

MANAGED MUNICIPALS PORTFOLIO INC
Form N-CSRS
February 02, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-6629

Managed Municipals Portfolio Inc.
(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.
Smith Barney Fund Management LLC
300 First Stamford Place
Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year end: May 30
Date of reporting period: November 30, 2003

ITEM 1. REPORT TO STOCKHOLDERS.

The Semi-Annual Report to Stockholders is filed herewith.

Managed Municipals
Portfolio Inc.

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SEMI-ANNUAL REPORT

November 30, 2003

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Managed Municipals
Portfolio Inc.

WHAT'S INSIDE

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Managed Municipals
Portfolio Inc.

LETTER FROM THE CHAIRMAN

[PHOTO]

R. Jay Gerken
R. JAY GERKEN, CFA
Chairman, President and Chief Executive Officer
Dear Shareholder,

I am pleased to report that your fund, the Managed Municipals Portfolio Inc., generated favorable relative returns both on a net asset value ("NAV")/i/ and market price basis for the six months ended November 30, 2003. The fund's total return based on its market price during this period was 6.32%, while its NAV return was 5.84%. The fund outperformed the Lehman Brothers Municipal Bond Index,/ii/ which returned 0.19% as well as its Lipper general municipal debt (leveraged) closed-end funds category average, which returned 1.21% for the same period./iii/ Certain investors may be subject to the federal Alternative Minimum Tax, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax adviser.

This positive performance occurred within a sea change for bonds. After a formidable run, bonds lost some of the gains they had generated earlier in the year as signs of a sharp pick-up in the pace of economic growth and rising long-term Treasury bond yields dealt a blow to the market. Furthermore, many

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municipalities continued to grapple with serious budgetary pressures brought on by the weak economy among other fiscal factors. As a result, your fund manager took a cautious stance, maintaining a focus on revenue bonds, which are backed by the generally stable revenue streams of specific public works (such as bridge tolls) and de-emphasizing state general obligation (GO) bonds, which have become relatively less favorable given the uncertain budget scenarios.

During the six months, the fund distributed dividends to shareholders totaling \$0.35 per share. The table shows the annualized distribution yields and six-

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month total return based on the fund's November 30, 2003 NAV per share and its New York Stock Exchange ("NYSE") closing price. Past performance is not indicative of future results.

FUND PERFORMANCE AS OF NOVEMBER 30, 2003

| Price Per Share | Annualized Distribution Yield | Six-Month Total Return |
|-----------------|----------------------------------|---------------------------|
| \$12.12 (NAV) | 5.74% | 5.84% |
| \$11.32 (NYSE) | 6.15% | 6.32% |

Total returns are based on changes in NAV or market price, respectively. Total return assumes the reinvestment of all dividends and/or capital gains distributions in additional shares. Annualized distribution yield is the fund's current monthly income dividend rate, annualized and then divided by the NAV or the market price noted in this report. The annualized distribution yield assumes a current monthly income dividend rate of \$0.058 for 12 months. This rate is as of November 30, 2003 and is subject to change.

In this environment of bond volatility marred by budget deficits, it is critical to perform a thorough analysis before carefully choosing municipal bonds. In our opinion, this is all the more reason why investing in municipal bonds with a professional fund manager is a more prudent strategy than buying these bonds directly. Fund managers can provide the diversification and thorough credit analysis that is so important in managing risk.

Special Shareholder Notice

It is with great sadness that we bring to your attention the passing of Alfred J. Bianchetti, Director Emeritus, and James J. Crisona, Director Emeritus, of the fund. Messrs. Bianchetti and Crisona, who both passed away on September 4th, lived accomplished lives to the ages of 80 and 97, respectively. We will sorely miss their presence and will remember the dedicated service they provided to the fund's shareholders through their outstanding contributions as long-term members of the Board.

Looking for Additional Information?

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The fund is traded under the symbol "MMU" and its closing market price is available in most newspapers under the New York Stock Exchange listings. The daily NAV is available online under symbol XMMUX. Barron's and The Wall Street Journal's Monday editions carry closed-end fund tables that will provide additional information. In addition, the fund issues a quarterly allocation press release that can be found on most major financial web sites.

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In a continuing effort to provide information concerning the fund, shareholders may call 1-888-735-6507, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the fund's current net asset value, market price and other information regarding the fund's portfolio holdings and allocations.

Information About Your Fund

In recent months several issues in the mutual fund industry have come under the scrutiny of federal and state regulators. The fund's Adviser and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees and other mutual fund issues in connection with various investigations. The fund has been informed that the Adviser and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

As always, thank you for your continued confidence in our stewardship of your assets.

Sincerely,

/s/ R. Jay Gerken
R. Jay Gerken, CFA
Chairman, President and Chief
Executive Officer

December 15, 2003

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

Portfolio holdings and breakdowns are as of November 30, 2003 and are subject to change. Please refer to pages 5 through 19 for a list and percentage breakdown of the fund's holdings.

All index performance reflects no deduction for fees, expenses or taxes.

- /i/ NAV is a price that reflects the value of the fund's underlying portfolio plus other assets, less the fund's liabilities. However, the price at which an investor may buy or sell shares of the fund is at the fund's market price as determined by supply of and demand for the fund's common shares which may be more or less than the fund's NAV.
- /ii/ The Lehman Brothers Municipal Bond Index is a broad measure of the municipal bond market with maturities of at least one year. Please note

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that an investor cannot invest directly in an index.
/iii/ Lipper Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended November 30, 2003, calculated among 64 funds in the fund's Lipper category including the reinvestment of dividends and capital gains, if any.

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Take Advantage of the Fund's Dividend Reinvestment Plan!
As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ("Plan"), a convenient, simple and efficient way to reinvest your dividends and capital gains, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of shares of common stock in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds 98% of the net asset value per share ("NAV") on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than 98% of the NAV at the time of valuation (the close of business on the determination date), PFPC Inc. ("Plan Agent"), will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the previously determined NAV before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining dividend or distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in this report beginning on page 35.

To find more detailed information about the Plan and about how you can participate, please call the Plan Agent at 1 (800) 331-1710.

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| Face Amount | Rating(a) | Security | Value |
|-------------------------------------|-----------|---|---------------|
| ----- | | | |
| MUNICIPAL BONDS AND NOTES -- 100.0% | | | |
| Alabama -- 3.8% | | | |
| \$24,510,000 | AAA | Jefferson County, AL Sewer Revenue, Capital Improvement Warrants, (Pre-Refunded -- Escrowed with state and local government securities to 2/1/09 Call @ 101), Series A, FGIC-Insured, 5.375% due 2/1/36 (b) | \$ 28,027,185 |
| ----- | | | |
| Alaska -- 0.2% | | | |
| | | Valdez, AK Marine Terminal Revenue Refunding: | |
| | | BP Pipelines Inc. Project: | |
| 600,000 | A-1+ | 1.100% due 7/1/37 (c) | 600,000 |
| 1,000,000 | A-1+ | Series B, 1.100% due 7/1/37 (c) | 1,000,000 |
| 50,000 | A-1+ | Exxon Pipeline Co. Project, 1.080% due 10/1/25 (c) | 50,000 |
| | | | ----- |
| | | | 1,650,000 |
| ----- | | | |
| Arizona -- 2.3% | | | |
| 2,000,000 | AA | Arizona Agricultural Improvement & Power District Electrical Systems Revenue, (Salt River Project), Series B, 5.000% due 1/1/31 | 2,037,920 |
| | | Arizona State University, COP, MBIA-Insured: | |
| 1,500,000 | AAA | 5.100% due 7/1/24 | 1,548,315 |
| 1,000,000 | AAA | 5.125% due 7/1/26 | 1,028,970 |
| 4,000,000 | AAA | Mesa, AZ IDA, Discovery Health Systems, Series A, MBIA-Insured, 5.625% due 1/1/29 | 4,282,760 |
| 3,000,000 | AAA | Phoenix, AZ Civic Improvement Corp. Airport Revenue, Sr. Lien, Series B, FGIC-Insured, 5.250% due 7/1/22 (d) | 3,147,660 |
| 1,000,000 | AA+ | Phoenix, AZ GO, Series B, 5.000% due 7/1/27 | 1,019,530 |
| 1,300,000 | A-1+ | Tempe, AZ Excise Tax Revenue, (Tempe Center for the Arts Project), 1.100% due 7/1/20 (c) | 1,300,000 |
| 2,565,000 | AAA | University of Arizona, COP, (The University of Arizona Project), Series B, AMBAC-Insured, 5.000% due 6/1/31 | 2,607,656 |
| | | | ----- |
| | | | 16,972,811 |
| ----- | | | |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|--------------------|-----------|---|--------------|
| California -- 9.2% | | | |
| \$ 7,040,000 | Bal* | California Educational Facilities Authority Revenue, (Pooled College & University Projects), Series A, (Call 7/1/08 @ 101), 5.625% due 7/1/23 (e) | \$ 6,130,995 |
| 6,000,000 | A3* | California Health Facilities Authority Revenue, (Cedars-Sinai Medical Center), Series A, 6.250% due 12/1/34 | 6,374,520 |
| 1,000,000 | A+ | California Health Facilities Financing Authority Revenue, Sutter Health, Series A, 6.250% due 8/15/35 | 1,104,550 |
| 2,300,000 | A-1 | California Housing Financing Agency Revenue, AMBAC-Insured, 1.080% due 2/1/33 (c) (d) | 2,300,000 |
| 5,000,000 | AAA | California Infrastructure and Economic Development Bank Revenue, Bay Area Toll Bridges, First Lien, Series A, FSA-Insured, 5.000% due 7/1/25 | 5,129,950 |
| 5,000,000 | AAA | California State Department of Veterans Affairs, Home Purchase Revenue, Series A, AMBAC-Insured, 5.350% due 12/1/27 | 5,189,950 |
| | | California State Office of the State Treasurer, GO: | |
| 200,000 | A-1+ | 1.050% due 5/1/33 (c) | 200,000 |
| 3,000,000 | A-1+ | FGIC-Insured, 1.130% due 9/1/28 (c) | 3,000,000 |
| 7,375,000 | AAA | Garden Grove, CA Agency for Community Development, Tax Allocation, AMBAC-Insured, 5.000% due 10/1/29 (b) | 7,506,349 |
| 10,000,000 | BBB | Golden State Tobacco Securitization Corp., CA Tobacco Settlement Revenue, Series 2003-A-1, 6.750% due 6/1/39 (b) | 9,712,000 |
| 300,000 | A-1+ | Irvine, CA Improvement Bond Act 1915, Assessment District No. 87-8 1.070% due 9/2/24 (c) | 300,000 |
| 7,000,000 | AAA | Los Angeles County, CA COP, Antelope Valley Courthouse, Series A, AMBAC-Insured, 5.250% due 11/1/33 | 7,245,490 |
| 3,340,000 | AAA | Rancho Cucamonga, CA Redevelopment Agency Tax Allocation, (Rancho Redevelopment Project), MBIA-Insured, 5.125% due 9/1/30 | 3,435,390 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating (a) | Security | Value |
|--------------------------------|------------|--|--------------|
| ----- | | | |
| California -- 9.2% (continued) | | | |
| \$ 2,750,000 | AAA | Sacramento County, CA COP, (Public Facilities Project), MBIA-Insured, 5.375% due 2/1/19 | \$ 2,959,935 |
| 5,000,000 | AAA | San Diego, CA Unified School District, Series E, FSA-Insured, 5.000% due 7/1/28 | 5,119,500 |
| 2,500,000 | AAA | Santa Clara, CA Redevelopment Agency, Tax Allocation, (Bayshore North Project), MBIA-Insured, 5.000% due 6/1/23 | 2,582,050 |
| | | | ----- |
| | | | 68,290,679 |
| ----- | | | |
| Colorado -- 7.7% | | | |
| 4,000,000 | AAA | Arapahoe County, CO Capital Improvement Trust Fund, E-470 Public Highway Authority Revenue, (Call 8/31/05 @ 103), 7.000% due 8/31/26 (e) (f) | 4,510,720 |
| 1,000,000 | A | Aspen, CO Sales Tax Revenue, 5.400% due 11/1/19 | 1,070,300 |
| 4,000,000 | AAA | Colorado Educational & Cultural Facilities Revenue Refunding, (University of Denver Project), AMBAC-Insured, 5.375% due 3/1/23 | 4,234,320 |
| 4,000,000 | A | Colorado Health Facilities Authority Revenue, Series B, Remarketed 7/8/98, 5.350% due 8/1/15 | 4,141,560 |
| 13,630,000 | A | Denver, CO City & County Airport Revenue, Series C: 6.125% due 11/15/25 (b) (d) (g) | 14,033,039 |
| 10,945,000 | A | 6.125% due 11/15/25 (b) (d) | 12,985,148 |
| 2,000,000 | AAA | Denver, CO City & County COP, Series B, AMBAC-Insured, 5.500% due 12/1/25 | 2,339,260 |
| | | El Paso County, CO COP, (Detention Facility Project), Series B, AMBAC-Insured: | |
| 1,700,000 | AAA | 5.000% due 12/1/23 | 1,747,107 |
| 1,500,000 | AAA | 5.000% due 12/1/27 | 1,527,180 |
| | | Garfield County, CO School District No. 2, GO, FSA-Insured: | |

