

# Dreyfus High Yield Municipal Bond Fund



**SEMIANNUAL REPORT**

February 28, 2018

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## A LETTER FROM THE PRESIDENT OF DREYFUS

Dear Shareholder:

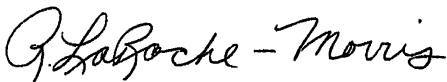
We are pleased to present this semiannual report for Dreyfus High Yield Municipal Bond Fund, covering the six-month period from September 1, 2017 through February 28, 2018. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Stocks set a series of new record highs while bonds generally lost a degree of value over the reporting period. Riskier sectors of the financial markets responded positively to growing corporate earnings, improving global economic conditions and the enactment of tax reform legislation. While the rally was relatively broad-based, growth stocks produced substantially higher returns than value-oriented stocks. International stocks also performed well amid more positive economic data from Europe, Japan, and the emerging markets. In the bond market, U.S. government securities and municipal bonds declined when short-term interest rates and inflation expectations increased, while lower-rated corporate-backed securities fared somewhat better in anticipation of improved business conditions.

The markets' performance was supported by solid underlying fundamentals, including sustained economic growth, a robust labor market and strong consumer and business confidence. We currently expect these favorable conditions to persist, but we remain watchful for economic and political developments that could negatively affect the markets. Indeed, in February 2018, we witnessed a return of heightened volatility to the financial markets. As always, we encourage you to discuss the risks and opportunities of today's investment environment with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,



Renee Laroche-Morris  
President  
The Dreyfus Corporation  
March 15, 2018

# DISCUSSION OF FUND PERFORMANCE (Unaudited)

*For the period from September 1, 2017 through February 28, 2018, as provided by Daniel Barton and Jeffrey Burger, Primary Portfolio Managers*

## Market and Fund Performance Overview

For the six-month period ended February 28, 2018, Dreyfus High Yield Municipal Bond Fund's Class A shares achieved a 1.04% total return, Class C shares returned 0.58%, Class I shares returned 1.16%, Class Y shares returned 1.17%, and Class Z shares returned 1.11%.<sup>1</sup> The fund's benchmark, the Bloomberg Barclays U.S. Municipal Bond Index (the "Index"), which, unlike the fund, does not include securities rated below investment grade, produced a total return of -1.24%.<sup>2</sup>

Municipal bonds generally produced negative total returns over the reporting period amid bouts of market volatility stemming from rising interest rates and shifting supply-and-demand dynamics in the municipal securities market. The fund produced higher returns than the Index, mainly due to the strong relative performance of lower-rated securities.

## The Fund's Investment Approach

The fund primarily seeks high current income exempt from federal income tax. Secondly, the fund may seek capital appreciation to the extent consistent with its primary goal. To pursue its goals, the fund normally invests at least 80% of its net assets in municipal bonds that provide income exempt from federal income tax. The fund normally invests at least 50% of its assets in municipal bonds rated BBB/Baa or lower by independent rating agencies or the unrated equivalent as determined by Dreyfus. Municipal bonds rated below investment grade (BB/Ba or lower) are commonly known as "high yield" or "junk" bonds. The fund may invest up to 50% of its assets in higher-quality municipal bonds rated AAA/Aaa to A, or the unrated equivalent as determined by Dreyfus.

We focus on identifying undervalued sectors and securities and minimize the use of interest-rate forecasting. The portfolio managers select municipal bonds for the fund's portfolio 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; and
- Actively trading among various sectors, such as pre-refunded, general obligation, and revenue, based on their apparent relative values. The fund seeks to invest in several of these sectors.

## Supply-and-Demand Dynamics Drove Municipal Bonds

In the wake of a sustained market rally, municipal bonds encountered bouts of weakness over the reporting period due to negotiations surrounding federal tax reform legislation. As a result of this uncertainty, states, municipalities, and authorities rushed to market with a flood of newly issued bonds, which put upward pressure on yields and downward pressure on prices. Heightened market volatility continued through January 2018 despite a return to more favorable supply-and-demand dynamics early in the new year. Investors grew concerned that the Federal Reserve Board might raise short-term interest rates more than previously expected in an environment of greater fiscal stimulus, increased economic growth, accelerating inflation, and ballooning federal budget deficits. The market generally stabilized in February when inflation fears eased.

## DISCUSSION OF FUND PERFORMANCE (*Unaudited*) (*continued*)

Yields climbed especially sharply among short-term securities, causing yield differences to narrow along the market's maturity spectrum. Lower rated municipal bonds, including high yield securities, typically outperformed their higher quality counterparts over the reporting period.

Credit conditions have remained sound in the strong economy, but growth in tax revenues has slowed nationally, and several states are facing pressure from underfunded pension systems.

### **Revenue-Backed Bonds Supported Fund Results**

The fund's performance compared to the Index was supported during the reporting period by overweighted exposure to higher-yielding, lower-rated revenue-backed bonds and underweighted positions among general obligation bonds. Results were particularly favorable from bonds backed by hospitals, airlines, and the states' settlement of litigation with U.S. tobacco companies. Lack of exposure to distressed bonds from Puerto Rico further bolstered the fund's results. A focus on longer-term securities and a relatively long average duration also contributed positively to the fund's results.

Although disappointments proved relatively mild during the reporting period, the fund's holdings of lower-yielding municipal bonds backed by education facilities and essential municipal services—such as public power utilities as well as water-and-sewer districts—weighed to a degree on relative performance.

### **A Constructive Investment Posture**

Market volatility surrounding the enactment of tax reform legislation and rising short-term interest rates appears to have eased. While sharply lower corporate tax rates could weigh on demand for municipal bonds from banks and insurance companies, modestly lower personal tax rates seem unlikely to dampen demand from individual investors seeking tax-exempt current income, and we expect favorable supply-and-demand dynamics to support municipal bond prices over the foreseeable future. In addition, municipal bonds historically have been less sensitive than U.S. Treasury securities to rising interest rates.

Therefore, we have maintained a constructive investment posture, including an emphasis on high yield revenue bonds with longer maturities. We also have maintained the fund's relatively long duration posture in an attempt to capture higher yields and participate in some of the more liquid areas of the market.

March 15, 2018

<sup>1</sup> Total return includes reinvestment of dividends and any capital gains paid. It does not include the maximum initial sales charge in the case of Class A shares, and the applicable contingent deferred sales charge imposed on redemptions in the case of Class C shares. Class I, Class Y, and Class Z shares are not subject to any initial or deferred sales charge. Past performance is no guarantee of future results. Share price, yield, and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. 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 an undertaking for the absorption of certain fund expenses by The Dreyfus Corporation through December 31, 2018, at which time it may be extended, terminated, or modified. Had these expenses not been absorbed, the fund's returns would have been lower.

<sup>2</sup> Source: Lipper Inc. — The Bloomberg Barclays U.S. Municipal Bond Index covers the USD-denominated long-term tax-exempt bond market. Investors cannot invest directly in any index.

Bonds are subject generally to interest-rate, credit, liquidity, and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.

