



# Investing With Dreyfus: Municipal Bond Fund Lineup

KEEP MORE OF WHAT YOU EARN

As investors strive to maintain the right balance of diversification in their portfolios, a mix of stock and bond mutual funds is critical. Within fixed income, there are certain bond mutual funds that may be attractive to investors, if appropriate, and can complement a portfolio seeking tax efficiency. One subset of bond mutual funds are tax exempt municipal bond funds.

Issued by states and local governments, individual municipal bonds are used to fund the construction of public projects such as schools, highways, water and sewer systems, bridges and hospitals. When you invest in municipal bond funds, you'll have access to distinct potential investment benefits as well as the opportunity to support many of the communities we live and work in.

## Invest With a Municipal Leader — Dreyfus

**Trust.** For over 60 years, Dreyfus has helped clients weather all kinds of markets by providing high-quality service and in-depth investment knowledge.

**Innovation.** Dreyfus was the first company to launch a national municipal bond mutual fund in 1976 — Dreyfus Municipal Bond Fund.

**Expertise.** Our portfolio managers have the experience and resources to provide in-depth research and risk management across the large and diverse municipal bond market.

### ADVANTAGES OF MUNICIPAL BOND MUTUAL FUNDS

At Dreyfus, we believe municipal bond mutual funds offer distinct advantages<sup>1</sup>:

#### Professional Management

The \$3.8 trillion municipal bond market is complex and vast, including thousands of issuers and dealers. Professional bond managers have the resources and expertise to conduct credit research on individual bonds and provide efficient execution on specialized trading desks.

#### Liquidity

Liquidity refers to how easy it is to convert your assets to cash. Some bonds are more liquid than others, which may make selling certain individual bonds challenging. You can generally sell shares of a bond mutual fund at any time at the current market value (or NAV) of the fund.

#### More Frequent Income Payments

Most municipal bond funds pay out monthly income distributions, while individual bonds typically only pay out income semi-annually.

#### Better Pricing

Professionally managed bond mutual funds tend to get better pricing when buying and selling bonds, where they can often purchase bonds in larger blocks with more attractive pricing (known as bid/ask spreads) than an investor buying individual bonds.

1. Bond mutual funds charge management fees and other operating expenses that are not applicable to individual bonds.

# Three Reasons to Consider Tax-Exempt Municipal Bond Funds

## 1. TAX BENEFITS

Taxes can take a big bite out of your investment returns. That's why so many investors look to municipal bonds to provide a steady stream of tax-exempt income. The income on most municipal bonds is exempt from federal taxes—and if you live in the state the bond is issued, your interest income may also be exempt from state income tax.

Municipal bonds tend to have lower stated yields than comparable taxable bonds, but they make up for it with the potential to generate higher after-tax returns and after-tax income. This means the yield from a taxable bond needs to be significantly higher than the yield from a municipal bond in order to generate the same amount of income after federal income taxes.

As the chart below illustrates, an investor in the 35% federal tax bracket considering a 5% municipal bond would need to find

a comparable taxable bond with a 7.69% yield in order to pocket the same amount of income after taxes.

### THE POTENTIAL YIELD BENEFITS OF FEDERALLY TAX-FREE INVESTMENTS VERSUS TAXABLES

Tax Exempt Yield	2016 Federal Income Tax Rates					
	25.0%	28.0%	33.0%	35.0%	39.6%	43.4%*
2.00%	2.67%	2.78%	2.99%	3.08%	3.31%	3.53%
3.00%	4.00%	4.17%	4.48%	4.62%	4.97%	5.30%
4.00%	5.33%	5.56%	5.97%	6.15%	6.62%	7.07%
5.00%	6.67%	6.94%	7.46%	7.69%	8.28%	8.83%
6.00%	8.00%	8.33%	8.96%	9.23%	9.93%	10.60%

\*43.4% includes 3.8% Medicare Tax.

## 2. DIVERSIFICATION

A municipal bond investment can be an important component of a diversified portfolio. While equity mutual funds offer long-term growth potential, they can be

volatile. Historically, municipal bonds have demonstrated a low correlation to U.S. equities and taxable fixed income assets, making them a potentially attractive

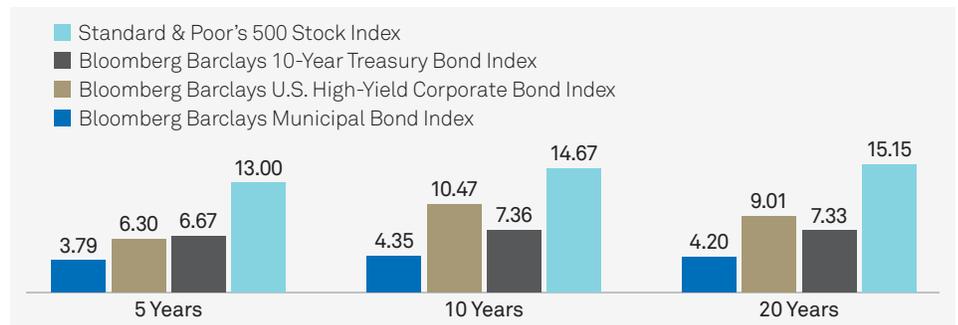
component for diversifying portfolios.<sup>2</sup> A portfolio allocated among different asset classes may help lessen the risk associated with investing in a single asset class.

## 3. LOW VOLATILITY

Municipal bonds are owned primarily by individual investors, who tend to hold their bonds to maturity rather than actively trading them. This has historically resulted in lower volatility for municipal bonds versus equities and other fixed income investments, including Treasuries.

