

MANAGED MUNICIPALS PORTFOLIO INC
Form N-CSR
August 09, 2004

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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 31
Date of reporting period: May 31, 2004

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ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

Managed Municipals
Portfolio Inc.

[GRAPHIC]

ANNUAL REPORT

May 31, 2004

[GRAPHIC]

[GRAPHIC]

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Managed Municipals
Portfolio Inc.

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[GRAPHIC]

[GRAPHIC]

Managed Municipals
Portfolio Inc.

LETTER FROM THE CHAIRMAN

[PHOTO]

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

We are pleased to inform you that the Managed Municipals Portfolio Inc. placed fourth among 64 funds in its Lipper general municipal debt (leveraged) closed-end funds category over the 12 months ended May 31, 2004./1/

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During the past year, a pronounced pick-up/i/ in the pace of economic growth from its sluggish state in early 2003 triggered a sea change in the bond markets. The acceleration in the national economy also trickled down to a state level to an extent. Even the U.S. labor market, which generated lackluster results throughout much of the period, grew significantly during the past several months by some measures./ii/

Although interest rates were on the decline earlier in the period, the shift in interest rate perceptions triggered volatility in the bond markets and bond yields spiraled upward, particularly toward the end of the period. However, given that the fund's manager had anticipated that the U.S. economy could begin to pick up, the manager maintained a more defensive posture in managing the fund's exposure to interest rate sensitivity versus prior periods when rates were declining. Although this approach detracted from the fund's performance during times when bond prices rose, it diminished some of the

/1/Past performance is no guarantee of future results. A high Lipper ranking does not necessarily imply that a fund achieved positive results for the period. Rankings in the Lipper general municipal debt (leveraged) closed-end funds category are based on average annual total returns assuming the reinvestment of dividends and capital gains as of May 31, 2004. Each fund is ranked within a universe of funds similar in portfolio characteristics and capitalizations, as defined by Lipper, Inc. Rankings are based on performance that does not include sales charges. Performance results would have been less favorable had sales charges been included. The fund was ranked 4 out of 64, 42 out of 50, and 42 out of 46 for the 1-, 5-, and 10-year periods, respectively.

[GRAPHIC]

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downward pricing pressures on the portfolio when prices retreated and yields rose, such as in April.

Please read on for a more detailed look at prevailing economic and market conditions during the fund's fiscal year and to learn how the conditions and changes made to the portfolio during that time may have affected fund performance.

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.

In November 2003, Citigroup Asset Management disclosed an investigation by the Securities and Exchange Commission ("SEC") and the U.S. Attorney relating to Citigroup Asset Management's entry into the transfer agency business during 1997-1999. On July 20, 2004, Citigroup disclosed that it had been notified by the Staff of the SEC that the Staff is considering recommending a civil injunctive action and/or an administrative proceeding against certain advisory

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and transfer agent entities affiliated with Citigroup relating to the creation and operation of its internal transfer agent unit to serve primarily the Smith Barney family of mutual funds. This internal transfer agent did not provide services to the Fund. Citigroup is cooperating with the SEC and will seek to resolve this matter in discussion with the SEC Staff. Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the fund.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you continue to meet your financial goals.

Sincerely,
/s/ R. Jay Gerken

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

July 20, 2004

[GRAPHIC]

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MANAGER OVERVIEW

Performance Review

During the 12 months ended May 31, 2004, the fund returned 5.86% based on its New York Stock Exchange ("NYSE") market price and 5.63% based on its net asset value ("NAV")/iii/ per share. In comparison, the Lehman Brothers Municipal Bond Index/iv/ returned -0.03% over the same period. Based on NAV performance, the fund's Lipper general municipal debt (leveraged) closed-end funds category average was 0.64%

[PHOTO]

Joseph P. Deane
JOSEPH P. DEANE
Vice President and Investment Officer

[PHOTO]

David T. Fare
DAVID T. FARE
Vice President and Investment Officer

and the fund ranked fourth among the 64 funds in its Lipper category over this same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the 12-month period, the fund distributed dividends to shareholders totaling \$0.70 per share. The performance table shows the fund's 30-day SEC and annualized distribution yields as well as its 12-month total return based on its NAV and market price as of May 31, 2004.