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

## UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

### Review your fund's expenses

The table below shows the expenses you would have paid on a \$1,000 investment in Dreyfus High Yield Municipal Bond Fund from September 1, 2017 to February 28, 2018. It also shows how much a \$1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

#### Expenses and Value of a \$1,000 Investment

assuming actual returns for the six months ended February 28, 2018

	Class A	Class C	Class I	Class Y	Class Z
Expenses paid per \$1,000 <sup>†</sup>	\$ 4.34	\$ 8.06	\$ 3.09	\$ 3.09	\$ 3.69
Ending value (after expenses)	\$ 1,010.40	\$ 1,005.80	\$ 1,011.60	\$ 1,011.70	\$ 1,011.10

## COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

### Using the SEC's method to compare expenses

The Securities and Exchange Commission ("SEC") has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a \$1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

#### Expenses and Value of a \$1,000 Investment

assuming a hypothetical 5% annualized return for the six months ended February 28, 2018

	Class A	Class C	Class I	Class Y	Class Z
Expenses paid per \$1,000 <sup>†</sup>	\$ 4.36	\$ 8.10	\$ 3.11	\$ 3.11	\$ 3.71
Ending value (after expenses)	\$ 1,020.48	\$ 1,016.76	\$ 1,021.72	\$ 1,021.72	\$ 1,021.12

<sup>†</sup> Expenses are equal to the fund's annualized expense ratio of .87% for Class A, 1.62% for Class C, .62% for Class I, .62% for Class Y and .74% for Class Z, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# STATEMENT OF INVESTMENTS

February 28, 2018 (Unaudited)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8%</b>				
<b>Alabama - 2.3%</b>				
Jefferson County, Senior Lien Sewer Revenue Warrants (Insured; Assured Guaranty Municipal Corp.)	0/6.60	10/1/42	5,000,000 <sup>a</sup>	<b>4,285,700</b>
<b>Arizona - 4.1%</b>				
Phoenix Industrial Development Authority, Education Facility Revenue (BASIS Schools Projects)	5.00	7/1/46	1,000,000 <sup>b</sup>	1,021,470
Phoenix Industrial Development Authority, Education Facility Revenue (BASIS Schools Projects)	5.00	7/1/45	1,500,000 <sup>b</sup>	1,533,135
Phoenix Industrial Development Authority, Education Facility Revenue (Legacy Traditional Schools Project)	6.75	7/1/44	1,000,000 <sup>b</sup>	1,104,140
Pima County Industrial Development Authority, Education Revenue (American Leadership Academy Project)	5.00	6/15/52	2,565,000 <sup>b</sup>	2,488,691
Tempe Industrial Development Authority, Revenue (Mirabella at ASU Project)	6.13	10/1/52	1,400,000 <sup>b</sup>	1,430,940
				<b>7,578,376</b>
<b>California - 6.9%</b>				
Anaheim Community Facilities District Number 08-1, Special Tax Revenue (Platinum Triangle)	4.00	9/1/46	2,000,000	2,034,640
California Statewide Communities Development Authority, Revenue (Bentley School)	7.00	7/1/40	1,075,000	1,175,953
California Statewide Communities Development Authority, Revenue (California Baptist University)	6.38	11/1/43	2,000,000	2,294,100
California Statewide Communities Development Authority, Revenue (Loma Linda University Medical Center)	5.00	12/1/36	2,000,000 <sup>b</sup>	2,139,180
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	2,720,000	2,723,373
San Buenaventura, Revenue (Community Memorial Health System)	7.50	12/1/41	1,500,000	1,679,760



Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>California - 6.9% (continued)</b>				
Tobacco Securitization Authority, North Tobacco Settlement Revenue (Capital Appreciation-2nd Sub-Asset Backed C)	0.00	6/1/45	6,370,000 <sup>c</sup>	629,038
				<b>12,676,044</b>
<b>Colorado - 5.0%</b>				
Bellevue Station Metropolitan District Number 2, GO	5.00	12/1/36	1,000,000	1,017,100
Colorado Bridge Enterprise, Revenue (Central 70 Project)	4.00	6/30/51	1,500,000	1,475,490
Colorado High Performance Transportation Enterprise, Revenue (C-470 Express Lanes)	5.00	12/31/51	1,500,000	1,625,145
Denver City and County Special Facilities, Airport Revenue (United Airlines Project)	5.00	10/1/32	2,500,000	2,703,025
Dominion Water and Sanitation District, Tap Fee Revenue	6.00	12/1/46	1,300,000	1,357,525
Sterling Ranch Community Authority, Board Supported Revenue	5.00	12/1/47	1,000,000	1,007,310
				<b>9,185,595</b>
<b>Connecticut - 1.8%</b>				
Connecticut Development Authority, Water Facilities Revenue (Aquarion Water Company of Connecticut Project)	5.50	4/1/21	1,500,000	1,643,805
Harbor Point Infrastructure Improvement District, Special Obligation Revenue, Refunding (Harbor Point Project)	5.00	4/1/39	1,500,000 <sup>b</sup>	1,610,865
				<b>3,254,670</b>
<b>District of Columbia - 1.1%</b>				
District of Columbia, Revenue (Ingleside Rock Creek Project)	5.00	7/1/52	2,000,000	<b>2,061,540</b>
<b>Florida - 2.2%</b>				
Cape Coral Health Facilities Authority, Senior Housing Revenue (Gulf Care, Inc. Project)	5.88	7/1/40	1,000,000 <sup>b</sup>	1,076,570
Davie, Educational Facilities Revenue (Nova Southeastern University Project)	5.63	4/1/43	1,000,000	1,108,400
Florida Development Finance Corporation, Educational Facilities Revenue (Miami Arts Charter School Project)	5.88	6/15/34	1,250,000 <sup>b</sup>	1,199,925

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Florida - 2.2% (continued)</b>				
Village Community Development District Number 10, Special Assessment Revenue	6.00	5/1/44	600,000	697,644
				<b>4,082,539</b>
<b>Georgia - 2.5%</b>				
Burke County Development Authority, Pollution Control Revenue, Refunding (Oglethorpe Power Corp-Vogle)	4.13	11/1/45	2,500,000	2,461,325
Gainesville & Hall County Development Authority, Educational Facilities Revenue	5.00	3/1/47	1,000,000	1,035,130
Marietta Development Authority, Revenue (University Facilities-Life University)	5.00	11/1/47	1,000,000 <sup>b</sup>	1,045,160
				<b>4,541,615</b>
<b>Hawaii - .8%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company)	4.00	3/1/37	1,500,000	<b>1,506,360</b>
<b>Illinois - 9.7%</b>				
Chicago, General Airport Senior Lien Revenue (Chicago O'Hare International Airport)	5.00	1/1/34	1,000,000	1,106,380
Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	210,000	229,746
Chicago, GO (Project and Refunding Series)	6.00	1/1/38	1,000,000	1,135,550
Chicago, Second Lien Wastewater Transmission Revenue	5.00	1/1/39	1,000,000	1,074,660
Chicago Board of Education, GO	5.00	12/1/36	2,000,000	2,024,480
Illinois, GO	5.00	11/1/28	3,500,000	3,644,060
Illinois Finance Authority, Revenue (Rehabilitation Institute of Chicago)	6.00	7/1/43	1,000,000	1,111,820
Illinois Finance Authority, Revenue, Refunding (Rosalind Franklin University of Medicine & Science)	5.00	8/1/36	1,075,000	1,157,732
Metropolitan Pier and Exposition Authority, Revenue (McCormick Place Expansion Project)	0.00	12/15/51	20,245,000 <sup>c</sup>	3,628,106

