

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC  
Form N-CSRS  
July 31, 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      811-5877

Dreyfus Strategic Municipal Bond Fund, Inc.  
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

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

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:      11/30

Date of reporting period:      5/31/12

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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Dreyfus  
Strategic Municipal Bond Fund, Inc.

# The Fund

## A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2011, through May 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 have continued to represent one of the better performing asset classes in U.S. financial markets. Prices have been supported by a number of positive influences, including steady demand for a relatively tight supply of newly issued securities, attractive after-tax current yields compared to government-guaranteed U.S. Treasury securities and improved fiscal conditions for many state and local issuers.

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Despite recent weakness in employment data, we believe that U.S. economic trends remain favorable, as evidenced by signs of strength in some of the domestic economy's more economically sensitive areas. For example, in the automobile industry, new cars offer improved gas mileage, the average age of the auto fleet is old, and credit is widely available at a time when household debt-service ratios have dropped sharply. Even residential construction has moved into a sustainable uptrend, in our opinion, as homebuilders have seen a rise in orders. On the other hand, net exports may prove to be a slight drag on domestic growth since the economy in the United States is stronger than in many of its trading partners. On the whole, we expect near-trend growth in the U.S. economy for the remainder of 2012.

As always, we encourage you to discuss our observations with your financial advisor.

Thank you for your continued confidence and support.

Jonathan R. Baum  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
June 15, 2012

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## DISCUSSION OF FUND PERFORMANCE

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

### Fund and Market Performance Overview

For the six-month period ended May 31, 2012, Dreyfus Strategic Municipal Bond Fund achieved a total return of 12.56% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.285 per share, which reflects a distribution rate of 6.26%.<sup>2</sup>

Falling long-term interest rates and favorable supply-and-demand dynamics fueled strong performance among municipal bonds over the reporting period. The fund's returns benefited from a longer-than-average duration posture and its holdings of lower rated 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

The Fund

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DISCUSSION OF FUND PERFORMANCE (continued)

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existing holdings. When such opportunities arise, we usually look to sell bonds that are close to their optional redemption date or maturity.

### Municipal Bonds Rallied as Economic Concerns Eased

Most U.S. financial markets were in the midst of a rally at the start of the reporting period, as investors responded positively to improved employment data in a recovering U.S. economy and efforts by European policymakers to address the region's sovereign debt crisis. Investors grew more tolerant of risks, and they shifted their attention away from traditional safe havens and toward riskier assets. As a result, lower rated municipal bonds that had been punished earlier in 2011 led the market rebound, while higher quality municipal bonds trailed market averages.

However, new developments in the spring of 2012 called the sustainability of these positive macroeconomic influences into question. The U.S. labor market's recovery slowed as the public sector shed jobs and the private sector's employment gains proved more anemic than expected, and austerity measures in Europe encountered political resistance, endangering the region's economic prospects.

Positive supply-and-demand forces also supported municipal bond prices, as political pressure led to reduced borrowing among states and municipalities for capital projects. Meanwhile, demand for tax-exempt securities remained robust from individual and institutional investors seeking competitive after-tax yields in a low interest-rate environment. From a credit quality perspective, the fiscal condition of most states has continued to improve. Tax receipts generally have increased, and many state and local governments have taken steps to rein in spending.

### Longer Maturities Buoyed Relative Performance

The search by investors for high current yields led them to focus on municipal bonds with longer maturities, and the fund benefited from this development when a relatively long average duration and our leveraging strategy boosted its exposure to falling long-term yields. In addition, the fund's focus on revenue-backed municipal bonds buoyed relative results, with particularly strong contributions from securities issued on behalf of hospitals and industrial development projects. The fund also received

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above-average results from Puerto Rico bonds and bonds backed by the states' settlement of litigation with U.S. tobacco companies. Finally, overweighted exposure to BBB-rated and high yield bonds fared well when investors' risk appetites increased early in the reporting period.