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| | | | |
|-----------|------|--------------------|-----------|
| 2,300,000 | Aaa* | 5.000% due 12/1/23 | 2,363,733 |
| 1,000,000 | Aaa* | 5.000% due 12/1/25 | 1,021,060 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating (a) | Security | Value |
|------------------------------|------------|---|--------------|
| ----- | | | |
| Colorado -- 7.7% (continued) | | | |
| \$ 7,320,000 | AAA | University of Colorado, COP, Master Lease Purchase Agreement, Series A, AMBAC-Insured, 5.000% due 6/1/28 | \$ 7,458,494 |
| | | | ----- |
| | | | 57,431,921 |
| ----- | | | |
| Connecticut -- 1.0% | | | |
| 4,490,000 | AA | Connecticut State, GO, Series B: 5.500% due 6/15/21 | 4,918,391 |
| 1,600,000 | AA | 5.000% due 6/15/22 | 1,658,432 |
| 1,000,000 | AAA | Connecticut State Health & Education, (Child Care Facilities Project), Series C, AMBAC-Insured, 5.625% due 7/1/29 | 1,082,390 |
| | | | ----- |
| | | | 7,659,213 |
| ----- | | | |
| Delaware -- 1.4% | | | |
| 10,000,000 | AAA | Delaware State EDA Revenue, (Pollution Control-Delmarva Project-B), AMBAC- Insured, 5.200% due 2/1/19 (b) | 10,592,200 |
| ----- | | | |
| Florida -- 3.4% | | | |
| 5,000,000 | AAA | Florida State Board & Educational Capital Outlay GO, FSA-Insured, 5.000% due 6/1/24 | 5,132,250 |
| 3,000,000 | AA+ | Florida State Board of Education GO, Series A, 5.125% due 6/1/21 | 3,141,480 |
| 3,145,000 | AAA | Florida State Department of Transportation GO, FGIC-Insured, 5.000% due 7/1/25 | 3,229,192 |
| 1,100,000 | A-1+ | Jacksonville, FL Electric Authority Revenue, Series B, 1.100% due 10/1/30 (c) | 1,100,000 |
| 6,500,000 | BBB- | Martin County, FL IDA, (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (d) | 6,724,575 |

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| | | | |
|-----------|------|---|------------|
| 1,290,000 | AAA | Miami Beach, FL Stormwater Revenue, FGIC-Insured, 5.375% due 9/1/30 | 1,357,003 |
| 2,000,000 | Aaa* | Orange County, FL School Board COP, Series A, MBIA-Insured, 5.250% due 8/1/23 | 2,091,240 |
| 2,500,000 | Aaa* | South Brevard, FL Recreational Facilities Improvement, Special District, AMBAC-Insured, 5.000% due 7/1/20 | 2,600,700 |
| | | | 25,376,440 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|------------------|-----------|---|--------------|
| ----- | | | |
| Georgia -- 1.8% | | | |
| \$ 6,000,000 | AAA | Augusta, GA Water & Sewer Revenue, FSA-Insured, 5.250% due 10/1/26 | \$ 6,229,560 |
| | | Private Colleges & Universities Authority Revenue, (Mercer University Project): | |
| 2,180,000 | Baal* | 5.750% due 10/1/21 | 2,319,498 |
| | | Series A: | |
| 2,000,000 | Baal* | 5.250% due 10/1/25 | 1,979,340 |
| 1,000,000 | Baal* | 5.375% due 10/1/29 | 997,840 |
| 2,000,000 | BBB- | Savannah, GA EDA Revenue, (College of Arts & Design Inc. Project), 6.900% due 10/1/29 | 2,173,220 |
| | | | 13,699,458 |
| ----- | | | |
| Hawaii -- 0.6% | | | |
| 4,000,000 | A | Hawaii State Department of Budget & Finance, Special Purpose Revenue, Kaiser Permanente, Series A, 5.100% due 3/1/14 | 4,136,720 |
| ----- | | | |
| Idaho -- 0.2% | | | |
| 1,200,000 | VMIG 1* | Idaho Health Facilities Authority Revenue, (St. Lukes Regional Medical Center Project), 1.100% due 5/1/22 (c) | 1,200,000 |
| ----- | | | |
| Illinois -- 3.9% | | | |
| 4,095,000 | AAA | Chicago, IL GO, Series D, FGIC-Insured, | |

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| | | | |
|-----------|------|---|------------|
| 7,400,000 | AAA | 5.500% due 1/1/35 Chicago, IL Skyway Toll Bridge Revenue, AMBAC-Insured, | 4,338,161 |
| | | 5.500% due 1/1/31 (b) Illinois Health Facilities Authority Revenue: | 7,906,604 |
| 2,400,000 | A-1+ | Bromenn Healthcare Inc. Project, 1.100% due 8/15/32 (c) | 2,400,000 |
| 8,000,000 | A | OSF Healthcare System, 6.250% due 11/15/29 (b) | 8,400,080 |
| 5,000,000 | AAA | Illinois State GO, First Series, MBIA-Insured, (Call 6/1/10 @ 100), 5.625% due 6/1/25 (e) | 5,807,700 |
| | | | 28,852,545 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------------|-----------|--|--------------|
| ----- | | | |
| Indiana -- 1.1% | | | |
| \$ 5,000,000 | A1* | Indiana Port Commission Revenue Refunding, (Cargill Inc. Project), 6.875% due 5/1/12 | \$ 5,069,250 |
| 3,000,000 | BBB+ | Indiana State Development Financing Authority Revenue, (USX Corp. Project), 5.250% due 12/1/22 | 3,293,790 |
| | | | 8,363,040 |
| ----- | | | |
| Kansas -- 0.2% | | | |
| 1,250,000 | AAA | Scott County, KS GO, Unified School District No. 446, FGIC-Insured, 5.000% due 9/1/22 | 1,287,388 |
| ----- | | | |
| Louisiana -- 0.8% | | | |
| 5,500,000 | A1* | St. Martin Parish, LA Industrial Revenue, (Cargill Inc. Project), 6.625% due 10/1/12 | 5,637,280 |
| ----- | | | |
| Maine -- 0.3% | | | |
| 2,085,000 | AA+ | Maine State Housing Authority Mortgage Revenue, Series C, 5.300% due 11/15/23 | 2,143,463 |
| ----- | | | |

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Maryland -- 1.2%

| | | | |
|-----------|-----|--|-----------|
| | | Baltimore, MD Wastewater Project | |
| | | Revenue, Series A, FGIC-Insured: | |
| 2,500,000 | AAA | 5.125% due 7/1/32 | 2,567,100 |
| 3,385,000 | AAA | 5.200% due 7/1/32 | 3,505,641 |
| 3,075,000 | AA- | Maryland State Health & Higher Educational Facilities Authority Revenue, (John Hopkins Hospital Issue), 5.000% due 11/15/26 | 3,101,322 |
| | | | ----- |
| | | | 9,174,063 |