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Illinois - 9.7% (continued)</b>				
University of Illinois Board of Trustees, Auxiliary Facilities System Revenue (University of Illinois)	5.50	4/1/31	1,000,000	1,092,440
University of Illinois Board of Trustees, Auxiliary Facilities System Revenue (University of Illinois)	5.00	4/1/44	1,500,000	1,629,075
				<b>17,834,049</b>
<b>Indiana - .3%</b>				
Indiana Municipal Power Agency, Power Supply System Revenue	5.00	1/1/37	500,000	<b>565,725</b>
<b>Iowa - 2.0%</b>				
Iowa Finance Authority, Midwestern Disaster Area Revenue (Iowa Fertilizer Company Project)	5.25	12/1/25	2,500,000	2,658,875
Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds	5.60	6/1/34	1,000,000	1,010,320
				<b>3,669,195</b>
<b>Kentucky - .4%</b>				
Paducah Electric Plant Board, Revenue (Insured; Assured Guaranty Municipal Corp.)	5.00	10/1/35	750,000	<b>828,060</b>
<b>Louisiana - 3.2%</b>				
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue, Refunding (Westlake Chemical Corporation Project)	3.50	11/1/32	2,000,000	1,964,320
New Orleans, Water Revenue	5.00	12/1/34	1,000,000	1,116,770
New Orleans, Water Revenue	5.00	12/1/40	1,000,000	1,103,110
New Orleans Aviation Board, Revenue (General Airport-N Terminal Project)	5.00	1/1/48	1,500,000	1,650,435
				<b>5,834,635</b>
<b>Maine - .9%</b>				
Maine Health and Higher Educational Facilities Authority, Revenue (Maine General Medical Center Issue)	7.50	7/1/32	1,500,000	<b>1,683,960</b>
<b>Maryland - .6%</b>				
Maryland Economic Development Corporation, Student Housing Revenue (Townson University Project)	5.00	7/1/37	1,000,000	<b>1,062,580</b>

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Massachusetts - .8%</b>				
Massachusetts Development Finance Agency, Revenue, Refunding (NewBridge Charles)	5.00	10/1/57	1,500,000 <sup>b</sup>	1,575,675
<b>Michigan - 4.1%</b>				
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	1,000,000	1,067,810
Michigan Finance Authority, HR (Trinity Health Credit Group)	5.00	12/1/45	2,380,000	2,648,131
Michigan Finance Authority, Local Government Loan Program Revenue (Detroit Water and Sewerage Department, Sewage Disposal System Revenue Senior Lien Local Project Bonds) (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/32	1,000,000	1,116,330
Michigan Finance Authority, Local Government Loan Program Revenue (Detroit Water and Sewerage Department, Water Supply System Revenue Second Lien Local Project Bonds)	5.00	7/1/34	1,000,000	1,094,170
Michigan Finance Authority, Local Government Loan Program Revenue (Detroit Water and Sewerage Department, Water Supply System Revenue Senior Lien Local Project Bonds) (Insured; National Public Finance Guarantee Corp.)	5.00	7/1/36	500,000	544,900
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	1,200,000	1,181,616
				<b>7,652,957</b>
<b>Missouri - 3.7%</b>				
Missouri Health and Educational Facilities Authority, Revenue (Lutheran Senior Services Projects)	5.00	2/1/46	1,000,000	1,071,440
Missouri Health and Educational Facilities Authority, Senior Living Facilities Revenue (Lutheran Senior Services Projects)	5.00	2/1/36	1,000,000	1,080,610
Saint Louis County Industrial Development Authority, Tax Increase Financing Revenue (Saint Louis Innovation District Project)	4.38	5/15/36	2,200,000	2,173,974

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Missouri - 3.7% (continued)</b>				
Saint Louis Industrial Development Authority, Financing Revenue, Refunding (Ballpark Village Development Project)	4.75	11/15/47	2,500,000	2,555,275
				<b>6,881,299</b>
<b>New Jersey - 7.4%</b>				
New Jersey Economic Development Authority, Revenue	5.25	6/15/27	1,000,000	1,102,170
New Jersey Economic Development Authority, School Facilities Construction Revenue	5.25	6/15/40	1,250,000	1,323,525
New Jersey Economic Development Authority, Special Facility Revenue (Continental Airlines, Inc. Project)	5.13	9/15/23	1,000,000	1,104,460
New Jersey Educational Facilities Authority, Revenue (Stockton University Issue)	5.00	7/1/41	1,000,000	1,084,210
South Jersey Port Subordinated Marine Terminal, Revenue	5.00	1/1/42	1,500,000	1,589,550
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	4.63	6/1/26	1,000,000	1,003,510
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	1,750,000	1,752,642
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	0.00	6/1/41	3,315,000 <sup>c</sup>	900,487
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/41	3,760,000	3,756,616
				<b>13,617,170</b>
<b>New Mexico - 1.3%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	6.25	6/1/40	2,200,000	<b>2,385,130</b>
<b>New York - 6.4%</b>				
New York Liberty Development Corporation, Revenue (3 World Trade Center Project)	5.00	11/15/44	2,500,000 <sup>b</sup>	2,645,575

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>New York - 6.4% (continued)</b>				
New York Transportation Development Corporation, Special Facility Revenue (LaGuardia Airport Terminal B Redevelopment Project)	5.00	7/1/46	2,000,000	2,172,480
Niagara Area Development Corporation, Solid Waste Disposal Facility Revenue (Covanta Energy Project)	5.25	11/1/42	1,000,000 <sup>b</sup>	1,000,650
TSASC, Inc. of New York, Tobacco Settlement Subordinate Bonds	5.00	6/1/48	6,000,000	5,943,180
				<b>11,761,885</b>
<b>Ohio - 6.6%</b>				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	5.88	6/1/30	3,000,000	2,907,870
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	0.00	6/1/47	26,000,000 <sup>c</sup>	1,669,980
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/47	4,200,000	4,173,750
Centerville, Health Care Revenue (Graceworks Lutheran Services)	5.25	11/1/47	1,200,000	1,263,096
Cuyahoga County Hospital, Hospital Revenue (The Metrohealth System)	5.00	2/15/57	1,000,000	1,040,230
Hamilton County, Healthcare Improvement Revenue (Life Enriching Communities Project)	5.00	1/1/51	1,000,000	1,070,080
				<b>12,125,006</b>
<b>Oklahoma - .6%</b>				
Tulsa County Industrial Authority, Senior Living Community Revenue (Montereau Inc. Project)	5.25	11/15/37	1,000,000	<b>1,135,430</b>
<b>Oregon - 1.4%</b>				
Clackamas County Hospital Facility Authority, Revenue, Refunding (Senior Living-Willamette View Project)	5.00	11/15/47	1,500,000	1,608,330
Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)	6.38	11/1/33	1,000,000	1,050,660
				<b>2,658,990</b>