Past performance is no guarantee of future results. The fund's yields will vary. Certain investors may be subject to the federal Alternative Minimum Tax,

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and state

FUND PERFORMANCE AS OF MAY 31, 2004

| Price Per Share | 30-Day SEC Yield | Annualized Distribution Yield | 12-Month Total Return |
|-----------------|------------------|-------------------------------|-----------------------|
| \$11.73 (NAV) | 6.16% | 5.93% | 5.63% |
| \$10.93 (NYSE) | 6.62% | 6.37% | 5.86% |

All figures represent past performance and are not a guarantee of future results. The fund's yields will vary.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions, if any, 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 "SEC yield" is a return figure often quoted by bond and other fixed income mutual funds. This quotation is based on the most recent 30-day (or one month) period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after deduction of the fund's expenses for the period. The annualized distribution yield assumes a current monthly income dividend rate of \$0.058 for 12 months. These yields are as of May 31, 2004, and are subject to change.

[GRAPHIC]

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and local taxes may apply. Capital gains, if any, are fully taxable. Please consult your personal tax adviser.

Market Snapshot

The interest rate environment experienced an about-face over the past year. The municipal bond markets got off to a relatively strong start last spring as the economy was still in a relatively sluggish state and interest rates were still declining. To help boost economic activity, in June 2003 the Fed reduced its target for the federal funds rate, which dropped to four-decade lows. However, bond prices retreated through the early summer following comments from the Fed about its monetary policy and data suggesting a pick-up in economic activity. Although this led to concerns about rising interest rates, as bond prices move opposite to anticipated interest rate movements, inflation remained benign. When the summer came to a close, the broader bond markets stabilized and bonds traded in a fairly narrower range in the fall versus the summer.

In terms of the national economy, annual growth of real gross domestic product/v/ rose over the period versus levels in early 2003. In 2004, comments from the Fed about the improvement in the economy, coupled with stronger reports on job growth late in the period and a pick-up in inflation, generated more pronounced concerns about interest rates. As a result, bond prices pulled back significantly, particularly toward the end of the first and during the second calendar quarters. Although municipal bond prices fluctuated in May,

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they held up better than during March and April./vi/

Factors Influencing Fund Performance

Given that we anticipated that the economy would improve, and eventually lead to rising bond yields and pressure on bond prices, we took a more cautious stance in terms of the fund's exposure to interest rate risk than we had in past years when the Fed was in the middle of its rate-cutting cycle. We shortened overall duration, which can help cushion the portfolio from the bond price declines that typically accompany rising interest rates. The fund maintained an emphasis on longer-term, premium-priced higher-coupon callable bonds and continued to hold a short position in U.S. Treasury futures to help hedge the portfolio against some of the effects of a potential rise in interest rates. Although our conservative approach at times limited the fund's full participation in market rallies, it helped reduce the negative impact on the fund during times when bond prices declined, such as during April.

[GRAPHIC]

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The fund's assets were concentrated in revenue bonds, which are backed by revenue streams of specific public works. In general, given their yields during the period, we favored revenue bonds to many comparable-maturity state-backed general obligation bonds on a risk/reward basis. Rather than target specific industries, however, we invested in bonds that we felt offered better overall relative values after taking into account their yields in accordance with their credit risk.

In the current environment, given the likelihood that interest rates will rise, we continue to believe that the best offense is a good defense. Therefore, we will continue to maintain a defensive posture with regard to interest rate and credit risk.

Looking for Additional Information?

The fund is traded under the symbol "MMU" and its closing market price is available in most newspapers under the NYSE 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 press release that can be found on most major financial web sites as well as www.citigroupassetmanagement.com.

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.

Thank you for your investment in the Managed Municipals Portfolio Inc. We appreciate that you have entrusted us to manage your money and value our relationship with you.

Sincerely,

/s/ Joseph P. Deane /s/ David T. Fare
Joseph P. Deane David T. Fare
Vice President and Vice President and

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Investment Officer Investment Officer

June 30, 2004

[GRAPHIC]

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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 May 31, 2004 and are subject to change. Please refer to pages 8 through 24 for a list and percentage breakdown of the fund's holdings.