Massachusetts -- 4.2%

| | | | |
|-----------|-------|---|-----------|
| 2,000,000 | Baa3* | Boston, MA Industrial Development Financing Authority, Sr. Revenue Bonds, (Crosstown Center Project), Series 2002, 6.500% due 9/1/35 (d) | 2,019,760 |
| 3,000,000 | AAA | Massachusetts Bay Transportation Authority, Sales Tax Revenue, Series A, 5.500% due 7/1/30 | 3,190,110 |
| 1,125,000 | Aaa* | Massachusetts Development Finance Agency, (Merrimack College Issue) MBIA-Insured, 5.200% due 7/1/32 | 1,155,499 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|-----------------------------------|-----------|---|--------------|
| ----- | | | |
| Massachusetts -- 4.2% (continued) | | | |
| \$ 1,850,000 | AAA | Massachusetts Health & Educational Facilities Authority, (University of Massachusetts Issue), Series C, FGIC-Insured, 5.125% due 10/1/27 | \$ 1,898,082 |
| 17,000,000 | Aa2* | Massachusetts State GO, Consolidated Loan of 2002, Series C, 5.250% due 11/1/30 (b) | 17,711,280 |
| 5,000,000 | AAA | Massachusetts State Special Obligation Revenue, Series A, FGIC-Insured, 5.000% due 6/1/21 | 5,207,100 |
| | | | ----- |
| | | | 31,181,831 |
| ----- | | | |
| Michigan -- 2.3% | | | |
| 5,000,000 | AAA | East Lansing, MI School District GO, | |

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| | | | |
|-------------------|-----|--|------------|
| | | Q-SBLF-Insured, 5.625% due 5/1/30 | 5,332,950 |
| | | Michigan State COP, AMBAC-Insured: | |
| 2,345,000 | AAA | 5.500% due 6/1/19 (f) | 2,575,349 |
| 6,000,000 | AAA | 5.500% due 6/1/27 | 6,421,740 |
| 2,500,000 | AA- | Michigan State Hospital Finance Authority Revenue Refunding, (Trinity Health Credit), Series C, 5.375% due 12/1/23 | 2,578,200 |
| 12,000,000 | NR | Michigan State Strategic Fund Resources Recovery, Limited Obligation Revenue, (Central Wayne Energy Recovery L.P. Project), Series A, 7.000% due 7/1/27 (d) (g) | 600,000 |
| ----- | | | 17,508,239 |
| ----- | | | |
| Minnesota -- 2.5% | | | |
| 1,500,000 | AAA | Dakota County, MN Community Development Agency, MFH Revenue, FNMA-Collateralized, 5.625% due 2/1/26 | 1,555,275 |
| 2,500,000 | A1* | Duluth, MN IDA, Seaway Port Authority Dock & Wharf Revenue, (Cargill Inc. Project), 6.800% due 5/1/12 | 2,534,550 |
| 7,000,000 | A3* | Minneapolis, MN Healthcare System Revenue, (Allina Health System), Series A, 6.000% due 11/15/23 | 7,386,190 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------------------------|-----------|---|--------------|
| ----- | | | |
| Minnesota -- 2.5% (continued) | | | |
| | | Minneapolis & St. Paul, MN Community Airport Revenue, FGIC-Insured: | |
| \$ 2,000,000 | AAA | Series A, 5.125% due 1/1/25 | \$ 2,053,020 |
| 4,000,000 | AAA | Sub-Series C, 5.250% due 1/1/26 | 4,150,520 |
| 1,000,000 | AA+ | Minnesota State Housing Financing Agency, Single-Family Mortgage, Series I, 5.500% due 1/1/17 | 1,040,740 |
| ----- | | | 18,720,295 |
| ----- | | | |
| Mississippi -- 0.1% | | | |
| 700,000 | VMIG 1* | Jackson County, MS PCR, (Chevron USA Inc. Project), 1.080% due 12/1/16 (c) | 700,000 |

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| | | | |
|--------------------|-------|---|-----------|
| ----- | | | |
| Missouri -- 0.8% | | | |
| 1,500,000 | AAA | Greene County, MO Reorganized School District No. R-8 GO, FSA-Insured, 5.100% due 3/1/22 | 1,570,785 |
| 2,000,000 | AAA | St. Louis, MO Airport Revenue, (Airport Development Program), Series A, MBIA-Insured, 5.125% due 7/1/22 | 2,083,340 |
| 2,515,000 | A-1+ | University of Missouri Revenue, Series A, 1.100% due 11/1/31 (c) | 2,515,000 |
| ----- | | | |
| | | | 6,169,125 |
| ----- | | | |
| Montana -- 1.0% | | | |
| 10,080,000 | NR | Montana State Board Investment Resource Recovery Revenue, (Yellowstone Energy L.P. Project), 7.000% due 12/31/19 (d) | 7,381,282 |
| ----- | | | |
| New Jersey -- 7.0% | | | |
| 5,200,000 | A+ | Hudson County, NJ Improvement Authority, 6.624% due 8/1/25 | 5,272,540 |
| 1,000,000 | BBB | Middlesex County, NJ Pollution Control Authority Revenue Refunding, Pollution Control Financing, (Amerada Hess Corp. Project), 5.750% due 9/15/32 | 1,012,270 |
| 3,125,000 | Baal* | New Jersey EDA: PCR Refunding, (PSEG Power LLC Project), 5.000% due 3/1/12 | 3,173,281 |
| 1,000,000 | AA- | Revenue, (School Facilities-Construction), Series F, 5.000% due 6/15/28 | 1,017,440 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

12

SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|--------------------------------|-----------|--|--------------|
| ----- | | | |
| New Jersey -- 7.0% (continued) | | | |
| | | New Jersey Health Care Facilities Financing Authority Revenue: | |
| \$ 3,875,000 | AAA | Engelwood Hospital, FHA/MBIA-Insured, 5.000% due 8/1/23 | \$ 3,981,679 |
| 8,000,000 | A+ | Robert Wood Johnson University | |

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| | | | |
|--------------------|------|--|------------|
| | | Hospital, 5.700% due 7/1/20 (b) | 8,475,680 |
| 2,395,000 | AAA | New Jersey State Highway Authority, Garden State Parkway General Revenue, (Call 1/1/10 @ 101), 5.625% due 1/1/30 (e) | 2,779,230 |
| 1,350,000 | A | South Jersey Port Corp., NJ Revenue Refunding, 5.000% due 1/1/26 Tobacco Settlement Financing Corp., NJ Asset-Backed Bonds: | 1,353,861 |
| 10,000,000 | BBB | 5.750% due 6/1/32 (b) | 9,056,500 |
| 15,000,000 | BBB | 6.000% due 6/1/37 (b) | 13,122,750 |
| 3,390,000 | BBB | 6.125% due 6/1/42 | 2,992,183 |
| | | | ----- |
| | | | 52,237,414 |
| ----- | | | |
| New Mexico -- 0.2% | | | |
| 1,770,000 | AAA | New Mexico Mortgage Financing Authority, Single-Family Mortgages Revenue, Series D-3, 5.625% due 9/1/28 (f) | 1,823,613 |
| ----- | | | |
| New York -- 4.1% | | | |
| | | Nassau Health Care Corp., NY Health Systems Revenue, FSA-Insured: | |
| 2,000,000 | AAA | 5.500% due 8/1/19 | 2,194,260 |
| 3,000,000 | AAA | 5.750% due 8/1/29 | 3,280,950 |
| 400,000 | A-1+ | New York City, Industrial Development Agency Civic Facilities Revenue, (Lycee Francais De New York Project), 1.080% due 6/1/32 (c) | 400,000 |
| 6,000,000 | AA | New York City, NY Municipal Water Financing Authority, Water & Sewer System Revenue, Series D, 5.250% due 6/15/25 | 6,268,260 |
| 3,500,000 | A-1+ | New York City, NY Transitional Finance Authority Revenue, (New York City Recovery Project), Series 1, Sub-Series 1D, 1.080% due 11/1/22 (c) | 3,500,000 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

13

SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating (a) | Security | Value |
|------------------------------|------------|------------------------------------|-------|
| ----- | | | |
| New York -- 4.1% (continued) | | | |
| | | New York State Dormitory Authority | |