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Pennsylvania - 5.0%</b>				
Crawford County Hospital Authority, HR (Meadville Medical Center Project)	6.00	6/1/46	1,000,000	1,030,690
Lancaster County Hospital Authority, Revenue (Brethren Village Project)	5.25	7/1/41	1,000,000	1,096,490
Montgomery County Industrial Development Authority, Retirement Community Revenue (Adult Communities Total Services, Inc. Retirement - Life Communities, Inc. Obligated Group)	5.00	11/15/36	2,500,000	2,793,050
Pennsylvania Economic Development Financing Authority, Sewage Sludge Disposal Revenue (Philadelphia Biosolids Facility Project)	6.25	1/1/32	1,000,000	1,058,340
Pennsylvania Turnpike Commission, Turnpike Revenue	5.00	12/1/36	1,000,000	1,117,500
Tender Option Bond Trust Receipts (Series 2016-XM0373), 6/1/41, (Geisinger Authority, Health System Revenue (Geisinger Health System)) Non-recourse	5.13	6/1/35	2,000,000 <sup>b,d</sup>	2,129,470
				<b>9,225,540</b>
<b>South Carolina - .8%</b>				
South Carolina Public Service Authority, Revenue Obligations (Santee Cooper)	5.25	12/1/55	1,400,000	<b>1,539,972</b>
<b>Tennessee - .9%</b>				
Metropolitan Government of Nashville and Davidson County, Health and Educational Facilities Board, Revenue (Vanderbilt University Medical Center)	5.00	7/1/46	1,500,000	<b>1,647,645</b>
<b>Texas - 10.1%</b>				
Arlington Higher Education Finance Corporation, Revenue (Uplift Education)	5.00	12/1/46	1,100,000	1,171,258
Austin Convention Enterprises, Convention Center Revenue (1st Tier- Convention Center Hotel)	5.00	1/1/32	1,000,000	1,109,040
Central Texas Regional Mobility Authority, Senior Lien Revenue	5.00	1/1/45	1,000,000	1,094,850
Clifton Higher Education Finance Corporation, Education Revenue (International Leadership of Texas)	5.75	8/15/45	1,500,000	1,584,510
Clifton Higher Education Finance Corporation, Education Revenue (Uplift Education)	4.50	12/1/44	1,500,000	1,523,475

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Texas - 10.1% (continued)</b>				
Harris County-Houston Sports Authority, Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	0.00	11/15/49	8,000,000 <sup>c</sup>	1,866,720
Houston, Airport System Special Facilities Revenue (Continental Airlines, Inc. Terminal Improvement Projects)	6.50	7/15/30	1,500,000	1,655,835
Houston, Airport System Subordinate Lien Revenue (Insured; XLCA), Auction-Based	3.21	7/1/32	925,000 <sup>e</sup>	894,605
New Hope Cultural Education Facilities Finance Corporation, Retirement Facility Revenue (Westminster Project)	5.00	11/1/40	1,000,000	1,077,580
New Hope Cultural Education Facilities Finance Corporation, Student Housing Revenue (National Campus and Community Development Corporation - College Station Properties LLC - Texas A&M University Project)	5.00	7/1/35	1,750,000	1,450,172
Tarrant County Cultural Education Facilities Finance Corporation, Retirement Facility Revenue (Air Force Villages Obligated Group Project)	5.00	5/15/37	1,500,000	1,566,570
Tarrant County Cultural Education Facilities Finance Corporation, Retirement Facility Revenue (Buckingham Senior Living Community, Inc. Project)	5.25	11/15/35	1,000,000	1,003,690
Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue (Blueridge Transportation Group, LLC State Highway 288 Toll Lanes Project)	5.00	12/31/55	1,000,000	1,084,090
Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue (Blueridge Transportation Group, State Highway 288 Toll Lanes Project)	5.00	12/31/50	1,000,000	1,087,630
Texas Public Finance Authority Charter School Finance Corporation, Education Revenue (Burnham Wood Charter School Project)	6.25	9/1/36	565,000	567,458
				<b>18,737,483</b>



Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>Virginia - 2.8%</b>				
Chesterfield County Economic Development Authority, Retirement Facilities First Mortgage Revenue (Brandermill Woods Project)	5.13	1/1/43	155,000	160,016
Fairfax County Economic Development Authority, Residential Care Facilities Mortgage Revenue (Goodwin House, Inc.)	5.00	10/1/42	1,750,000	1,939,647
Virginia College Building Authority, Educational Facilities Revenue (Marymount University Project)	5.00	7/1/45	1,000,000 <sup>b</sup>	1,051,880
Virginia College Building Authority, Educational Facilities Revenue (Marymount University Project) (Green Bonds)	5.00	7/1/45	500,000 <sup>b</sup>	525,950
Virginia Small Business Financing Authority, Private Activity Revenue (Transform 66 P3 Project)	5.00	12/31/52	1,400,000	1,506,904
				<b>5,184,397</b>
<b>Washington - 1.6%</b>				
Washington Housing Finance Commission, Nonprofit Housing Revenue (Presbyterian Retirement Communities Northwest Projects)	5.00	1/1/46	2,800,000 <sup>b</sup>	<b>2,932,104</b>
<b>Wisconsin - .4%</b>				
Public Finance Authority, Senior Living Revenue (Mary's Woods At Marylhurst Project)	5.25	5/15/37	625,000 <sup>b</sup>	<b>679,138</b>
<b>U.S. Related - 1.1%</b>				
Puerto Rico Commonwealth, Public Improvement GO (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/35	1,000,000	1,024,260

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Description	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Long-Term Municipal Investments - 98.8% (continued)</b>				
<b>U.S. Related - 1.1% (continued)</b>				
Puerto Rico Highway & Transportation Authority, Highway Revenue (Insured; Assured Guaranty Municipal Corporation)	5.25	7/1/34	1,000,000	1,084,880
				<b>2,109,140</b>
<b>Total Investments</b> (cost \$177,359,264)			<b>98.8%</b>	<b>182,499,604</b>
<b>Cash and Receivables (Net)</b>			<b>1.2%</b>	<b>2,147,990</b>
<b>Net Assets</b>			<b>100.0%</b>	<b>184,647,594</b>

<sup>a</sup> Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.

<sup>b</sup> Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At February 28, 2018, these securities were valued at \$27,190,518 or 14.73% of net assets.

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

<sup>d</sup> Collateral for floating rate borrowings.

<sup>e</sup> Auction Rate Security—interest rate is reset periodically under an auction process that is conducted by an auction agent. Rate shown is the interest rate in effect at period end.

Portfolio Summary (Unaudited) †	Value (%)
Health Care	22.6
Education	15.6
Transportation Services	12.5
Utility-Water and Sewer	7.5
Asset-Backed	7.0
Industrial	6.0
Special Tax	6.0
Utility-Electric	3.7
State/Territory	2.0
Pollution Control	1.8
Lease	1.4
City	1.2
Resource Recovery	.6
Housing	.6
County	.6
Other	9.7
	<b>98.8</b>

† Based on net assets.

See notes to financial statements.