The fund achieved less attractive results from its ongoing efforts to upgrade its overall credit quality, which proved counterproductive during the reporting period when lower quality securities continued to rally. Investments in traditionally defensive, high-quality bonds from municipal water and sewer facilities ranked among the fund's weaker areas.

### Prepared for a Changing Market Environment

Municipal bonds ended the reporting period attractively valued compared to U.S. Treasury securities, and most issuers' fiscal conditions have improved. However, the U.S. economy remains vulnerable to unexpected shocks, and higher yielding and longer maturity bonds have become more richly valued after recent rallies. Consequently, while we have continued to maintain our duration, credit quality and leveraging strategies, we may adjust the fund's composition as economic conditions, supply-and-demand dynamics and other market forces evolve.

June 15, 2012

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

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

1 Total return includes reinvestment of dividends and any capital gains paid, based upon net asset

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*value per share. Past performance is no guarantee of future results. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figures provided reflect the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an undertaking in effect through November 30, 2012, 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, annualized, divided by the market price per share at the end of the period, adjusted for any capital gain distributions.*

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### STATEMENT OF INVESTMENTS

May 31, 2012 (Unaudited)

<b>Long-Term Municipal Investments—143.8%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Alabama—0.7%</b>				
Jefferson County, Limited Obligation School Warrants	5.25	1/1/17	2,000,000	2,003,840
Jefferson County, Limited Obligation School Warrants	5.00	1/1/24	1,000,000	967,510
<b>Alaska—2.2%</b>				
Northern Tobacco Securitization Corporation of Alaska, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/32	2,500,000	2,127,525
Northern Tobacco Securitization Corporation of Alaska, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/46	9,465,000	7,147,873
<b>Arizona—7.5%</b>				
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric				

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System Revenue)	5.00	1/1/38	13,198,367 a,b	14,570,705
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/33	6,010,000	6,517,785
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000	3,764,320
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	6,000,000	6,382,080
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	1,000,000	1,023,310
<b>California—16.0%</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,c	5,963,416
California, GO (Various Purpose)	5.75	4/1/31	7,800,000	9,113,442

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>				
California, GO (Various Purpose)	6.00	3/1/33	2,250,000	2,714,423
California, GO (Various Purpose)	6.50	4/1/33	5,000,000	6,089,250
California, GO (Various Purpose)	6.00	11/1/35	5,000,000	5,948,550
California State Public Works Board, LR (The Regents of the University of California) (Various University of California Projects)	5.00	4/1/34	3,000,000	3,277,920
California Statewide Communities Development Authority, Revenue				

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(Front Porch Communities and Services Project)	5.13	4/1/37	4,975,000 <sup>b</sup>	5,045,844
Golden State Tobacco Securitization Corporation, Tobacco Settlement				
Asset-Backed Bonds	4.50	6/1/27	2,000,000	1,646,820
Los Angeles Department of Water and Power, Power System Revenue	5.00	7/1/34	2,885,000	3,206,360
Los Angeles Department of Water and Power, Water System Revenue	5.00	7/1/43	5,000,000	5,616,650
Sacramento City Unified School District, GO (Insured; Assured Guaranty Municipal Corp.)	0.00	7/1/24	5,220,000 <sup>d</sup>	3,164,625
Sacramento County, Airport System Subordinate and Passenger Facility Charges				
Grant Revenue	6.00	7/1/35	4,000,000 <sup>c</sup>	4,594,280
San Buenaventura, Revenue (Community Memorial Health System)	7.50	12/1/41	1,500,000	1,782,105
San Diego Public Facilities Financing Authority, Senior				
Sewer Revenue	5.25	5/15/34	2,500,000	2,849,875
Santa Margarita/Dana Point Authority, Revenue (Santa Margarita Water District Improvement Districts Numbers 2,3 and 4)	5.13	8/1/38	5,000,000	5,471,600