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| | | Revenue: | |
|------------------------|------|--|--------------|
| \$ 5,000,000 | AAA | Series B, FSA-Insured, (Call 5/15/10 @ 101), 5.500% due 5/15/30 (e) | \$ 5,823,650 |
| 1,000,000 | AAA | Willow Towers Inc. Project, GNMA-Collateralized, 5.250% due 2/1/22 | 1,040,530 |
| 3,000,000 | AAA | New York State Thruway Authority Highway & Bridge Revenue, Series B-1, FGIC-Insured, 5.400% due 4/1/17 | 3,264,720 |
| 5,000,000 | AAA | Warren & Washington Counties, NY Industrial Development Agency, Civic Facilities Revenue, (Glen Falls Hospital Project), Series A, FSA-Insured, 5.000% due 12/1/35 | 5,047,000 |
| | | | ----- |
| | | | 30,819,370 |
| ----- | | | |
| North Carolina -- 1.0% | | | |
| | | Charlotte, NC COP, (Governmental Facilities Projects), Series G: | |
| 1,750,000 | AA+ | 5.000% due 6/1/28 | 1,773,765 |
| 3,500,000 | AA+ | 5.000% due 6/1/33 | 3,550,190 |
| | | North Carolina Capital Facilities Finance Agency, Educational Facilities Revenue, (Elizabeth City State University Housing Foundation LLC Project), Series A, AMBAC-Insured: | |
| 1,000,000 | AAA | 5.000% due 6/1/23 | 1,032,820 |
| 1,250,000 | AAA | 5.000% due 6/1/33 | 1,276,538 |
| | | | ----- |
| | | | 7,633,313 |
| ----- | | | |
| Ohio -- 9.0% | | | |
| 4,500,000 | Aa2* | Bexley, OH City School District GO, 5.125% due 12/1/27 | 4,594,050 |
| 2,000,000 | AAA | Canton, OH City School District GO, Series A, MBIA-Insured, 5.500% due 12/1/20 | 2,199,380 |
| 1,300,000 | AA+ | Cincinnati, OH Water System Revenue, 5.125% due 12/1/21 | 1,368,939 |
| 3,000,000 | AAA | Cuyahoga County, OH Hospital Revenue Refunding, (University Hospitals Health System Inc.), AMBAC-Insured, 5.500% due 1/15/30 | 3,172,170 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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| Face Amount | Rating(a) | Security | Value |
|--------------------------|-----------|--|---------------|
| Ohio -- 9.0% (continued) | | | |
| \$25,000,000 | Aaa* | Hamilton County, OH Sales Tax Revenue, AMBAC-Insured, 5.250% due 12/1/32 (b) | \$ 25,947,250 |
| 7,500,000 | AA- | Lorain County, OH Hospital Revenue, Catholic Healthcare Partners, 5.375% due 10/1/30 (b) | 7,594,575 |
| 5,990,000 | AAA | Lucas County, OH Hospital Revenue, Promedic Healthcare Obligation Group, AMBAC-Insured, 5.375% due 11/15/29 | 6,281,174 |
| 3,025,000 | Aaa* | Muskingum County, OH GO, Refunding, County Facilities Improvement, MBIA-Insured, 5.125% due 12/1/19 | 3,211,249 |
| 1,375,000 | AAA | Ohio State Higher Educational Facility Commission Revenue, (University of Dayton Project), AMBAC-Insured, 5.500% due 12/1/25 | 1,481,384 |
| 2,500,000 | AAA | Portage County, OH GO, MBIA-Insured, 5.250% due 12/1/17 | 2,717,050 |
| 1,500,000 | A3* | Steubenville, OH Hospital Revenue, 6.375% due 10/1/20 | 1,592,115 |
| 1,000,000 | AAA | Summit County, OH GO, FGIC-Insured: 5.000% due 12/1/21 | 1,048,920 |
| 500,000 | AAA | 5.000% due 12/1/22 | 521,580 |
| 1,500,000 | Aaa* | Trumbull County, OH GO, MBIA-Insured, 5.200% due 12/1/20 | 1,609,995 |
| 2,000,000 | AAA | University of Cincinnati, OH General Receipts Revenue, Series A, FGIC-Insured, 5.250% due 6/1/24 | 2,113,600 |
| 1,500,000 | AAA | Warrensville Heights, OH GO, City School District, School Improvements, FGIC-Insured, 5.625% due 12/1/20 (f) | 1,677,300 |
| | | | 67,130,731 |
| Oregon -- 2.3% | | | |
| 3,210,000 | AA | Clackamas County, OR Hospital Facilities Authority Revenue, Legacy Health System, 5.750% due 5/1/16 | 3,502,527 |
| 4,895,000 | AA+ | Oregon State Department of Transportation, Highway User Tax Revenue Series A, 5.125% due 11/15/23 | 5,129,275 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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| Face Amount | Rating(a) | Security | Value |
|----------------------------|-----------|---|--------------|
| Oregon -- 2.3% (continued) | | | |
| \$ 8,410,000 | AA | Oregon State Veterans Welfare GO, Series 82, 5.500% due 12/1/42 (b) | \$ 8,802,747 |
| | | | 17,434,549 |
| ----- | | | |
| Pennsylvania -- 3.8% | | | |
| 3,000,000 | BBB+ | Pennsylvania State Higher Educational Facilities Authority Revenue, 5.000% due 7/15/20 | 3,006,660 |
| 200,000 | A-1+ | Philadelphia Hospitals & Higher Education Facilities Authority Revenue, 1.100% due 7/1/25 (c) | 200,000 |
| 18,745,000 | AAA | State Public School Building Authority, School Revenue, (Philadelphia School District Project), FSA-Insured: 5.250% due 6/1/26 (b) | 19,673,815 |
| 5,540,000 | AAA | 5.250% due 6/1/27 | 5,805,809 |
| | | | 28,686,284 |
| ----- | | | |
| South Carolina -- 4.4% | | | |
| 10,000,000 | A3* | Berkeley County, SC PCR, 4.875% due 10/1/14 (b) | 10,466,500 |
| 15,000,000 | AA- | Greenville County, SC School District Installment Purchase Revenue, 5.500% due 12/1/28 (b) | 15,745,350 |
| 2,505,000 | Aaa* | South Carolina Transportation Infrastructure Bank Revenue, Series A: Pre-Refunded -- Escrowed with state and local government securities to 10/1/11 Call @ 100, AMBAC-Insured, 5.125% due 10/1/31 | 2,834,608 |
| 3,000,000 | AAA | Pre-Refunded -- Escrowed with state and local government securities to 10/1/09 Call @ 101, MBIA-Insured, 5.500% due 10/1/30 | 3,489,810 |
| | | | 32,536,268 |
| ----- | | | |
| Tennessee -- 4.2% | | | |
| 3,000,000 | VMIG 1* | Blount County, TN Public Building Authority Revenue, Local Governments Public Improvement A-1-G, 1.090% due 6/1/17 (c) | 3,000,000 |
| 1,150,000 | NR | Hardeman County, TN Correctional Facilities Revenue, Correctional Facilities Corp., 7.750% due 8/1/17 | 1,201,566 |

SEE NOTES TO FINANCIAL STATEMENTS.

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[GRAPHIC]

16

SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------------------------|-----------|---|--------------|
| ----- | | | |
| Tennessee -- 4.2% (continued) | | | |
| \$ 6,420,000 | AAA | Memphis-Shelby County, TN Sports Authority Income Revenue, (Memphis Arena Project), Series A, AMBAC-Insured, 5.125% due 11/1/21 | \$ 6,759,811 |
| | | Sevier County, TN Public Building Authority, Local Government Public Imports: | |
| | | AMBAC-Insured: | |
| 900,000 | VMIG 1* | 1.090% due 6/1/24 (c) | 900,000 |
| 3,300,000 | VMIG 1* | 1.090% due 6/1/25 (c) | 3,300,000 |
| 400,000 | VMIG 1* | FSA-Insured 1.090% due 6/1/25 (c) | 400,000 |
| 12,000,000 | AA | Tennessee Housing Development Agency Mortgage Finance, Series A, 5.300% due 7/1/29 (b) | 12,170,520 |
| 3,000,000 | AA | Tennessee State, GO Series A, 5.250% due 3/1/17 | 3,242,550 |
| | | | ----- |
| | | | 30,974,447 |
| ----- | | | |
| Texas -- 6.9% | | | |
| 1,595,000 | AAA | Burleson, TX ISD, GO, PSFG, 6.750% due 8/1/24 | 1,777,580 |
| | | Fort Worth, TX International Airport Facility Improvement Corp. Revenue, (American Airlines Inc. Project): | |
| 12,000,000 | CCC | 6.375% due 5/1/35 (b) (d) | 7,605,120 |
| 3,000,000 | CCC | Series B, 6.050% due 5/1/29 (d) | 2,617,020 |
| 7,100,000 | A-1+ | Guadalupe-Blanco River Authority, TX PCR, (Central Power & Light Co. Project), 1.100% due 11/1/15 (c) | 7,100,000 |
| | | Harris County, TX Health Facilities Development Corp., Hospital Revenue: | |
| 11,500,000 | A-1+ | Methodist Hospital, 1.100% due 12/1/32 (c) | 11,500,000 |
| 1,000,000 | AAA | School Health Care Systems, Series B, 5.750% due 7/2/27 (g) | 1,148,640 |
| 13,600,000 | A-1+ | St. Lukes Episcopal Hospital, Series B, 1.100% due 2/15/31 (c) | 13,600,000 |
| 100,000 | A-1+ | Texas Medical Center Project, MBIA-Insured, 1.100% due 2/15/22 (c) | 100,000 |
| 5,700,000 | VMIG 1* | YMCA-Greater Houston Area, 1.100% due 7/1/37 (c) | 5,700,000 |
| | | | ----- |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

17

SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating (a) | Security | Value |
|---|------------|--|--------------|
| ----- | | | |
| Virginia -- 3.6% | | | |
| \$ 3,000,000 | A3* | Chesapeake, VA IDA Revenue, Remarketed 11/8/02, 5.250% due 2/1/08 | \$ 3,171,000 |
| 3,000,000 | A3* | Chesterfield County, VA IDA PCR, (VA Electric & Power Co.), Remarketed 11/8/02, Series A, 5.875% due 6/1/17 | 3,207,420 |
| 10,000,000 | AAA | Virginia State HDA Commonwealth Mortgage Revenue, Series H, Sub-Series H-1, MBIA-Insured, 5.350% due 7/1/31 (b) | 10,211,800 |
| 1,235,000 | AAA | Virginia State HDA MFH Revenue: Series H, AMBAC-Insured, 6.300% due 11/1/15 (f) | 1,288,550 |
| 600,000 | AA+ | Series K: 5.800% due 11/1/10 | 634,782 |
| 925,000 | AA+ | 5.900% due 11/1/11 | 976,254 |
| 7,000,000 | A3* | York County, VA IDA PCR, (VA Electrical & Power Co.), Remarketed 11/8/02, 5.000% due 7/1/09 (b) | 7,463,890 |
| | | | ----- |
| | | | 26,953,696 |
| ----- | | | |
| Washington -- 1.8% | | | |
| Chelan County, WA GO, Public Utilities, District No. 1, Columbus River Rock: | | | |
| 22,685,000 | AAA | Series A, MBIA-Insured, zero coupon due 6/1/22 (b) | 8,621,434 |
| 4,750,000 | AA | Series B, Remarketed 7/1/92, Mandatory put 7/1/19, 6.750% due 7/1/62 (d) | 4,879,438 |
| | | | ----- |
| | | | 13,500,872 |
| ----- | | | |
| West Virginia -- 1.2% | | | |
| West Virginia State Housing Development Fund, Housing Finance Revenue: | | | |
| 3,845,000 | AAA | Series B, 5.300% due 5/1/24 | 3,956,274 |

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| | | | |
|-------------------|-----|---|-----------|
| 5,000,000 | AAA | Series C, 5.350% due 11/1/27 | 5,150,700 |
| ----- | | | |
| | | | 9,106,974 |
| ----- | | | |
| Wisconsin -- 0.5% | | | |
| | | Wisconsin Housing & Economic Development Authority, Home Ownership Revenue, Series A: | |
| 170,000 | AA | 6.450% due 3/1/17 | 173,934 |
| 1,290,000 | AA | 5.650% due 11/1/23 | 1,301,687 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