## Summary of Abbreviations (Unaudited)

<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 Receipts 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>RIB</b>	Residual Interest Bonds
<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 Adjustable Receipts
<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		

*See notes to financial statements.*

# STATEMENT OF ASSETS AND LIABILITIES

February 28, 2018 (Unaudited)

	Cost	Value			
<b>Assets (\$):</b>					
Investments in securities—See Statement of Investments	177,359,264	182,499,604			
Cash		1,238,638			
Interest receivable		1,994,669			
Receivable for shares of Common Stock subscribed		194,694			
Prepaid expenses		46,360			
		<b>185,973,965</b>			
<b>Liabilities (\$):</b>					
Due to The Dreyfus Corporation and affiliates—Note 3(c)		108,565			
Payable for floating rate notes issued—Note 4		1,000,000			
Payable for shares of Common Stock redeemed		138,279			
Interest and expense payable related to floating rate notes issued—Note 4		4,247			
Accrued expenses		75,280			
		<b>1,326,371</b>			
<b>Net Assets (\$)</b>		<b>184,647,594</b>			
<b>Composition of Net Assets (\$):</b>					
Paid-in capital		202,659,853			
Accumulated undistributed investment income—net		49,687			
Accumulated net realized gain (loss) on investments		(23,202,286)			
Accumulated net unrealized appreciation (depreciation) on investments		5,140,340			
<b>Net Assets (\$)</b>		<b>184,647,594</b>			
<b>Net Asset Value Per Share</b>	<b>Class A</b>	<b>Class C</b>	<b>Class I</b>	<b>Class Y</b>	<b>Class Z</b>
Net Assets (\$)	67,619,316	16,365,462	47,272,637	1,565,197	51,824,982
Shares Outstanding	5,576,569	1,350,046	3,905,139	129,184	4,280,923
<b>Net Asset Value Per Share (\$)</b>	<b>12.13</b>	<b>12.12</b>	<b>12.11</b>	<b>12.12</b>	<b>12.11</b>

See notes to financial statements.

# STATEMENT OF OPERATIONS

Six Months Ended February 28, 2018 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Interest Income</b>	<b>4,070,757</b>
<b>Expenses:</b>	
Management fee—Note 3(a)	438,463
Shareholder servicing costs—Note 3(c)	120,704
Distribution/Service Plan fees—Note 3(b)	96,054
Registration fees	40,886
Professional fees	38,321
Prospectus and shareholders' reports	8,868
Interest and expense related to floating rate notes issued—Note 4	8,374
Directors' fees and expenses—Note 3(d)	7,954
Custodian fees—Note 3(c)	5,605
Loan commitment fees—Note 2	3,219
Miscellaneous	23,494
<b>Total Expenses</b>	<b>791,942</b>
Less—reduction in expenses due to undertaking—Note 3(a)	(45,187)
Less—reduction in fees due to earnings credits—Note 3(c)	(6,255)
<b>Net Expenses</b>	<b>740,500</b>
<b>Investment Income—Net</b>	<b>3,330,257</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):</b>	
Net realized gain (loss) on investments	2,606,149
Net unrealized appreciation (depreciation) on investments	(4,512,150)
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>(1,906,001)</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>1,424,256</b>

*See notes to financial statements.*

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended February 28, 2018 (Unaudited)	Year Ended August 31, 2017
<b>Operations (\$):</b>		
Investment income—net	3,330,257	6,698,513
Net realized gain (loss) on investments	2,606,149	3,656,879
Net unrealized appreciation (depreciation) on investments	(4,512,150)	(7,797,688)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>1,424,256</b>	<b>2,557,704</b>
<b>Distributions to Shareholders from (\$):</b>		
Investment income—net:		
Class A	(1,079,592)	(1,999,132)
Class C	(252,208)	(572,085)
Class I	(891,367)	(1,420,407)
Class Y	(28,798)	(127,168)
Class Z	(1,028,605)	(2,416,722)
Net realized gain on investments:		
Class A	(105,954)	(39,363)
Class C	(29,000)	(14,226)
Class I	(82,040)	(20,670)
Class Y	(2,736)	(2,462)
Class Z	(94,159)	(44,715)
<b>Total Distributions</b>	<b>(3,594,459)</b>	<b>(6,656,950)</b>
<b>Capital Stock Transactions (\$):</b>		
Net proceeds from shares sold:		
Class A	25,604,823	26,908,377
Class C	1,858,810	3,432,361
Class I	20,848,163	37,401,429
Class Y	310,509	310,800
Class Z	1,228,739	8,685,500
Distributions reinvested:		
Class A	838,121	1,334,593
Class C	192,874	360,938
Class I	874,160	1,197,585
Class Y	23,285	99,194
Class Z	886,583	1,986,307
Cost of shares redeemed:		
Class A	(11,256,504)	(38,036,948)
Class C	(3,559,439)	(6,101,901)
Class I	(15,689,814)	(29,613,277)
Class Y	(181,022)	(3,587,182)
Class Z	(5,687,363)	(19,245,181)
<b>Increase (Decrease) in Net Assets from Capital Stock Transactions</b>	<b>16,291,925</b>	<b>(14,867,405)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>14,121,722</b>	<b>(18,966,651)</b>
<b>Net Assets (\$):</b>		
Beginning of Period	170,525,872	189,492,523
<b>End of Period</b>	<b>184,647,594</b>	<b>170,525,872</b>
Undistributed investment income—net	49,687	-

	Six Months Ended February 28, 2018 (Unaudited)	Year Ended August 31, 2017
<b>Capital Share Transactions (Shares):</b>		
<b>Class A<sup>a</sup></b>		
Shares sold	2,070,490	2,257,877
Shares issued for distributions reinvested	68,412	112,051
Shares redeemed	(918,969)	(3,202,546)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>1,219,933</b>	<b>(832,618)</b>
<b>Class C<sup>a</sup></b>		
Shares sold	150,872	285,057
Shares issued for distributions reinvested	15,742	30,321
Shares redeemed	(288,866)	(516,951)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(122,252)</b>	<b>(201,573)</b>
<b>Class I</b>		
Shares sold	1,698,289	3,170,256
Shares issued for distributions reinvested	71,452	100,270
Shares redeemed	(1,280,224)	(2,488,148)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>489,517</b>	<b>782,378</b>
<b>Class Y</b>		
Shares sold	25,251	26,977
Shares issued for distributions reinvested	1,901	8,369
Shares redeemed	(14,786)	(305,645)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>12,366</b>	<b>(270,299)</b>
<b>Class Z</b>		
Shares sold	100,144	731,630
Shares issued for distributions reinvested	72,456	166,961
Shares redeemed	(464,901)	(1,602,755)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(292,301)</b>	<b>(704,164)</b>

<sup>a</sup> During the period ended February 28, 2018, 3,819 Class C shares representing \$47,387 were automatically converted to 3,821 Class A shares.

See notes to financial statements.

## FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. 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.

Class A Shares	Six Months Ended	Year Ended August 31,				
	February 28, 2018 (Unaudited)	2017	2016	2015	2014	2013
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	12.25	12.51	11.63	11.63	10.90	12.11
Investment Operations:						
Investment income—net <sup>a</sup>	.23	.45	.56	.50	.54	.52
Net realized and unrealized gain (loss) on investments	(.10)	(.25)	.88	.00 <sup>b</sup>	.73	(1.23)
Total from Investment Operations	.13	.20	1.44	.50	1.27	(.71)
Distributions:						
Dividends from investment income—net	(.23)	(.45)	(.56)	(.49)	(.53)	(.50)
Dividends from net realized gain on investments	(.02)	(.01)	(.00) <sup>b</sup>	(.01)	(.01)	(.00) <sup>b</sup>
Total Distributions	(.25)	(.46)	(.56)	(.50)	(.54)	(.50)
Net asset value, end of period	12.13	12.25	12.51	11.63	11.63	10.90
<b>Total Return (%)<sup>c</sup></b>	1.04 <sup>d</sup>	1.76	12.71	4.38	11.95	(6.13)
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.94 <sup>e</sup>	1.00	1.03	1.03	1.04	1.01
Ratio of net expenses to average net assets	.87 <sup>e</sup>	.98	1.03	1.03	1.04	1.01
Ratio of interest and expense related to floating rate notes issued to average net assets	.01 <sup>e</sup>	.01	.01	.00 <sup>f</sup>	.01	.00 <sup>f</sup>
Ratio of net investment income to average net assets	3.76 <sup>e</sup>	3.85	4.68	4.26	4.82	4.23
Portfolio Turnover Rate	21.81 <sup>d</sup>	32.84	12.46	26.66	21.00	17.40
Net Assets, end of period (\$ x 1,000)	67,619	53,364	64,917	37,305	49,626	44,234

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Exclusive of sales charge.