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>				
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	2,000,000	2,370,660



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**Colorado—2%**

Colorado Housing and Finance  
 Authority, Single Family  
 Program Senior and Subordinate

Bonds (Collateralized; FHA)	6.60	8/1/32	830,000	891,022
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**Connecticut—1.2%**

Connecticut Resources Recovery  
 Authority, Special Obligation  
 Revenue (American REF-FUEL  
 Company of Southeastern  
 Connecticut Project)

	6.45	11/15/22	4,985,000	4,992,328
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**Florida—4.6%**

Mid-Bay Bridge Authority,  
 Springing Lien Revenue  
 Palm Beach County Health  
 Facilities Authority,

Retirement Community Revenue

(Adult Communities Total

Services, Inc. Retirement—

Life Communities, Inc.

Obligated Group)	5.50	11/15/33	6,825,000 <sup>C</sup>	7,327,730
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Saint Johns County Industrial  
 Development Authority, Revenue  
 (Presbyterian Retirement

Communities Project)	6.00	8/1/45	3,500,000	3,836,455
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South Lake County Hospital  
 District, Revenue (South Lake  
 Hospital, Inc.)

	6.25	4/1/39	2,500,000	2,740,100
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**Georgia—3.7%**

Atlanta,  
 Airport General Revenue

	5.00	1/1/26	3,500,000 <sup>C</sup>	3,868,480
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Atlanta,  
 Water and Wastewater Revenue  
 Atlanta,  
 Water and Wastewater Revenue

	6.00	11/1/28	4,865,000	5,809,248
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(Insured; Assured Guaranty  
 Municipal Corp.)

	5.25	11/1/34	1,000,000	1,129,790
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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Georgia (continued)</b>				
Augusta, Airport Revenue	5.45	1/1/31	2,500,000 <sup>c</sup>	2,441,950
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,794,796
<b>Hawaii—1.2%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawai'i Pacific Health Obligated Group)	5.63	7/1/30	2,500,000	2,742,850
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and Subsidiary Projects)	6.50	7/1/39	2,000,000	2,321,740
<b>Idaho—0%</b>				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	185,000	185,335
<b>Illinois—2.4%</b>				
Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	3,000,000 <sup>c</sup>	3,482,310
Illinois Finance Authority, Recovery Zone Facility Revenue (Navistar International Corporation Project)	6.50	10/15/40	2,000,000	2,212,120
Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	1,020,000	1,054,853
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	3,000,000	3,448,530
<b>Indiana—0.7%</b>				
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis				

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Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	3,000,000 <sup>c</sup>	3,111,330
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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Iowa—4%</b>				
Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds	5.60	6/1/34	2,000,000	1,782,320
<b>Kentucky—3%</b>				
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's HealthCare, Inc. Project) (Prerefunded)	6.13	2/1/18	1,000,000 <sup>e</sup>	1,272,530
<b>Louisiana—1.9%</b>				
Lakeshore Villages Master Community Development District, Special Assessment Revenue Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	5.25	7/1/17	1,987,000 <sup>f</sup>	795,038
Louisiana Public Facilities Authority, Revenue (Belle Chasse Educational Foundation Project)	6.75	11/1/32	4,000,000	4,452,760
<b>Maine—6%</b>				
Maine Health and Higher Educational Facilities Authority, Revenue (MaineGeneral Medical Center Issue)	6.50	5/1/31	2,750,000	3,098,508
	7.50	7/1/32	2,000,000	2,431,540

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**Maryland—4%**

Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	1,723,188
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**Massachusetts—12.2%**

Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,200,000 a,b	11,669,208
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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Massachusetts (continued)</b>				
JPMorgan Chase Putters/Drivers Trust (Massachusetts, Consolidated Loan)	5.00	4/1/19	6,400,000 a,b	7,629,056
JPMorgan Chase Putters/Drivers Trust (Massachusetts Development Finance Agency, Revenue (Harvard University Issue))	5.25	2/1/34	10,000,000 a,b	12,039,800
Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	2,500,000	3,031,575
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue) (Prerefunded)	9.00	12/15/12	1,300,000 e	1,378,559
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	5,000,000	5,759,350
Massachusetts Housing Finance Agency, Housing Revenue	7.00	12/1/38	4,575,000	5,235,584
Massachusetts Housing Finance				

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Agency, SFHR	5.00	12/1/31	5,575,000	5,728,814
<b>Michigan—8.5%</b>				
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	3,500,000	4,420,360
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	3,780,000	3,915,211
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/36	3,290,000	3,329,381
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	2,000,000	2,063,300
Michigan Finance Authority, Clean Water Revolving Fund Revenue	5.00	10/1/31	2,000,000	2,371,640

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Michigan (continued)</b>				
Michigan Strategic Fund, LOR (State of Michigan Cadillac Place Office Building Project)	5.25	10/15/31	4,500,000	5,030,955
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	6,620,000	6,561,810
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.00	9/1/29	5,000,000	6,390,150
Wayne County Airport Authority,				

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Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	2,450,000 <sup>C</sup>	2,473,863
<b>Minnesota—0.6%</b>				
Tobacco Securitization Authority of Minnesota, Tobacco Settlement Revenue Bonds	5.25	3/1/31	2,500,000	2,789,675
<b>Nevada—1.3%</b>				
Clark County, Passenger Facility Charge Revenue (Las Vegas-McCarran International Airport)	5.00	7/1/30	5,000,000 <sup>C</sup>	5,466,000
<b>New Hampshire—1.3%</b>				
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,416,470
<b>New Jersey—5.1%</b>				
New Jersey Economic Development Authority, School Facilities Construction Revenue	5.50	12/15/29	5,000,000	5,680,800
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey—American Water Company, Inc. Project)	5.70	10/1/39	3,000,000	3,322,590

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New Jersey (continued)</b>				
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	4.50	6/1/23	1,500,000	1,412,880
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement				

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Asset-Backed Bonds	5.00	6/1/41	1,000,000	779,600
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement				
Asset-Backed Bonds (Prerefunded)	7.00	6/1/13	10,095,000 <sup>e</sup>	10,775,706
<b>New Mexico—1.3%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	5,000,000	5,453,650
<b>New York—14.2%</b>				
Austin Trust (Port Authority of New York and New Jersey, Consolidated Bonds, 151st Series)	6.00	9/15/28	10,000,000 <sup>a,b,c</sup>	12,017,100
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Revenue)	5.00	5/1/30	4,488,203 <sup>a,b</sup>	5,103,580
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.50	11/1/27	5,000,000 <sup>a,b</sup>	6,129,950
JPMorgan Chase Putters/Drivers Trust (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.25	11/1/18	5,000,000 <sup>a,b</sup>	6,076,250
Long Island Power Authority, Electric System General Revenue	6.25	4/1/33	3,000,000	3,631,200

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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<b>New York (continued)</b>				
Metropolitan Transportation Authority, Transportation Revenue				
	6.25	11/15/23	9,425,000 <sup>c</sup>	12,016,404
Metropolitan Transportation Authority, Transportation Revenue				
	5.00	11/1/28	1,500,000 <sup>c</sup>	1,733,940
New York City Educational Construction Fund, Revenue				
	6.50	4/1/28	2,785,000	3,515,338
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)				
	7.75	8/1/31	5,000,000 <sup>c,f</sup>	5,145,950
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)				
	9.50	4/15/14	605,000	666,147
Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air Terminal LLC Project)				
	6.00	12/1/36	4,710,000 <sup>c</sup>	5,294,699
<b>North Carolina—2.5%</b>				
Barclays Capital Municipal Trust Receipts (North Carolina Medical Care Commission, Health Care Facilities Revenue (Duke University Health System))				
	5.00	6/1/42	10,000,000 <sup>a,b</sup>	10,918,500
<b>Ohio—5.4%</b>				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds				
	5.88	6/1/47	2,500,000	1,911,150
Butler County, Hospital Facilities Revenue (UC Health)				
	5.50	11/1/40	3,000,000	3,220,080
Cleveland, Airport System Revenue				
	5.00	1/1/30	2,000,000 <sup>c</sup>	2,160,320
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)				
	5.63	10/1/19	4,200,000	4,851,924