18

SCHEDULE OF INVESTMENTS
November 30, 2003 (unaudited) (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------------------------|-----------|---|----------------|
| ----- | | | |
| Wisconsin -- 0.5% (continued) | | | |
| | | Wisconsin State Health & Educational Facilities Authority Revenue: | |
| \$ 1,100,000 | A | Kenosha Hospital & Medical Center Project, 5.700% due 5/15/20 | \$ 1,121,934 |
| 1,250,000 | AAA | The Medical College of Wisconsin Inc. Project, MBIA-Insured, 5.400% due 12/1/16 | 1,345,812 |
| ----- | | | |
| | | | 3,943,367 |
| ----- | | | |
| | | TOTAL INVESTMENTS -- 100.0% | |
| | | (Cost -- \$726,681,479**) | \$ 746,084,436 |
| ----- | | | |

- (a) All ratings are by Standard & Poor's Ratings Service, except for those which are identified by an asterisk (*), are rated by Moody's Investor's Service.
- (b) All or a portion of this security is segregated for open futures contracts commitments.
- (c) Variable rate obligation payable at par on demand at any time on no more than seven days notice.
- (d) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax.
- (e) Pre-Refunded bonds are escrowed with U.S. government securities and are considered by the Manager to be triple-A rated even if the issuer had not applied for new ratings.
- (f) All or a portion of this security is held as collateral for open futures contracts commitments.
- (g) Bonds are escrowed to maturity with U.S. government securities and are

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considered by the Manager to be triple-A rated even if the issuer had not applied for new ratings.

(h) Security is currently in default.

** Aggregate cost for Federal income tax purposes is substantially the same.

See pages 21 and 22 for definitions of ratings and certain abbreviations.

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SUMMARY OF INVESTMENTS BY INDUSTRY* November 30, 2003 (unaudited)

| | |
|-----------------------|--------|
| Hospitals | 15.3% |
| Education | 13.9 |
| General Obligation | 13.2 |
| Transportation | 12.2 |
| Utilities | 6.9 |
| Water and Sewer | 6.6 |
| Tobacco | 4.7 |
| Single-Family Housing | 4.0 |
| Multi-Family Housing | 2.7 |
| Other | 20.5 |
| | ----- |
| | 100.0% |
| | ===== |

*As a percentage of total investments. Please note that Fund holdings are as of November 30, 2003 and are subject to change.

[GRAPHIC]

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BOND RATINGS (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor's Ratings Service ("Standard & Poor's") -- Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show

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relative standings within the major rating categories.

- AAA --Bonds rated "AAA" have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
- AA --Bonds rated "AA" have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.
- A --Bonds rated "A" have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
- BBB --Bonds rated "BBB" are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
- BB, B, CCC and CC --Bonds rated "BB", "B", "CCC" and "CC" are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" represents a lower degree of speculation than "B", and "CC" the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

Moody's Investors Service ("Moody's") -- Numerical modifiers 1, 2 and 3 may be applied to each generic rating from "Aa" to "Ba," where 1 is the highest and 3 the lowest ranking within its generic category.

- Aaa --Bonds rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- Aa --Bonds rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.
- A --Bonds rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa --Bonds rated "Baa" are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba --Bonds rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby

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not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

NR --Indicates that the bond is not rated by Standard & Poor's or Moody's.

[GRAPHIC]

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SHORT-TERM SECURITY RATINGS (unaudited)

SP-1 --Standard & Poor's highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.

A-1 --Standard & Poor's highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.

VMIG 1 --Moody's highest rating for issues having a demand feature -- VRDO.

P-1 --Moody's highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.

ABBREVIATIONS* (unaudited)

ABAG -- Association of Bay Area Governments
AIG -- American International Guaranty
AMBAC -- American Municipal Bond Assurance Indemnity Corporation
BAN -- Bond Anticipation Notes
BIG -- Bond Investors Guaranty
CDA -- Community Development Administration
CGIC -- Capital Guaranty Insurance Company
CHFCLI -- California Health Facility Construction Loan Insurance
COP -- Certificate of Participation
EDA -- Economic Development Authority
ETM -- Escrowed To Maturity
FGIC -- Financial Guaranty Insurance Company
FHA -- Federal Housing Administration
FHLMC -- Federal Home Loan Mortgage Corporation
FLAIRS -- Floating Adjustable Interest Rate Securities
FNMA -- Federal National Mortgage Association
FRTC -- Floating Rate Trust Certificates
FSA -- Financial Security Assurance
GIC -- Guaranteed Investment Contract

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GNMA -- Government National Mortgage Association
 GO -- General Obligation
 HDA -- Housing Development Authority
 HDC -- Housing Development Corporation

 HFA -- Housing Finance Authority
 IDA -- Industrial Development Authority
 IDB -- Industrial Development Board
 IDR -- Industrial Development Revenue
 INFLOS -- Inverse Floaters
 ISD -- Independent School District
 LOC -- Letter of Credit
 MBIA -- Municipal Bond Investors Assurance Corporation
 MFH -- Multi-Family Housing
 MVRICS -- Municipal Variable Rate Inverse Coupon Security
 PCR -- Pollution Control Revenue
 PFA -- Public Finance Authority
 PSFG -- Permanent School Fund Guaranty
 Q-SBLF -- Qualified School Bond Loan Fund
 RAN -- Revenue Anticipation Notes
 RIBS -- Residual Interest Bonds
 RITES -- Residual Interest Tax-Exempt Securities
 SYCC -- Structured Yield Curve Certificate
 TAN -- Tax Anticipation Notes
 TECP -- Tax Exempt Commercial Paper
 TOB -- Tender Option Bonds
 TRAN -- Tax and Revenue Anticipation Notes
 VA -- Veterans Administration
 VRDD -- Variable Rate Daily Demand
 VRWE -- Variable Rate Wednesday Demand

*Abbreviations may or may not appear on the schedule of investments.

[GRAPHIC]

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STATEMENT OF ASSETS AND LIABILITIES (unaudited)

November 30, 2003

| | |
|---|---------------|
| ----- | |
| ASSETS: | |
| Investments, at value (Cost -- \$726,681,479) | \$746,084,436 |
| Interest receivable | 11,309,722 |
| Receivable from broker -- variation margin | 2,296,875 |
| Receivable for securities sold | 492,821 |
| ----- | |
| Total Assets | 760,183,854 |
| ----- | |

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| | |
|--|---------------|
| LIABILITIES: | |
| Bank overdraft | 1,703,178 |
| Dividends payable to Common Stock Shareholders | 722,219 |
| Investment advisory fee payable | 357,252 |
| Administration fee payable | 125,079 |
| Dividends payable to Auction Rate Cumulative Preferred Stockholders | 29,364 |
| Accrued expenses | 145,290 |
| <hr style="border-top: 1px dashed black;"/> | |
| Total Liabilities | 3,082,382 |
| <hr style="border-top: 1px dashed black;"/> | |
| Series M, T, W, Th and F Auction Rate Cumulative Preferred Stock (2,000 shares authorized and issued at \$25,000 per share for each Series) (Note 6) | 250,000,000 |
| <hr style="border-top: 1px dashed black;"/> | |
| Total Net Assets | \$507,101,472 |
| <hr style="border-top: 1px dashed black;"/> | |
| NET ASSETS: | |
| Par value of capital shares | \$ 41,856 |
| Capital paid in excess of par value | 509,076,800 |
| Undistributed net investment income | 1,118,543 |
| Accumulated net realized loss from investment transactions and futures contracts | (13,382,434) |
| Net unrealized appreciation of investments and futures contracts | 10,246,707 |
| <hr style="border-top: 1px dashed black;"/> | |
| Total Net Assets (Equivalent to \$12.12 a share on 41,855,576 common shares of \$0.001 par value outstanding; 500,000,000 common shares authorized) | \$507,101,472 |
| <hr style="border-top: 1px dashed black;"/> | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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STATEMENT OF OPERATIONS (unaudited)

| | Six Months Ended November 30, 2003 |
|---|---------------------------------------|
| <hr style="border-top: 1px dashed black;"/> | |
| INVESTMENT INCOME: | |
| Interest | \$ 19,138,573 |
| <hr style="border-top: 1px dashed black;"/> | |
| EXPENSES: | |
| Investment advisory fee (Note 3) | 2,116,104 |
| Administration fee (Note 3) | 747,121 |
| Auction participation fees (Note 6) | 313,580 |
| Shareholder communications | 95,848 |
| Shareholder servicing fees | 68,823 |

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| | |
|--|---------------|
| Audit and legal | 42,406 |
| Custody | 33,701 |
| Directors' fees | 29,437 |
| Stock exchange listing fees | 17,475 |
| Rating agency fees | 8,885 |
| Other | 35,937 |
| ----- | |
| Total Expenses | 3,509,317 |
| ----- | |
| Net Investment Income | 15,629,256 |
| ----- | |
| REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FUTURES CONTRACTS (NOTES 4 AND 5): | |
| Realized Gain From: | |
| Investments transactions | 3,505,396 |
| Futures contracts | 19,827,857 |
| ----- | |
| Net Realized Gain | 23,333,253 |
| ----- | |
| Change in Net Unrealized Appreciation of Investments and Future Contracts: | |
| Beginning of period | 21,229,478 |
| End of period | 10,246,707 |
| ----- | |
| Decrease in Net Unrealized Appreciation | (10,982,771) |
| ----- | |
| Net Gain on Investments and Futures Contracts | 12,350,482 |
| ----- | |
| Distributions Paid to Auction Rate Cumulative Preferred Stockholders From Net Investment Income | (1,089,406) |
| ----- | |
| Increase in Net Assets From Operations | \$ 26,890,332 |
| ----- | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