<sup>d</sup> Not annualized.

<sup>e</sup> Annualized.

<sup>f</sup> Amount represents less than .01%.

See notes to financial statements.



Class C Shares	Six Months Ended	Year Ended August 31,				
	February 28, 2018 (Unaudited)	2017	2016	2015	2014	2013
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	12.25	12.51	11.64	11.64	10.91	12.12
Investment Operations:						
Investment income—net <sup>a</sup>	.18	.37	.49	.41	.46	.42
Net realized and unrealized gain (loss) on investments	(.11)	(.26)	.86	.00 <sup>b</sup>	.73	(1.22)
Total from Investment Operations	.07	.11	1.35	.41	1.19	(.80)
Distributions:						
Dividends from investment income—net	(.18)	(.36)	(.48)	(.40)	(.45)	(.41)
Dividends from net realized gain on investments	(.02)	(.01)	(.00) <sup>b</sup>	(.01)	(.01)	(.00) <sup>b</sup>
Total Distributions	(.20)	(.37)	(.48)	(.41)	(.46)	(.41)
Net asset value, end of period	12.12	12.25	12.51	11.64	11.64	10.91
<b>Total Return (%)<sup>c</sup></b>	.58 <sup>d</sup>	.98	11.89	3.58	11.09	(6.82)
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	1.71 <sup>e</sup>	1.77	1.80	1.80	1.81	1.77
Ratio of net expenses to average net assets	1.62 <sup>e</sup>	1.75	1.80	1.80	1.81	1.77
Ratio of interest and expense related to floating rate notes issued to average net assets	.01 <sup>e</sup>	.01	.01	.00 <sup>f</sup>	.01	.00 <sup>f</sup>
Ratio of net investment income to average net assets	3.01 <sup>e</sup>	3.10	4.08	3.51	4.07	3.49
Portfolio Turnover Rate	21.81 <sup>d</sup>	32.84	12.46	26.66	21.00	17.40
Net Assets, end of period (\$ x 1,000)	16,365	18,030	20,935	15,780	16,748	21,784

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Exclusive of sales charge.

<sup>d</sup> Not annualized.

<sup>e</sup> Annualized.

<sup>f</sup> Amount represents less than .01%.

See notes to financial statements.

FINANCIAL HIGHLIGHTS (continued)

Class I Shares	Six Months Ended	Year Ended August 31,				
	February 28, 2018 (Unaudited)	2017	2016	2015	2014	2013
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	12.23	12.49	11.61	11.62	10.88	12.09
Investment Operations:						
Investment income—net <sup>a</sup>	.24	.49	.58	.53	.57	.55
Net realized and unrealized gain (loss) on investments	(.10)	(.26)	.89	(.01)	.74	(1.23)
Total from Investment Operations	.14	.23	1.47	.52	1.31	(.68)
Distributions:						
Dividends from investment income—net	(.24)	(.48)	(.59)	(.52)	(.56)	(.53)
Dividends from net realized gain on investments	(.02)	(.01)	(.00) <sup>b</sup>	(.01)	(.01)	(.00) <sup>b</sup>
Total Distributions	(.26)	(.49)	(.59)	(.53)	(.57)	(.53)
Net asset value, end of period	12.11	12.23	12.49	11.61	11.62	10.88
<b>Total Return (%)</b>	1.16 <sup>c</sup>	2.00	13.02	4.63	12.24	(5.91)
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.69 <sup>d</sup>	.75	.80	.79	.79	.75
Ratio of net expenses to average net assets	.62 <sup>d</sup>	.72	.80	.78	.79	.75
Ratio of interest and expense related to floating rate notes issued to average net assets	.01 <sup>d</sup>	.01	.01	.00 <sup>e</sup>	.01	.00 <sup>e</sup>
Ratio of net investment income to average net assets	4.00 <sup>d</sup>	4.09	4.91	4.52	5.08	4.48
Portfolio Turnover Rate	21.81 <sup>c</sup>	32.84	12.46	26.66	21.00	17.40
Net Assets, end of period (\$ x 1,000)	47,273	41,770	32,885	14,756	15,645	15,619

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Not annualized.

<sup>d</sup> Annualized.

<sup>e</sup> Amount represents less than .01%.

See notes to financial statements.

Class Y Shares	Six Months Ended	Year Ended August 31,				
	February 28, 2018 (Unaudited)	2017	2016	2015	2014	2013 <sup>a</sup>
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	12.24	12.50	11.61	11.62	10.89	11.59
Investment Operations:						
Investment income—net <sup>b</sup>	.24	.49	.60	.54	.51	.11
Net realized and unrealized gain (loss) on investments	(.10)	(.26)	.87	(.01)	.79	(.72)
Total from Investment Operations	.14	.23	1.47	.53	1.30	(.61)
Distributions:						
Dividends from investment income—net	(.24)	(.48)	(.58)	(.53)	(.56)	(.09)
Dividends from net realized gain on investments	(.02)	(.01)	(.00) <sup>c</sup>	(.01)	(.01)	-
Total Distributions	(.26)	(.49)	(.58)	(.54)	(.57)	(.09)
Net asset value, end of period	12.12	12.24	12.50	11.61	11.62	10.89
<b>Total Return (%)</b>	1.17 <sup>d</sup>	2.03	12.99	4.67	12.25	(5.35) <sup>d</sup>
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.66 <sup>e</sup>	.73	.76	.78	.94	.81 <sup>e</sup>
Ratio of net expenses to average net assets	.62 <sup>e</sup>	.72	.75	.75	.84	.81 <sup>e</sup>
Ratio of interest and expense related to floating rate notes issued to average net assets	.01 <sup>e</sup>	.01	.01	.01	.01	.00 <sup>e,f</sup>
Ratio of net investment income to average net assets	4.02 <sup>e</sup>	4.12	4.91	4.58	5.28	5.62 <sup>e</sup>
Portfolio Turnover Rate	21.81 <sup>d</sup>	32.84	12.46	26.66	21.00	17.40
Net Assets, end of period (\$ x 1,000)	1,565	1,430	4,840	2,954	316	1

<sup>a</sup> From July 1, 2013 (commencement of initial offering) to August 31, 2013.

<sup>b</sup> Based on average shares outstanding.

<sup>c</sup> Amount represents less than \$.01 per share.

<sup>d</sup> Not annualized.

<sup>e</sup> Annualized.

<sup>f</sup> Amount represents less than .01%.

See notes to financial statements.