### MUNICIPAL BONDS EXHIBIT RELATIVELY LOW VOLATILITY

Annualized standard deviations\* for periods ended 12/31/15



\*Standard deviation reflects an investment's total return volatility over a minimum of 36 monthly returns. The larger a portfolio's standard deviation, the greater its volatility.

For 5-, 10-, and 20-year periods as of 12/31/15: the Bloomberg Barclays Municipal Bond Index had average annual total returns of 5.35%, 4.72%, and 5.21%; the Bloomberg Barclays U.S. High-Yield Corporate Bond Index had average annual total returns of 5.04%, 6.96%, and 6.75%; the Bloomberg Barclays 10-Year Treasury Bond Index had average annual total returns of 4.68%, 5.04%, and 5.25%; the Standard & Poor's 500 Stock Index had average annual total returns of 12.57%, 7.31%, and 8.19%.

**The historical performance of the indices is provided to illustrate market trends; it does not represent the performance of any investment product. Index returns do not include any investment-related fees and expenses. It is not possible to invest directly in any index.**

2. Correlation measures the degree to which the performance of a given asset class moves in relation to another on a scales of -1 to 1. Negative 1 indicates a perfectly inverse relationship (assets classes move in opposite directions from one another). 0 indicates no relationship and 1 indicates a perfectly positive relationship (asset classes move in lock step).

# Standish's Specialized Experience in Managing Municipal Bond Mutual Funds

Dreyfus offers an extensive selection of municipal bond funds managed by Standish Mellon Asset Management Company, LLC (Standish), a well-established BNY Mellon subsidiary dedicated to serving sophisticated fixed income investors. Their investment strategies span the wide range of fixed income disciplines and are complemented by an ability to design innovative, effective solutions to satisfy clients' evolving needs. With \$27 billion in municipal assets and \$152 billion in total fixed income assets

under management as of September 30, 2016, we believe Standish has the experience and resources to navigate the \$3.8 trillion U.S. municipal bond market:

- Specialized, in-depth municipal credit research
- Institutional power to buy and sell bonds at potentially favorable prices
- Seasoned investment team with 20+ average years of investment experience
- Independent risk management systems and models

The Standish tax-sensitive team conducts extensive research to identify municipal bonds with stable or improving credits. Working closely with a dedicated trading desk, the team's primary objective is to capture compelling opportunities in an often-fragmented marketplace.

## Dreyfus Municipal Bond Fund Lineup

### MUNI NATIONAL / SINGLE-STATE INTERMEDIATE

**Dreyfus AMT-Free Municipal Bond Fund**  
(Class A) | DMUAX

**Dreyfus Municipal Bond Fund**  
DRTAX

**Dreyfus Municipal Bond Opportunity Fund**  
(Class A) | PTEBX

**Dreyfus California AMT-Free Municipal Bond Fund**  
(Class A) | DCAAX

**Dreyfus New York AMT-Free Municipal Bond Fund**  
(Class A) | PSNYX

**Dreyfus New York Tax Exempt Bond Fund, Inc.**  
DRNYX

**Dreyfus New Jersey Municipal Bond Fund, Inc.**  
(Class A) | DRNJX

**Dreyfus Connecticut Fund**  
(Class A) | PSCTX

**Dreyfus Massachusetts Fund**  
(Class A) | PSMAX

**Dreyfus Pennsylvania**  
(Class A) | PTPAX

**Dreyfus Intermediate Municipal Bond Fund, Inc.**  
DITEX

### HIGH YIELD MUNI

**Dreyfus High Yield Municipal Bond Fund**  
(Class A) | DHYAX

### MUNI NATIONAL SHORT

**Dreyfus Short-Intermediate Municipal Bond Fund**  
(Class A) | DMBAX

### TAX SENSITIVE

**Dreyfus Tax Sensitive Total Return Bond Fund**  
(Class A) | DSDAX

**There are many municipal bond fund options to choose from, but which one is right for you?**

Contact your financial advisor or call **1-800-DREYFUS** to speak with a representative to learn more.

LEARN MORE

Call 1-800-DREYFUS or visit Dreyfus.com

#### DEFINITIONS

The **Bloomberg Barclays U.S. Municipal Bond Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The **Bloomberg Barclays U.S. Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. The **Bloomberg Barclays 10-Year US Treasury Index** is a universe of Treasury bonds, and used as a benchmark against the market for long-term maturity fixed income securities. The index assumes reinvestment of all distributions and interest payments. The **S&P 500 Composite Index** is a widely accepted, unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. An investor cannot invest directly in any index.

**Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus that contains this and other information about a Dreyfus fund, mutual fund investors should contact their financial advisors or visit Dreyfus.com. Investors should read the prospectus carefully before investing.**

#### RISKS

**Diversification and asset allocation cannot ensure a profit or protect against loss.**

**Bond funds** are subject to interest rate, credit, liquidity, prepayment and extension, derivative and market risks, to varying degrees, all of which are more fully described in each fund's prospectus. Generally, all other factors being equal, bond prices move in the opposite direction of interest rate changes. **High yield bonds** involve increased credit and liquidity risks compared with investment grade bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. **Municipal income** may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

BNY Mellon Investment Management is one of the world's leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management firms, wealth management services and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation. MBSC Securities Corporation, a registered broker dealer, member of FINRA and subsidiary of Dreyfus, is the distributor of Dreyfus mutual funds. Standish portfolio managers manage the funds for Dreyfus under a dual-employee relationship, using Standish's proprietary investment process.

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