24

STATEMENTS OF CHANGES IN NET ASSETS

| | Six Months Ended November 30, 2003 (unaudited) | Year Ended May 31, 2003 |
|---|--|-------------------------------|
| ----- | | |
| OPERATIONS: | | |
| Net investment income | \$ 15,629,256 | \$ 31,961,114 |
| Net realized gain (loss) | 23,333,253 | (6,095,076) |
| Increase (decrease) in net unrealized appreciation | (10,982,771) | 10,448,849 |

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| | | |
|--|---------------|---------------|
| Dividends paid to Auction Rate Cumulative Preferred Stockholders from net investment income | (1,089,406) | (3,092,691) |
| <hr style="border-top: 1px dashed black;"/> | | |
| Increase in Net Assets From Operations | 26,890,332 | 33,222,196 |
| <hr style="border-top: 1px dashed black;"/> | | |
| DISTRIBUTIONS PAID TO COMMON STOCK SHAREHOLDERS FROM (NOTE 2): | | |
| Net investment income | (14,565,823) | (27,708,391) |
| <hr style="border-top: 1px dashed black;"/> | | |
| Decrease in Net Assets From Distributions Paid to Common Stock Shareholders | (14,565,823) | (27,708,391) |
| <hr style="border-top: 1px dashed black;"/> | | |
| FUND SHARE TRANSACTIONS (NOTE 6): | | |
| Underwriting commissions and offering expenses for the issuance of Auction Rate Cumulative Preferred Stock | -- | (71,209) |
| <hr style="border-top: 1px dashed black;"/> | | |
| Decrease in Net Assets From Fund Share Transactions | -- | (71,209) |
| <hr style="border-top: 1px dashed black;"/> | | |
| Increase in Net Assets | 12,324,509 | 5,442,596 |
| NET ASSETS: | | |
| Beginning of period | 494,776,963 | 489,334,367 |
| <hr style="border-top: 1px dashed black;"/> | | |
| End of period* | \$507,101,472 | \$494,776,963 |
| <hr style="border-top: 1px dashed black;"/> | | |
| * Includes undistributed net investment income of: | \$1,118,543 | \$1,144,516 |
| <hr style="border-top: 1px dashed black;"/> | | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

Managed Municipals Portfolio Inc. ("Fund"), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company.

The significant accounting policies consistently followed by the Fund are: (a) security transactions are accounted for on trade date; (b) securities are valued at the mean between bid and asked prices provided by an independent pricing service that are based on transactions in municipal obligations, quotations from municipal bond dealers, market transactions in comparable securities and various relationships between securities; (c) securities for which market quotations are not available will be valued in good faith at fair

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value by or under the direction of the Board of Directors; (d) securities maturing within 60 days or less are valued at cost plus accreted discount, or minus amortized premium, which approximates value; (e) gains or losses on sale of securities are calculated by using the specific identification method; (f) interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis; (g) dividends and distributions to shareholders are recorded monthly by the Fund on the ex-dividend date for the shareholders of Common Stock. The holders of the Auction Rate Cumulative Preferred Stock shall be entitled to receive dividends in accordance with an auction that will normally be held weekly and out of funds legally available to shareholders; (h) the net asset value of the Fund's Common Stock is determined no less frequently than the close of business on the Fund's last business day of each week (generally Friday). It is determined by dividing the value of the net assets available to Common Stock by the total number of shares of Common Stock outstanding. For the purpose of determining the net asset value per share of the Common Stock, the value of the Fund's net assets shall be deemed to equal the value of the Fund's assets less (1) the Fund's liabilities, (2) the aggregate liquidation value (i.e., \$25,000 per outstanding share) of the Auction Rate Cumulative Preferred Stock and (3) accumulated and unpaid dividends on the outstanding Auction Rate Cumulative Preferred Stock issue; (i) the Fund intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes; (j) the character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America; and (k) estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared.

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

2. EXEMPT-INTEREST DIVIDENDS AND OTHER DISTRIBUTIONS

The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from regular Federal income tax and from designated state income taxes, to retain such tax-exempt status when distributed to the shareholders of the Fund.

Capital gain distributions, if any, are taxable to shareholders, and are declared and paid at least annually.

3. INVESTMENT ADVISORY AGREEMENT, ADMINISTRATION AGREEMENT AND OTHER TRANSACTIONS

Smith Barney Fund Management LLC ("SBFM"), an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"), acts as the investment adviser and

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administrator to the Fund. For investment advisory and administrative services, the Fund pays SBFM fees calculated at the annual rate of 0.70% and 0.20% of the average daily total net assets of the Fund, respectively, for an aggregate investment advisory and administrative fee of 0.90%. Notwithstanding the foregoing, by agreement between SBFM and the Fund, the Fund pays SBFM an aggregate investment advisory and administrative fee at an annual rate of 0.65% on those assets of the Fund equal to the product of the number of preferred shares outstanding multiplied by the liquidation value of such shares. The investment advisory fee and the administrative fee are each calculated daily and paid monthly.

Effective September 1, 2003, the aggregate investment advisory and administrative fee rate of 0.90% described above was reduced to an aggregate fee of 0.75%, composed of investment advisory and administrative fees calculated at the annual rate of 0.55% and 0.20% of the average daily total net assets of the Fund, respectively. The investment advisory and administrative fees are otherwise calculated as described in the above paragraph.

All officers and one Director of the Fund are employees of Citigroup or its affiliates.

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

4. INVESTMENTS

During the six months ended November 30, 2003, the aggregate cost of purchases and proceeds from sales of investments (including maturities of long-term investments, but excluding short-term investments) were as follows:

| | |
|-----------|---------------|
| Purchases | \$171,698,526 |
| Sales | 197,486,189 |

At November 30, 2003, aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

| | |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 40,914,047 |
| Gross unrealized depreciation | (21,511,090) |
| Net unrealized appreciation | \$ 19,402,957 |

5. FUTURES CONTRACTS

Securities or cash equal to the initial margin amount are either deposited with the broker or segregated by the custodian upon entering into the futures

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contracts. Additional securities are also segregated up to the current market value of the futures contracts. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are received or made and recognized as assets due from or liabilities due to broker, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contract. The Fund enters into such contracts typically to hedge a portion of its portfolio. The Fund bears the market risk that arises from changes in the value of the financial instruments and securities indices.

At November 30, 2003, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration | Basis Value | Market Value | Unrealized Loss |
|---------------|------------------------|------------|----------------|-----------------|--------------------|
| ----- | | | | | |
| To Sell: | | | | | |
| U.S. Treasury | | | | | |
| Bonds | 2,450 | 12/03 | \$258,582,813 | \$267,739,063 | \$(9,156,250) |
| ----- | | | | | |

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

6. AUCTION RATE CUMULATIVE PREFERRED STOCK

As of November 30, 2003, the Fund had 2,000 outstanding shares of Series M, Series T, Series W, Series Th and Series F, respectively, of Auction Rate Cumulative Preferred Stock ("ARCPS"). Additional offering costs of \$71,209 were incurred and recorded as a reduction of the capital paid in excess of par value of common stock for the year ended May 31, 2003. The ARCPS' dividends are cumulative at a rate determined at an auction and the dividend period is typically 7 days. The dividend rates ranged from 0.60% to 1.15% during the six months ended November 30, 2003. At November 30, 2003, the current dividend rates were as follows:

| | Series M | Series T | Series W | Series Th | Series F |
|------------------------|----------|----------|----------|-----------|----------|
| ----- | | | | | |
| Current Dividend Rates | 0.98% | 1.00% | 1.02% | 1.03% | 1.03% |
| ----- | | | | | |

The ARCPS are redeemable under certain conditions by the Fund, or subject to mandatory redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to \$25,000 per share plus accumulated and unpaid dividends. ARCPS have a liquidation preference of \$25,000 per share plus accumulated and unpaid dividends.

The Fund is required to maintain certain asset coverages with respect to the ARCPS. If the Fund fails to maintain these coverages and does not cure any such

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failure within the required time period, the Fund is required to redeem a requisite number of the ARCPS in order to meet the applicable requirement. Additionally, failure to meet the foregoing asset requirements would restrict the Fund's ability to pay dividends to common stock shareholders.

Citigroup Global Markets Inc. ("CGM"), another indirect wholly-owned subsidiary of Citigroup, currently acts as a broker/dealer in connection with the auction of ARCPS. After each auction, the auction agent will pay to each participating broker/dealer, from monies the Fund provides, a participation fee at the annual rate of 0.25% of the purchase price of the ARCPS that the broker/dealer places at the auction. For the six months ended November 30, 2003, CGM earned \$313,580 as a participating broker/dealer.

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

7. ADDITIONAL INFORMATION

The Fund has received the following information from Citigroup Asset Management ("CAM"), the Citigroup business unit which includes the Fund's Investment Manager and other investment advisory companies, all of which are indirect, wholly-owned subsidiaries of Citigroup. CAM is reviewing its entry, through an affiliate, into the transfer agent business in the period 1997-1999. As CAM currently understands the facts, at the time CAM decided to enter the transfer agent business, CAM sub-contracted for a period of five years certain of the transfer agency services to a third party and also concluded a revenue guarantee agreement with this sub-contractor providing that the sub-contractor would guarantee certain benefits to CAM or its affiliates (the "Revenue Guarantee Agreement"). In connection with the subsequent purchase of the sub-contractor's business by an affiliate of the current sub-transfer agent (PFPC Inc.) used by CAM on many of the funds it manages, this Revenue Guarantee Agreement was amended eliminating those benefits in exchange for arrangements that included a one-time payment from the sub-contractor.

The Boards of CAM-managed funds (the "Boards") were not informed of the Revenue Guarantee Agreement with the sub-contractor at the time the Boards considered and approved the transfer agent arrangements. Nor were the Boards informed of the subsequent amendment to the Revenue Guarantee Agreement when that occurred.

CAM has begun to take corrective actions. CAM will pay to the applicable funds \$16 million (plus interest) that CAM and its affiliates received from the Revenue Guarantee Agreement and its amendment. CAM also plans an independent review to verify that the transfer agency fees charged by CAM were fairly priced as compared to competitive alternatives. CAM is instituting new procedures and making changes designed to ensure no similar arrangements are entered into in the future.

CAM has briefed the SEC, the New York State Attorney General and other regulators with respect to this matter, as well as the U.S. Attorney who is investigating the matter. CAM is cooperating with governmental authorities on this matter, the ultimate outcome of which is not yet determinable.