FINANCIAL HIGHLIGHTS (continued)

Class Z Shares	Six Months Ended February 28, 2018 (Unaudited)	Year Ended August 31,				
		2017	2016	2015	2014	2013
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	12.23	12.49	11.64	11.64	10.91	12.12
Investment Operations:						
Investment income—net <sup>a</sup>	.24	.48	.61	.51	.56	.53
Net realized and unrealized gain (loss) on investments	(.11)	(.27)	.84	.01	.73	(1.23)
Total from Investment Operations	.13	.21	1.45	.52	1.29	(.70)
Distributions:						
Dividends from investment income—net	(.23)	(.46)	(.60)	(.51)	(.55)	(.51)
Dividends from net realized gain on investments	(.02)	(.01)	(.00) <sup>b</sup>	(.01)	(.01)	(.00) <sup>b</sup>
Total Distributions	(.25)	(.47)	(.60)	(.52)	(.56)	(.51)
Net asset value, end of period	12.11	12.23	12.49	11.64	11.64	10.91
<b>Total Return (%)</b>	1.11 <sup>c</sup>	1.88	12.78	4.58	11.96	(6.05)
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.79 <sup>d</sup>	.89	.93	.93	.93	.92
Ratio of net expenses to average net assets	.74 <sup>d</sup>	.85	.93	.92	.93	.92
Ratio of interest and expense related to floating rate notes issued to average net assets	.01 <sup>d</sup>	.01	.01	.00 <sup>e</sup>	.01	.00 <sup>e</sup>
Ratio of net investment income to average net assets	3.91 <sup>d</sup>	3.98	5.06	4.38	4.94	4.33
Portfolio Turnover Rate	21.81 <sup>c</sup>	32.84	12.46	26.66	21.00	17.40
Net Assets, end of period (\$ x 1,000)	51,825	55,931	65,915	62,027	66,925	71,479

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Not annualized.

<sup>d</sup> Annualized.

<sup>e</sup> Amount represents less than .01%.

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### **NOTE 1—Significant Accounting Policies:**

Dreyfus High Yield Municipal Bond Fund (the “fund”) is a separate non-diversified series of Dreyfus Municipal Funds, Inc. (the “Company”), which is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company and operates as a series company currently offering two series, including the fund. The fund’s investment objective is to seek high current income exempt from federal income tax. 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.

MBSC Securities Corporation (the “Distributor”), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund’s shares. The fund is authorized to issue 100 million shares of \$.001 par value Common Stock in each of the following classes of shares: Class A, Class C, Class I, Class T, Class Y and Class Z. Class A and Class T shares generally are subject to a sales charge imposed at the time of purchase. Class C shares are subject to a contingent deferred sales charge (“CDSC”) imposed on Class C shares redeemed within one year of purchase. Class C shares automatically convert to Class A shares ten years after the date of purchase, without the imposition of a sales charge. Class I and Class Y shares are sold at net asset value per share generally to institutional investors. Class Z shares are sold at net asset value per share to certain shareholders of the fund. Class Z shares generally are not available for new accounts. As of the date of this report, the fund did not offer Class T shares for purchase. Other differences between the classes include the services offered to and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series’ operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

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 Company 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.

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 Company's Board of

Directors (the “Board”). 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 the following: 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 generally categorized within Level 2 of the fair value hierarchy.

The Service is engaged under the general supervision of the Board.

When market quotations or official closing prices are not readily available, or are determined to not accurately reflect 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, 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. 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 within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

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

The following is a summary of the inputs used as of February 28, 2018 in valuing the fund’s investments:

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

	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 <sup>†</sup>	-	182,499,604	-	<b>182,499,604</b>
<b>Liabilities (\$)</b>				
Floating Rate Notes <sup>††</sup>	-	(1,000,000)	-	<b>(1,000,000)</b>

<sup>†</sup> See Statement of Investments for additional detailed categorizations.

<sup>††</sup> Certain of the fund's liabilities are held at carrying amount, which approximates fair value for financial reporting purposes.

At February 28, 2018, there were no transfers between levels of the fair value hierarchy. It is the fund's policy to recognize transfers between levels at the end of the reporting period.

**(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 and distributions to shareholders:** It is the policy of the fund to declare dividends daily from investment income-net. Such dividends are 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.

**(d) 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 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 February 28, 2018, 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 ended February 28, 2018, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended August 31, 2017 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 \$25,946,423 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to August 31, 2017. If not applied, \$10,523,962 of the carryover expires in fiscal year 2018 and \$5,919,280 expires in fiscal year 2019. The fund has \$1,814,934 of post-enactment short-term capital losses and \$7,688,247 of post-enactment long-term capital losses which can be carried forward for an unlimited period.

The tax character of distributions paid to shareholders during the fiscal year ended August 31, 2017 was as follows: tax-exempt income \$6,535,514 and ordinary income \$121,436. The tax character of current year distributions will be determined at the end of the current fiscal year.

#### **NOTE 2—Bank Lines of Credit:**

The fund participates with other Dreyfus-managed funds in an \$830 million unsecured credit facility led by Citibank, N.A. and a \$300 million unsecured credit facility provided by The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus (each, a “Facility”), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. Prior to October 4, 2017, the unsecured credit facility with Citibank, N.A. was \$810 million. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended February 28, 2018, the fund did not borrow under the Facilities.

**NOTE 3—Management Fee and Other Transactions with Affiliates:**

(a) Pursuant to a management agreement with Dreyfus, the management fee is computed at the annual rate of .50% of the value of the fund's average daily net assets and is payable monthly. Dreyfus had contractually agreed, from September 1, 2017 through December 31, 2017, to waive receipt of its fees and/or assume the direct expenses of the fund so that the total annual fund operating expenses of Class A, C, I, Y and Z shares (excluding Rule 12b-1 Distribution Plan fees, Shareholder Services Plan fees, taxes, interest expense, brokerage commission, commitment fees on borrowings and extraordinary expenses) did not exceed .62% of the value of the fund's average daily net assets. Dreyfus has contractually agreed, from January 1, 2018 through December 31, 2018, to waive receipt of its fees and/or assume the direct expenses of the fund so that the total annual fund operating expenses of Class A, C, I, Y and Z shares (excluding certain expenses as described above) do not exceed .61% of the value of the fund's average daily net assets. The reduction in expenses, pursuant to the undertaking, amounted to \$45,187 during the period ended February 28, 2018.

During the period ended February 28, 2018, the Distributor retained \$3,392 from commissions earned on sales of the fund's Class A shares and \$148 from CDSCs on redemptions of the fund's Class C shares.

(b) Under the Distribution Plan adopted pursuant to Rule 12b-1 under the Act, Class C shares pay the Distributor for distributing its shares at an annual rate of .75% of the value of its average daily net assets. During the period ended February 28, 2018, Class C shares were charged \$64,022 pursuant to the Distribution Plan.

Under the Service Plan adopted pursuant to Rule 12b-1 under the Act, Class Z shares reimburse the Distributor for distributing its shares and servicing shareholder accounts at an amount not to exceed an annual rate of .25% of the value of the average daily net assets of Class Z shares. During the period ended February 28, 2018, Class Z shares were charged \$32,032 pursuant to the Service Plan.