RISKS: Fixed-income investments are subject to interest rate risk. As interest rates rise, the price of fixed-income investments decline. Please note that derivatives, such as options and futures, can be illiquid and harder to value, especially in declining markets. A small investment in certain derivatives may have a potentially large impact on the fund's performance. Derivatives can disproportionately increase losses as stated in the prospectus.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

/i/Source: Based upon gross domestic product data from the Bureau of Economic Analysis. Gross domestic product is a market value of goods and services produced by labor and property in a given country.

/ii/Based upon non-farm payroll growth data from the U.S. Department of Labor.

/iii/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.

/iv/The Lehman Brothers Municipal Bond Index is a broad measure of the municipal bond market with maturities of at least one year.

/v/Source: Based upon gross domestic product data from the Bureau of Economic Analysis. Gross domestic product is a market value of goods and services produced by labor and property in a given country.

/vi/Based upon data derived via Bloomberg L.P.

[GRAPHIC]

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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.

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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 of the Fund that 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 98% of 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 98% of 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 44.

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

[GRAPHIC]

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SCHEDULE OF INVESTMENTS May 31, 2004

| Face Amount | Rating(a) | Security | Value |
|-----------------------------------|-----------|--|---------------|
| ----- | | | |
| MUNICIPAL BONDS & NOTES -- 100.0% | | | |
| Alabama -- 3.7% | | | |
| \$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) | \$ 27,056,589 |
| ----- | | | |
| Alaska -- 0.1% | | | |
| 600,000 | A-1+ | Valdez, AK Marine Terminal Revenue Refunding (BP Pipelines Inc. Project), 1.100% due 7/1/37 (c) | 600,000 |

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| ----- | | | |
|-----------------|------|--|------------|
| Arizona -- 1.8% | | | |
| | | Arizona State University COP, MBIA-Insured: | |
| 1,500,000 | AAA | 5.100% due 7/1/24 | 1,522,755 |
| 1,000,000 | AAA | 5.125% due 7/1/26 | 1,008,840 |
| 4,000,000 | AAA | Mesa, AZ IDA, Discovery Health Systems, Series A, MBIA-Insured, 5.625% due 1/1/29 | 4,111,440 |
| 3,000,000 | AAA | Phoenix, AZ Civic Improvement Corp. Airport Revenue, Sr. Lien, Series B, FGIC-Insured, 5.250% due 7/1/22 (d) | 3,049,230 |
| 1,000,000 | AA+ | Phoenix, AZ GO, Series B, 5.000% due 7/1/27 | 994,540 |
| 2,100,000 | A-1+ | Tempe, AZ Excise Tax Revenue (Tempe Center for the Arts Project), 1.080% due 7/1/20 (c) | 2,100,000 |
| | | | ----- |
| | | | 12,786,805 |

| | | | |
|--------------------|------|---|-----------|
| ----- | | | |
| California -- 9.0% | | | |
| 7,040,000 | Bal* | California Educational Facilities Authority Revenue (Pooled College & University Project), Series A (Call 7/1/08 @ 101), 5.625% due 7/1/23 (e) | 6,009,133 |
| 6,000,000 | A3* | California Health Facilities Authority Revenue, Cedars-Sinai Medical Center, Series A, 6.250% due 12/1/34 | 6,390,300 |
| 1,000,000 | AA- | California Health Facilities Financing Authority Revenue, Sutter Health, Series A, 6.250% due 8/15/35 | 1,097,860 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|--------------------------------|-----------|--|--------------|
| ----- | | | |
| California -- 9.0% (continued) | | | |
| \$ 5,000,000 | AAA | California Infrastructure and Economic Development Bank Revenue, Bay Area Toll Bridges, First Lien, Series A, FGIC-Insured, 5.000% due 7/1/25 | \$ 5,003,400 |
| 5,000,000 | AAA | California State Department of Veterans Affairs, Home Purchase Revenue, Series A, AMBAC-Insured, | |