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The Fund's transfer agent is PFPC Inc., which is not affiliated with CAM.

[GRAPHIC]

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FINANCIAL HIGHLIGHTS

For a share of capital stock outstanding throughout each year ended May 31, unless otherwise noted:

| | 2003/(1)/ | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|-----------|---------|---------|---------|---------|---------|
| <hr/> | | | | | | |
| Net Asset Value, Beginning of Period | \$11.82 | \$11.69 | \$11.74 | \$10.93 | \$11.97 | \$12.37 |
| <hr/> | | | | | | |
| Income (Loss) From Operations: | | | | | | |
| Net investment income/(2) (3)/ | 0.37 | 0.76 | 0.60 | 0.60 | 0.58 | 0.58 |
| Net realized and unrealized gain (loss)/(3)/ | 0.31 | 0.10 | 0.02 | 0.79 | (1.14) | (0.32) |
| Dividends paid to Auction Rate Cumulative Preferred Stockholders from net investment income | (0.03) | (0.07) | (0.00)* | -- | -- | -- |
| <hr/> | | | | | | |
| Total Income (Loss) From Operations | 0.65 | 0.79 | 0.62 | 1.39 | (0.56) | 0.26 |
| <hr/> | | | | | | |
| Gain From Repurchase of Treasury Stock | -- | -- | -- | 0.02 | 0.12 | -- |
| <hr/> | | | | | | |
| Underwriting Commissions and Offering Expenses for the Issuance of Auction Rate Cumulative Preferred Stock | -- | (0.00)* | (0.07) | -- | -- | -- |
| <hr/> | | | | | | |
| Distributions Paid to Common Stock Shareholders From: | | | | | | |
| Net investment income | (0.35) | (0.66) | (0.60) | (0.60) | (0.60) | (0.54) |
| Net realized gains | -- | -- | -- | -- | -- | (0.12) |
| <hr/> | | | | | | |
| Total Distributions | (0.35) | (0.66) | (0.60) | (0.60) | (0.60) | (0.66) |
| <hr/> | | | | | | |
| Net Asset Value, End of Period | \$12.12 | \$11.82 | \$11.69 | \$11.74 | \$10.93 | \$11.97 |
| <hr/> | | | | | | |
| Total Return, Based on Market Value/(4)/ | 6.32%++ | 10.60% | 4.79% | 20.69% | (3.88)% | 0.11% |
| <hr/> | | | | | | |
| Total Return, | | | | | | |

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| Based on Net Asset Value/(4)/ | 5.84%++ | 7.55% | 5.33% | 13.90% | (2.82)% | 2.66% |
|-------------------------------|---------|---------|---------|---------|---------|----------|
| ----- | | | | | | |
| Net Assets, | | | | | | |
| End of Period (millions) | \$507 | \$495 | \$489 | \$374 | \$352 | \$414 |
| ----- | | | | | | |
| Ratios to Average Net Assets | | | | | | |
| Based on Common Shares | | | | | | |
| Outstanding/(5)/: | | | | | | |
| Expenses/(2)/ | 1.41%+ | 1.51% | 0.52% | 0.68% | 0.89% | 0.94% |
| Net investment income/(3)/ | 6.29+ | 6.40 | 4.84 | 5.15 | 5.19 | 4.72 |
| ----- | | | | | | |
| Portfolio Turnover Rate | 25% | 28% | 39% | 58% | 35% | 23% |
| ----- | | | | | | |
| Market Price, End of Period | \$11.32 | \$10.99 | \$10.57 | \$10.67 | \$9.375 | \$10.375 |
| ----- | | | | | | |

[GRAPHIC]

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FINANCIAL HIGHLIGHTS (continued)

| | 2003/(1)/ | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|-----------|-----------|-----------|------|------|------|
| ----- | | | | | | |
| Auction Rate Cumulative Preferred Stock/(6)/: | | | | | | |
| Total Amount Outstanding (000s) | \$250,000 | \$250,000 | \$250,000 | -- | -- | -- |
| Asset Coverage Per Share | 75,710 | 74,478 | 74,000 | -- | -- | -- |
| Involuntary Liquidating Preference Per Share/(7)/ | 25,000 | 25,000 | 25,000 | -- | -- | -- |
| Average Market Value Per Share/(7)/ | 25,000 | 25,000 | 25,000 | -- | -- | -- |
| ----- | | | | | | |

(1) For the six months ended November 30, 2003 (unaudited).

(2) The investment adviser and/or administrator waived a portion of its fees for the years ended May 31, 2002, 2001, 2000 and 1999. If such fees had not been waived, the per share decreases to net investment income and actual expense ratios would have been as follows:

| | Per share decreases to net investment income | Expense ratios without fee waivers |
|------|---|---------------------------------------|
| 2002 | \$0.05 | 1.01% |
| 2001 | 0.04 | 1.01 |
| 2000 | 0.02 | 1.04 |
| 1999 | 0.01 | 1.02 |

(3) Effective June 1, 2001, the Fund adopted a change in the accounting method that requires the Fund to amortize premiums and accrete all discounts. Without the adoption of this change, for the year ended May 31, 2002, the ratio of net investment income to average net assets would have been 4.81%. Per share information, ratios and supplemental data for the periods prior to June 1, 2001 have not been restated to reflect this change in

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- presentation. In addition, the impact of this change to net investment income and net realized and unrealized gain was less than \$0.01 per share.
- (4) The total return calculation assumes that dividends are reinvested in accordance with the Fund's dividend reinvestment plan. Performance figures may reflect fee waivers and/or expense reimbursements. Past performance is no guarantee of future results. In the absence of fee waivers and/or expense reimbursements, the total return would be reduced.
- (5) Calculated on basis of average net assets of common shareholders. Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (6) On May 22, 2002, the Fund issued 2,000 shares of Auction Rate Cumulative Preferred Stock at \$25,000 a share, for Series M, Series T, Series W, Series Th and Series F, respectively.
- (7) Excludes accumulated undeclared dividends.
- * Amount represents less than \$0.01 per share.
- ++ Total return is not annualized, as it may not be representative of the total return for the year.
- + Annualized.

[GRAPHIC]

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FINANCIAL DATA (unaudited)

For a share of common stock outstanding throughout each period:

| Record Date | Payable Date | NYSE Closing Price+ | Net Asset Value+ | Dividend Paid | Dividend Reinvestment Price |
|-------------|--------------|---------------------|------------------|---------------|-----------------------------|
| 6/26/01 | 6/29/01 | \$10.40 | \$11.80 | \$0.050 | \$10.61 |
| 7/24/01 | 7/27/01 | 10.59 | 11.88 | 0.050 | 10.71 |
| 8/28/01 | 8/31/01 | 10.83 | 12.09 | 0.050 | 11.00 |
| 9/25/01 | 9/28/01 | 10.33 | 11.87 | 0.050 | 10.65 |
| 10/23/01 | 10/26/01 | 10.64 | 11.93 | 0.050 | 10.82 |
| 11/27/01 | 11/30/01 | 10.58 | 11.83 | 0.050 | 10.51 |
| 12/24/01 | 12/28/01 | 10.31 | 11.63 | 0.050 | 10.43 |
| 1/22/02 | 1/25/02 | 10.60 | 11.81 | 0.050 | 10.74 |
| 2/19/02 | 2/22/02 | 10.60 | 11.77 | 0.050 | 10.72 |
| 3/25/02 | 3/28/02 | 10.25 | 11.55 | 0.050 | 10.43 |
| 4/23/02 | 4/26/02 | 10.30 | 11.66 | 0.050 | 10.51 |
| 5/28/02 | 5/31/02 | 10.50 | 11.65 | 0.050 | 10.62 |
| 6/25/02 | 6/28/02 | 10.49 | 11.76 | 0.050 | 10.67 |
| 7/23/02 | 7/26/02 | 10.74 | 12.02 | 0.050 | 10.80 |
| 8/27/02 | 8/30/02 | 10.89 | 12.02 | 0.055 | 11.09 |
| 9/24/02 | 9/27/02 | 11.10 | 12.35 | 0.055 | 11.15 |
| 10/22/02 | 10/25/02 | 10.48 | 11.79 | 0.055 | 10.55 |
| 11/25/02 | 11/29/02 | 10.35 | 11.93 | 0.055 | 10.49 |
| 12/23/02 | 12/27/03 | 10.39 | 11.97 | 0.056 | 10.51 |
| 1/28/03 | 1/31/03 | 10.40 | 11.84 | 0.056 | 10.52 |
| 2/25/03 | 2/28/03 | 10.47 | 11.75 | 0.056 | 10.56 |

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| | | | | | |
|----------|----------|-------|-------|-------|-------|
| 3/25/03 | 3/28/03 | 10.30 | 11.67 | 0.058 | 10.48 |
| 4/22/03 | 4/25/03 | 10.49 | 11.80 | 0.058 | 10.59 |
| 5/27/03 | 5/30/03 | 10.93 | 11.86 | 0.058 | 11.00 |
| 6/24/03 | 6/27/03 | 10.93 | 11.77 | 0.058 | 11.08 |
| 7/22/03 | 7/25/03 | 10.62 | 11.82 | 0.058 | 10.79 |
| 8/26/03 | 8/29/03 | 10.56 | 11.68 | 0.058 | 10.63 |
| 9/23/03 | 9/26/03 | 10.61 | 11.83 | 0.058 | 10.76 |
| 10/28/03 | 10/31/03 | 11.11 | 11.95 | 0.058 | 11.17 |
| 11/24/03 | 11/28/03 | 11.03 | 12.05 | 0.058 | 11.24 |

+ As of record date.