<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Ohio (continued)</b>				
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	2,530,000 <sup>b</sup>	2,080,040
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	3,000,000	3,074,370
University of Akron, General Receipts Bonds (Insured; Assured Guaranty Municipal Corp.)	5.00	1/1/22	5,000,000	5,924,900
<b>Oregon—4%</b>				
Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)	6.38	11/1/33	1,500,000	1,573,485
<b>Pennsylvania—2.1%</b>				
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	3,000,000 <sup>a,b</sup>	3,301,800
Philadelphia, GO	6.50	8/1/41	4,700,000	5,673,370
<b>Rhode Island—1.4%</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	5,983,650

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**Tennessee—1.5%**

Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/29	2,500,000	3,007,950
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The Fund

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STATEMENT OF INVESTMENTS (Unaudited) *(continued)*

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Tennessee (continued)</b>				
Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/34	3,000,000	3,541,140
<b>Texas—20.1%</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	9,997,299 <sup>a,b</sup>	11,122,849
Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue)	5.00	5/15/39	13,160,000 <sup>a,b</sup>	14,777,627
Dallas-Fort Worth International Airport Facility Improvement Corporation, Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000 <sup>c</sup>	3,004,800
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	7.25	12/1/35	9,290,000	11,176,985
Harris County Health Facilities				

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Development Corporation, Revenue (CHRISTUS Health) (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/15	1,500,000	1,664,070
Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	6.00	11/15/36	5,000,000	6,031,100
Matagorda County Navigation District Number One, Revenue (Houston Lighting and Power Company Project) (Insured; AMBAC)	5.13	11/1/28	4,295,000	4,806,148
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	14,705,000 <sup>C</sup>	16,773,258

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Texas (continued)</b>				
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	6,650,000 <sup>C</sup>	7,239,057
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	13.30	7/2/24	650,000 <sup>g</sup>	696,280
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	4,300,000	4,304,042
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	5,375,000 <sup>C</sup>	5,383,170
<b>Virginia—4.8%</b>				
Henrico County Industrial				

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Development Authority, Revenue (Bon Secours Health System) (Insured; Assured Guaranty Municipal Corp.)	11.15	8/23/27	7,200,000 <sup>g</sup>	9,425,376
Virginia Housing Development Authority, Commonwealth Mortgage Revenue	6.25	7/1/31	5,140,000	5,847,932
Virginia Small Business Financing Authority, Senior Lien Revenue (Elizabeth River Crossing Opco, LLC Project)	5.50	1/1/42	1,500,000 <sup>c</sup>	1,576,965
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.75	7/1/38	3,000,000	3,699,090
<b>Washington—3.9%</b>				
Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue)	5.00	1/1/29	8,577,246 <sup>a,b</sup>	10,068,622
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	5,975,000	6,949,104

The Fund

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>West Virginia—1.9%</b>				
The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	7,920,000	8,186,904
<b>Wisconsin—5.2%</b>				
Badger Tobacco Asset Securitization Corporation,				

