

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

**Item 12. Exhibits.**

(a)(1) Not applicable.

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

(a)(3) Not applicable.

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

4

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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 Municipals, Inc.

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

President

Date: May 23, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

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

President

Date: May 23, 2012

By: /s/ James Windels  
James Windels,

Treasurer

Date: May 23, 2012

**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)