(c) Under the Shareholder Services Plan, Class A and Class C shares pay the Distributor at an annual rate of .25% of the value of their average daily net assets for the provision of certain services. The services provided may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund and providing reports and other information, and services related to the maintenance of shareholder accounts. The Distributor may make payments to Service

Agents (securities dealers, financial institutions or other industry professionals) with respect to these services. The Distributor determines the amounts to be paid to Service Agents. During the period ended February 28, 2018, Class A and Class C shares were charged \$72,862 and \$21,341, respectively, pursuant to the Shareholder Services Plan.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended February 28, 2018, the fund was charged \$12,476 for transfer agency services and \$650 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were offset by earnings credits of \$650.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended February 28, 2018, the fund was charged \$5,605 pursuant to the custody agreement. These fees were offset by earnings credits of \$5,605.

The fund compensates The Bank of New York Mellon under a shareholder redemption draft processing agreement for providing certain services related to the fund's check writing privilege. During the period ended February 28, 2018, the fund was charged \$279 pursuant to the agreement, which is included in Shareholder servicing costs in the Statement of Operations.

During the period ended February 28, 2018, the fund was charged \$5,495 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 \$71,306, Distribution Plan fees \$19,757, Shareholder Services Plan fees \$15,991, Chief Compliance Officer fees \$7,326 and transfer agency fees \$4,617, which are offset against an expense reimbursement currently in effect in the amount of \$10,432.

(d) 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.

(e) A 2% redemption fee is charged and retained by the fund on certain shares redeemed within sixty days following the date of issuance subject to certain exceptions, including redemptions made through use of the fund's exchange privilege. During the period ended February 28, 2018, redemption fees charged and retained by the fund amounted to \$5,215.

**NOTE 4—Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended February 28, 2018, amounted to \$53,294,239 and \$37,709,412, 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 "Inverse Floater Trust"). The Inverse Floater Trust typically issues two variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals ("Trust Certificates"). A residual interest tax-exempt security is also created by the Inverse Floater Trust, which is transferred to the fund, and is paid interest based on the remaining cash flows of the Inverse Floater Trust, after payment of interest on the other securities and various expenses of the Inverse Floater Trust. An Inverse Floater Trust may be collapsed without the consent of the fund due to certain termination events such as bankruptcy, default or other credit event.

The fund accounts for the transfer of bonds to the Inverse Floater Trust as secured borrowings, with the securities transferred remaining in the fund's investments, and the Trust Certificates reflected as fund liabilities in the Statement of Assets and Liabilities.

The fund may invest in inverse floater securities on either a non-recourse or recourse basis. These securities are typically supported by a liquidity facility provided by a bank or other financial institution (the "Liquidity Provider") that allows the holders of the Trust Certificates to tender their certificates in exchange for payment from the Liquidity Provider of par plus accrued interest on any business day prior to a termination event. When the fund invests in inverse floater securities on a non-recourse basis, the Liquidity Provider is required to make a payment under the liquidity facility due to a termination event to the holders of the Trust Certificates. When this occurs, the Liquidity Provider typically liquidates all or a portion

of the municipal securities held in the Inverse Floater Trust. A liquidation shortfall occurs if the Trust Certificates exceed the proceeds of the sale of the bonds in the Inverse Floater Trust (“Liquidation Shortfall”). When a fund invests in inverse floater securities on a recourse basis, the fund typically enters into a reimbursement agreement with the Liquidity Provider where the fund is required to repay the Liquidity Provider the amount of any Liquidation Shortfall. As a result, a fund investing in a recourse inverse floater security bears the risk of loss with respect to any Liquidation Shortfall.

The average amount of borrowings outstanding under the inverse floater structure during the period ended February 28, 2018 was approximately \$1,000,000, with a related weighted average annualized interest rate of 1.69%.

At February 28, 2018, accumulated net unrealized appreciation on investments was \$5,140,340, consisting of \$7,591,441 gross unrealized appreciation and \$2,451,101 gross unrealized depreciation.

At February 28, 2018, 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).

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

At a meeting of the fund's Board of Directors held on October 30-31, 2017, 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, a majority of whom are not "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 provided to them at the meeting and in previous presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to 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.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Broadridge Financial Solutions, Inc. ("Broadridge"), 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, 2017, 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 Broadridge as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Broadridge used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

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. The Board discussed with representatives of Dreyfus and/or its affiliates the results of the comparisons and considered that the fund's total return performance was above the Performance Group and Performance Universe medians for all periods except for the ten-year period when it was slightly below the Performance Group median. The Board also considered that the fund's yield performance was at or above the Performance Group median for six of the ten one-year periods ended September 30th and above the Performance Universe median for five of the ten one-year periods and considered the close proximity of the yield performance to the Performance Group and Performance Universe median during periods when the fund's performance was below median. Dreyfus also provided a comparison of the fund's calendar year total returns 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. The Board considered that the fund's contractual management fee was below the Expense Group median and the fund's actual management fee and total expenses were above the Expense Group and Expense Universe medians.

Dreyfus representatives stated that Dreyfus has contractually agreed to waive receipt of its fees and/or assume the expenses of the fund, until December 31, 2018, so that the direct fund operating expenses (excluding Rule 12b-1 fees, shareholder services fees, taxes, interest, brokerage commissions, commitment fees on borrowings and extraordinary expenses) do not exceed .61% of the fund's average daily net assets.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Dreyfus-affiliated primary employer of the fund's primary portfolio manager(s) for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. 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 Clients to evaluate the appropriateness 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 its affiliates and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus and its affiliates for managing the funds in the Dreyfus fund complex, 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 also had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and

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

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 considered, on the advice of its counsel, the profitability analysis (1) as part of its evaluation of whether the fees under the Agreement, considered in relation to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, supported the renewal of the Agreement 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 stated that a discussion of economies of scale is predicated on a fund having achieved 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 stated 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 took into consideration 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 generally was satisfied with the fund's overall performance.
- The Board concluded that the fee paid to Dreyfus continued to be appropriate under the circumstances and in light of the factors and the totality of the services provided as discussed 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 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.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of Dreyfus and the services provided to



the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of the Agreement for the fund, or substantially similar agreements for other Dreyfus funds that the Board oversees, 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 fund's arrangements, or substantially similar arrangements for other Dreyfus funds that the Board oversees, in prior years. The Board determined to renew the Agreement.

# NOTES

# NOTES

# For More Information

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## **Dreyfus High Yield Municipal Bond Fund**

200 Park Avenue  
New York, NY 10166

### **Manager**

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

### **Custodian**

The Bank of New York Mellon  
225 Liberty Street  
New York, NY 10286

## **Transfer Agent & Dividend Disbursing Agent**

Dreyfus Transfer, Inc.  
200 Park Avenue  
New York, NY 10166

### **Distributor**

MBSC Securities Corporation  
200 Park Avenue  
New York, NY 10166

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**Ticker Symbols:** Class A: DHYAX    Class C: DHYCX    Class I: DYBIX  
                          Class Y: DHYYX    Class Z: DHMBX

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**Telephone** Call your financial representative or 1-800-DREYFUS

**Mail** The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144

**E-mail** Send your request to [info@dreyfus.com](mailto:info@dreyfus.com)

**Internet** Information can be viewed online or downloaded at [www.dreyfus.com](http://www.dreyfus.com)

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 [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (phone 1-800-SEC-0330 for information).

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at [www.dreyfus.com](http://www.dreyfus.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov) and without charge, upon request, by calling 1-800-DREYFUS.