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Tobacco Settlement				
Asset-Backed Bonds				
(Prerefunded)	6.13	6/1/12	3,865,000 <sup>e</sup>	3,865,000
Badger Tobacco Asset				
Securitization Corporation, Tobacco Settlement				
Asset-Backed Bonds				
(Prerefunded)	7.00	6/1/12	14,570,000 <sup>e</sup>	14,570,000
Wisconsin Health and Educational Facilities Authority, Revenue				
(Aurora Health Care, Inc.)	6.40	4/15/33	4,000,000	4,092,160
<b>U.S. Related—6.1%</b>				
Puerto Rico Aqueduct and Sewer Authority, Senior Lien Revenue	5.13	7/1/37	5,000,000	5,023,250
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,500,000	1,614,930
Puerto Rico Commonwealth, Public Improvement GO	6.00	7/1/39	1,610,000	1,750,440
Puerto Rico Commonwealth, Public Improvement GO	6.50	7/1/40	2,390,000	2,775,005
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue				
(First Subordinate Series)	5.38	8/1/39	2,500,000	2,678,000
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue				
(First Subordinate Series)	6.00	8/1/42	10,000,000	11,278,000
Virgin Islands Public Finance Authority, Revenue (Virgin Islands Matching Fund Loan Notes)				
(Senior Lien/Capital Projects)	5.00	10/1/39	1,250,000	1,288,200
<b>Total Long-Term Municipal Investments</b>				
(cost \$558,041,090)				<b>619,559,357</b>

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<b>Short-Term Municipal Investments—1.5%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California—.5%</b>				
California, GO Notes				

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(Kindergarten-University)				
(LOC: California State				
Teachers Retirement System				
and Citibank NA)	0.16	6/1/12	2,200,000 <sup>h</sup>	2,200,000
<b>New York—1.0%</b>				
New York City,				
GO Notes (LOC; JPMorgan				
Chase Bank)	0.19	6/1/12	1,100,000 <sup>h</sup>	1,100,000
New York City,				
GO Notes (LOC; JPMorgan				
Chase Bank)	0.19	6/1/12	2,100,000 <sup>h</sup>	2,100,000
New York City,				
GO Notes (LOC; JPMorgan				
Chase Bank)	0.19	6/1/12	1,100,000 <sup>h</sup>	1,100,000
<b>Total Short-Term Municipal Investments</b>				
(cost \$6,500,000)				<b>6,500,000</b>
<b>Total Investments</b> (cost \$564,541,090)			<b>145.3%</b>	<b>626,059,357</b>
<b>Liabilities, Less Cash and Receivables</b>			<b>(12.9%)</b>	<b>(55,572,777)</b>
<b>Preferred Stock, at redemption value</b>			<b>(32.4%)</b>	<b>(139,500,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>			<b>100.0%</b>	<b>430,986,580</b>

*a Collateral for floating rate borrowings.*

*b Securities exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At May 31, 2012, these securities were valued at \$138,514,347 or 32.1% of net assets applicable to Common Shareholders.*

*c At May 31, 2012, the fund had \$109,651,442 or 25.4% of net assets applicable to Common Shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from transportation.*

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

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

*f Non-income producing—security in default.*

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

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

STATEMENT OF INVESTMENTS (Unaudited) (continued)

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>LIFERS</b>	Long Inverse Floating Exempt Receipts
<b>LOC</b>	Letter of Credit	<b>LOR</b>	Limited Obligation Revenue
<b>LR</b>	Lease Revenue	<b>MERLOTS</b>	Municipal Exempt 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	<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>SPEARS</b>	Short Puttable Exempt	<b>SWDR</b>	Solid Waste Disposal Revenue

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	Adjustable Receipts		
<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

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### Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's	Value (%) <sup>†</sup>
AAA		Aaa		AAA	12.0
AA		Aa		AA	27.5
A		A		A	31.7
BBB		Baa		BBB	19.7
BB		Ba		BB	3.4
B		B		B	1.5
F1		MIG1/P1		SP1/A1	.6
Not Rated <sup>i</sup>		Not Rated <sup>i</sup>		Not Rated <sup>i</sup>	3.6
					<b>100.0</b>

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

<sup>i</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.