[GRAPHIC]

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ADDITIONAL SHAREHOLDER INFORMATION
(unaudited)

Result of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Managed Municipals Portfolio Inc. was held on September 18, 2003, for the purpose of considering and voting upon the election of Directors. The following table provides information concerning the matter voted upon at the Meeting:

1. ELECTION OF DIRECTORS

| Nominees | Common Shares Voted For Election | Common Shares Withheld | Preferred Shares Voted For Election | Preferred Shares Withheld |
|--------------------|--|------------------------------|---|---------------------------------|
| Allan J. Bloostein | 40,081,829 | 698,772 | 9,888 | 0 |
| R. Jay Gerken | 40,142,258 | 638,343 | 9,888 | 0 |
| Paolo M. Cucchi | N/A | N/A | 9,888 | 0 |

[GRAPHIC]

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DIVIDEND REINVESTMENT PLAN
(unaudited)

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose

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shares of common stock are registered in his own name will have all distributions from the Fund reinvested automatically by PFPC Inc. ("PFPC"), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in street name) will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of PFPC as dividend paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. When the market price of the common stock is equal to or exceeds 98% of the net asset value per share of the common stock on the determination date (generally, the record date for the distribution), Plan participants will be issued shares of common stock by the Fund at a price equal to the greater of net asset value determined as described below under "Net Asset Value" or 95% of the market price of the common stock.

If the market price of the common stock is less than 98% of the net asset value of the common stock at the time of valuation (which is the close of business on the determination date), PFPC will buy common stock in the open market, on the NYSE or elsewhere, for the participants' accounts. If following the commencement of the purchases and before PFPC has completed its purchases, the market price exceeds the net asset value of the common stock as of the valuation time, PFPC will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution in shares at a price equal to the greater of (a) net asset value as of the valuation time or (b) 95% of the then current market price. In this case, the number of shares received by a Plan participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. To the extent PFPC is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share purchase price paid by PFPC may exceed the net asset value of the common stock as of the valuation time, resulting in the acquisition of fewer shares than if the dividend or capital gains distribution had been paid in common stock issued by the Fund at such net asset value. PFPC will begin to purchase common stock on the open market as

[GRAPHIC]

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DIVIDEND REINVESTMENT PLAN (unaudited) (continued)

soon as practicable after the determination date for the dividend or capital gains distribution, but in no event shall such purchases continue later than 30 days after the payment date for such dividend or distribution, or the record date for a succeeding dividend or distribution, except when necessary to comply with applicable provisions of the federal securities laws.

PFPC maintains all shareholder accounts in the Plan and furnishes written

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confirmations of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. Common stock in the account of each Plan participant will be held by PFPC in uncertificated form in the name of the Plan participant.

Plan participants are subject to no charge for reinvesting dividends and capital gains distributions under the Plan. PFPC's fees for handling the reinvestment of dividends and capital gains distributions will be paid by the Fund. No brokerage charges apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a proportionate share of any brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the dividend or capital gains distribution. The Plan also may be amended or terminated by PFPC, with the Fund's prior written consent, on at least 30 days' written notice to Plan participants. All correspondence concerning the plan should be directed by mail to PFPC Inc., P.O. Box 8030, Boston, Massachusetts 02266-8030 or by telephone at 1 (800) 331-1710.

SHARE REPURCHASE NOTICE (unaudited)

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.

[GRAPHIC]

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Managed Municipals
Portfolio Inc.

DIRECTORS

Allan J. Bloostein
Dwight B. Crane
Paolo M. Cucchi
Robert A. Frankel
R. Jay Gerken, CFA
Chairman
Paul Hardin
William R. Hutchinson
George M. Pavia

OFFICERS

R. Jay Gerken, CFA
President and Chief Executive Officer

Andrew B. Shoup
Senior Vice President and Chief Administrative Officer

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Richard L. Peteka
Chief Financial Officer and Treasurer

Joseph P. Deane
Vice President and Investment Officer

David T. Fare
Investment Officer

Kaprel Ozsolak
Controller

Robert I. Frenkel
Secretary and
Chief Legal Officer

INVESTMENT ADVISER AND ADMINISTRATOR
Smith Barney Fund Management LLC
399 Park Avenue
New York, New York 10022

TRANSFER AGENT
PFPC Inc.
P.O. Box 8030
Boston, Massachusetts 02266-8030

CUSTODIAN
State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

[GRAPHIC]

THIS REPORT IS ONLY INTENDED FOR SHAREHOLDERS OF THE
MANAGED MUNICIPALS PORTFOLIO INC.

IT IS NOT A PROSPECTUS,
CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE
PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY
SECURITIES MENTIONED IN THE REPORT.

A DESCRIPTION OF THE POLICIES AND PROCEDURES THAT THE FUND
USES TO DETERMINE HOW TO VOTE PROXIES RELATING TO
PORTFOLIO SECURITIES IS AVAILABLE WITHOUT CHARGE,
UPON REQUEST, BY TELEPHONING THE FUND (TOLL-FREE)
AT 1-800-451-2010 AND BY VISITING THE SEC'S WEB SITE
AT WWW.SEC.GOV.

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ITEM 2. CODE OF ETHICS.

Not Applicable.

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ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not Applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Board of Directors of the Fund has delegated the authority to develop policies and procedures relating to proxy voting to the Manager. The Manager is part of Citigroup Asset Management ("CAM"), a group of investment adviser affiliates of Citigroup, Inc. ("Citigroup"). Along with the other investment advisers that comprise CAM, the Manager has adopted a set of proxy voting policies and procedures (the "Policies") to ensure that the Manager votes proxies relating to equity securities in the best interest of clients.

In voting proxies, the Manager is guided by general fiduciary principles and seeks to act prudently and solely in the best interest of clients. The Manager attempts to consider all factors that could affect the value of the investment and will vote proxies in the manner that it believes will be consistent with efforts to maximize shareholder values. The Manager may utilize an external service provider to provide it with information and/or a recommendation with regard to proxy votes. However, such recommendations do not relieve the Manager of its responsibility for the proxy vote.

In the case of a proxy issue for which there is a stated position in the Policies, CAM generally votes in accordance with such stated position. In the case of a proxy issue for which there is a list of factors set forth in the Policies that CAM considers in voting on such issue, CAM votes on a case-by-case basis in accordance with the general principles set forth above and considering such enumerated factors. In the case of a proxy issue for which there is no stated position or list of factors that CAM considers in voting on such issue, CAM votes on a case-by-case basis in accordance with the general principles set forth above. Issues for which there is a stated position set forth in the Policies or for which there is a list of factors set forth in the Policies that CAM considers in voting on such issues fall into a variety of categories, including election of directors, ratification of auditors, proxy and tender offer defenses, capital structure issues, executive and director

compensation, mergers and corporate restructurings, and social and environmental issues. The stated position on an issue set forth in the Policies can always be superseded, subject to the duty to act solely in the best interest of the beneficial owners of accounts, by the investment management professionals responsible for the account whose shares are being voted. Issues applicable to a particular industry may cause CAM to abandon a policy that would have otherwise applied to

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issuers generally. As a result of the independent investment advisory services provided by distinct CAM business units, there may be occasions when different business units or different portfolio managers within the same business unit vote differently on the same issue.

In furtherance of the Manager's goal to vote proxies in the best interest of clients, the Manager follows procedures designed to identify and address material conflicts that may arise between the Manager's interests and those of its clients before voting proxies on behalf of such clients. To seek to identify conflicts of interest, CAM periodically notifies CAM employees (including employees of the Manager) in writing that they are under an obligation (i) to be aware of the potential for conflicts of interest with respect to voting proxies on behalf of client accounts both as a result of their personal relationships and due to special circumstances that may arise during the conduct of CAM's and the Manager's business, and (ii) to bring conflicts of interest of which they become aware to the attention of compliance personnel. The Manager also maintains and considers a list of significant relationships that could present a conflict of interest for the Manager in voting proxies. The Manager is also sensitive to the fact that a significant, publicized relationship between an issuer and a non-CAM affiliate might appear to the public to influence the manner in which the Manager decides to vote a proxy with respect to such issuer. Absent special circumstances or a significant, publicized non-CAM affiliate relationship that CAM or the Manager for prudential reasons treats as a potential conflict of interest because such relationship might appear to the public to influence the manner in which the Manager decides to vote a proxy, the Manager generally takes the position that non-CAM relationships between Citigroup and an issuer (e.g. investment banking or banking) do not present a conflict of interest for the Manager in voting proxies with respect to such issuer. Such position is based on the fact that the Manager is operated as an independent business unit from other Citigroup business units as well as on the existence of information barriers between the Manager and certain other Citigroup business units.

CAM maintains a Proxy Voting Committee, of which the Manager personnel are members, to review and address conflicts of interest brought to its attention by compliance personnel. A proxy issue that will be voted in accordance with a stated position on an issue or in accordance with the recommendation of an independent third party is not brought to the attention of the Proxy Voting Committee for a conflict of interest review because the Manager's position is that to the extent a conflict of interest issue exists, it is resolved by voting in accordance with a pre-determined policy or in accordance with the recommendation of an independent third party. With respect to a conflict of interest brought to its attention, the

Proxy Voting Committee first determines whether such conflict of interest is material. A conflict of interest is considered material to the extent that it is determined that such conflict is likely to influence, or appear to influence, the Manager's decision-making in voting proxies. If it is determined by the Proxy Voting Committee that a conflict of interest is not material, the Manager may vote proxies notwithstanding the existence of the conflict.

If it is determined by the Proxy Voting Committee that a conflict of interest is material, the Proxy Voting Committee is responsible for determining an appropriate method to resolve such conflict of interest before the proxy affected by the conflict of interest is voted. Such

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determination is based on the particular facts and circumstances, including the importance of the proxy issue and the nature of the conflict of interest. Methods of resolving a material conflict of interest may include, but are not limited to, disclosing the conflict to clients and obtaining their consent before voting, or suggesting to clients that they engage another party to vote the proxy on their behalf.

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

- (a) Not applicable.
- (b) Attached hereto.

Exhibit 99.CERT Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this Report to be signed on its behalf by the undersigned, there unto duly authorized.

Managed Municipals Portfolio Inc.

By: /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer of
Managed Municipals Portfolio Inc.

Date: January 30, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the

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following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ R. Jay Gerken
(R. Jay Gerken)
Chief Executive Officer of
Managed Municipals Portfolio Inc.

Date: January 30, 2004

By: /s/ Richard L. Peteka
Richard L. Peteka
Chief Financial Officer of
Managed Municipals Portfolio Inc.

Date: January 30, 2004