The Fund

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## STATEMENT OF ASSETS AND LIABILITIES

May 31, 2012 (Unaudited)

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments	564,541,090	626,059,357
Interest receivable		9,775,068
Prepaid expenses		39,393
		<b>635,873,818</b>
<b>Liabilities (\$):</b>		



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Due to The Dreyfus Corporation and affiliates—Note 2(a)	305,972
Cash overdraft due to Custodian	2,093,055
Payable for floating rate notes issued—Note 3	57,128,615
Payable for investment securities purchased	5,595,700
Interest and expense payable related to floating rate notes issued—Note 3	109,450
Commissions payable	13,850
Dividends payable to Preferred Shareholders	2,817
Accrued expenses	137,779
	<b>65,387,238</b>
<b>Auction Preferred Stock</b> , Series A, B and C, par value \$.001 per share (5,580 shares issued and outstanding at \$25,000 per share liquidation value)—Note 1	<b>139,500,000</b>
<b>Net Assets Applicable to Common Shareholders (\$)</b>	<b>430,986,580</b>
<b>Composition of Net Assets (\$):</b>	
Common Stock, par value, \$.001 per share (48,883,799 shares issued and outstanding)	48,884
Paid-in capital	424,618,459
Accumulated undistributed investment income—net	8,491,468
Accumulated net realized gain (loss) on investments	(63,690,498)
Accumulated net unrealized appreciation (depreciation) on investments	61,518,267
<b>Net Assets Applicable to Common Shareholders (\$)</b>	<b>430,986,580</b>
<b>Shares Outstanding</b>	
(110 million shares of \$.001 par value Common Stock authorized)	48,883,799
<b>Net Asset Value</b> , per share of Common Stock (\$)	<b>8.82</b>

*See notes to financial statements.*

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## STATEMENT OF OPERATIONS

Six Months Ended May 31, 2012 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Interest Income</b>	<b>15,894,419</b>
<b>Expenses:</b>	
Investment advisory fee—Note 2(a)	1,394,088
Administration fee—Note 2(a)	697,044

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Interest and expense related to floating rate notes issued—Note 3	193,892
Commission fees—Note 1	117,290
Directors' fees and expenses—Note 2(b)	51,443
Professional fees	49,236
Shareholders' reports	43,420
Registration fees	25,288
Shareholder servicing costs	12,605
Custodian fees—Note 2(a)	1,004
Miscellaneous	27,390
<b>Total Expenses</b>	<b>2,612,700</b>
Less—reduction in investment advisory fee due to undertaking—Note 2(a)	(278,818)
Less—reduction in administration fee—Note 2(a)	(63,501)
<b>Net Expenses</b>	<b>2,270,381</b>
<b>Investment Income—Net</b>	<b>13,624,038</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 3 (\$):</b>	
Net realized gain (loss) on investments	1,088,125
Net unrealized appreciation (depreciation) on investments	34,266,324
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>35,354,449</b>
<b>Dividends to Preferred Shareholders</b>	<b>(166,994)</b>
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>48,811,493</b>

*See notes to financial statements.*

The Fund

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## STATEMENT OF CASH FLOWS

May 31, 2012 (Unaudited)

<b>Cash Flows from Operating Activities (\$):</b>	
Interest received	16,144,482
Operating expenses paid	(2,101,079 )
Dividends paid to Preferred Shareholders	(167,343 )
Purchases of portfolio securities	(39,256,297 )
Net purchases of short-term portfolio securities	(1,200,000 )
Proceeds from sales of portfolio securities	39,530,161
	<b>12,949,924</b>

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<b>Cash Flows from Financing Activities (\$):</b>		
Dividends paid to Common Shareholders	(12,780,323 )	
Interest and expense related to floating rate notes issued paid	(199,772 )	<b>(12,980,095)</b>
Decrease in cash		<b>(30,171)</b>
Cash overdraft at beginning of period		(2,062,884)
<b>Cash overdraft at end of period</b>		<b>(2,093,055)</b>
<b>Reconciliation of Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations to Net Cash Provided by Operating Activities (\$):</b>		
Net Increase in Net Assets Applicable to Common Shareholders Resulting From Operations		<b>48,811,493</b>
<b>Adjustments to reconcile net increase in net assets applicable to Common Shareholders resulting from operations to net cash provided by operating activities (\$):</b>		
Increase in investments in securities, at cost		(6,692,242)
Increase in payable for investment securities purchased		4,679,728
Increase in interest receivable		(32,454)
Decrease in commissions payable and accrued expenses		(14,747)
Increase in prepaid expenses		(24,173)
Increase in Due to The Dreyfus Corporation and affiliates		13,603
Decrease in dividends payable to Preferred Shareholders		(351)
Interest and expense related to floating rate notes issued		193,892
Net unrealized appreciation on investments		(34,266,324)
Net amortization of premiums on investments		281,499
<b>Net Cash Provided by Operating Activities</b>		<b>12,949,924</b>
<b>Supplemental disclosure cash flow information (\$):</b>		
Non-cash financing activities:		
Reinvestment of dividends		<b>1,129,938</b>

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended	Year Ended
	May 31, 2012	November 30, 2011
	(Unaudited)	
<b>Operations (\$):</b>		

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Investment income—net	13,624,038	27,805,189
Net realized gain (loss) on investments	1,088,125	(21,888,260)
Net unrealized appreciation (depreciation) on investments	34,266,324	33,481,801
Dividends to Preferred Shareholders	(166,994)	(436,571)
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>48,811,493</b>	<b>38,962,159</b>
<b>Dividends to Common Shareholders from (\$):</b>		
Investment income—net	(13,910,261)	(27,730,629)
<b>Capital Stock Transactions (\$):</b>		
Dividends reinvested	1,129,938	1,430,458
<b>Total Increase (Decrease) in Net Assets Applicable to Common Shareholders</b>	<b>36,031,170</b>	<b>12,661,988</b>
<b>Net Assets Applicable to Common Shareholders (\$):</b>		
Beginning of Period	394,955,410	382,293,422
<b>End of Period</b>	<b>430,986,580</b>	<b>394,955,410</b>
Undistributed investment income—net	8,491,468	8,944,685
<b>Capital Share Transactions (Shares):</b>		
<b>Increase in Common Shares Outstanding as a Result of Dividends Reinvested</b>	<b>131,976</b>	<b>185,781</b>

See notes to financial statements.

The Fund

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## FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and 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 November 30,			
	May 31, 2012		2010	2009	2008	2007
	(Unaudited)	2011				
<b>Per Share Data (\$):</b>						
Net asset value,						
beginning of period	8.10	7.87	7.93	6.76	8.60	9.21
Investment Operations:						

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Investment income—net	.28	.57	.59	.64	.63	.62
Net realized and unrealized gain (loss) on investments	.74	.24	(.10)	1.02	(1.86)	(.59)
Dividends to Preferred Shareholders from investment income—net	(.01)	(.01)	(.01)	(.03)	(.14)	(.14)
Total from Investment Operations	1.01	.80	.48	1.63	(1.37)	(.11)
Distributions to Common Shareholders:						
Dividends from investment income—net	(.29)	(.57)	(.54)	(.46)	(.47)	(.50)
Net asset value, end of period	8.82	8.10	7.87	7.93	6.76	8.60
Market value, end of period	9.10	8.39	7.94	7.58	5.53	7.77
<b>Total Return (%)<sup>b</sup></b>	12.12 <sup>c</sup>	13.67	11.95	46.74	(24.12)	(1.17)

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	Six Months Ended		Year Ended November 30,			
	May 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>d</sup>	1.25 <sup>e</sup>	1.30	1.30	1.37	1.44	1.43
Ratio of net expenses to average net assets applicable to Common Stock <sup>d</sup>	1.09 <sup>e</sup>					