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| | | | |
|------------|---------|--|------------|
| | | 5.350% due 12/1/27 | 5,054,750 |
| 520,000 | A-1+ | California State Department of Water Resources Supply Revenue, Series B-3, 1.100% due 5/1/22 (c) | 520,000 |
| 7,375,000 | AAA | Garden Grove, CA Agency for Community Development, Tax Allocation, AMBAC-Insured, 5.000% due 10/1/29 | 7,239,374 |
| 10,000,000 | BBB | Golden State Tobacco Securitization Corp., CA Tobacco Settlement Revenue, Series 2003-A-1, 6.750% due 6/1/39 (b) | 8,908,500 |
| 7,000,000 | AAA | Los Angeles County, CA COP, Antelope Valley Courthouse, Series A, AMBAC-Insured, 5.250% due 11/1/33 | 7,056,490 |
| 600,000 | VMIG 1* | Orange County, CA Improvement Bond Act of 1915 Special Assessment, Series A, 1.070% due 9/2/33 (c) | 600,000 |
| 3,340,000 | AAA | Rancho Cucamonga, CA Redevelopment Agency Tax Allocation (Rancho Redevelopment Project), MBIA-Insured, 5.125% due 9/1/30 | 3,337,328 |
| 2,750,000 | AAA | Sacramento County, CA COP (Public Facilities Project), MBIA-Insured, 5.375% due 2/1/19 | 2,902,487 |
| 5,000,000 | AAA | San Diego, CA Unified School District, Series E, FSA-Insured, 5.000% due 7/1/28 | 4,951,450 |
| 3,000,000 | AAA | San Mateo County Community College District, COP, MBIA-Insured, 5.000% due 10/1/25 | 3,014,220 |
| 2,500,000 | AAA | Santa Clara, CA Redevelopment Agency, Tax Allocation (Bayshore North Project), MBIA-Insured, 5.000% due 6/1/23 | 2,514,400 |
| ----- | | | 64,599,692 |
| ----- | | | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------|-----------|----------|-------|
| ----- | | | |
| Colorado | -- | 7.8% | |

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| | | | |
|---------------------|------|---|--------------|
| \$ 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) | \$ 4,386,840 |
| 1,000,000 | A | Aspen, CO Sales Tax Revenue, 5.400% due 11/1/19 | 1,044,710 |
| 4,000,000 | AAA | Colorado Educational & Cultural Facilities Revenue Refunding (University of Denver Project), AMBAC-Insured, 5.375% due 3/1/23 | 4,149,520 |
| 4,000,000 | A | Colorado Health Facilities Authority Revenue, Series B, Remarketed 7/8/98, 5.350% due 8/1/15 (g) | 4,205,120 |
| 10,945,000 | A | Denver, CO City & County Airport Revenue, Series C: 6.125% due 11/15/25 (b) (d) (g) | 12,268,797 |
| 13,630,000 | A | 6.125% due 11/15/25 (b) (d) | 13,888,425 |
| 2,000,000 | AAA | Denver, CO City & County COP, Series B, AMBAC-Insured (Call 12/1/10 @ 101), 5.500% due 12/1/25 (e) | 2,245,300 |
| 1,700,000 | AAA | El Paso County, CO COP (Detention Facility Project), Series B, AMBAC-Insured: 5.000% due 12/1/23 | 1,721,114 |
| 1,500,000 | AAA | 5.000% due 12/1/27 | 1,495,890 |
| 2,300,000 | Aaa* | Garfield County, CO School District No. 2, GO, FSA-Insured: 5.000% due 12/1/23 | 2,328,566 |
| 1,000,000 | Aaa* | 5.000% due 12/1/25 | 1,003,430 |
| 7,320,000 | AAA | University of Colorado COP, Master Lease Purchase Agreement, Series A, AMBAC-Insured, 5.000% due 6/1/28 (b) | 7,289,549 |
| | | | ----- |
| | | | 56,027,261 |
| ----- | | | |
| Connecticut -- 1.0% | | | |
| 4,490,000 | AA | Connecticut State, GO, Series B: 5.500% due 6/15/21 | 4,817,994 |
| 1,600,000 | AA | 5.000% due 6/15/22 | 1,620,032 |
| 1,000,000 | AAA | Connecticut State Health & Education Revenue (Child Care Facilities Project), Series C, AMBAC-Insured, 5.625% due 7/1/29 | 1,039,850 |
| | | | ----- |
| | | | 7,477,876 |
| ----- | | | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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| Face Amount | Rating(a) | Security | Value |
|------------------|-----------|---|---------------|
| ----- | | | |
| Delaware -- 1.4% | | | |
| \$10,000,000 | AAA | Delaware State EDA PCR (Delmarva Project), Series B, AMBAC-Insured, 5.200% due 2/1/19 (b) | \$ 10,422,400 |
| ----- | | | |
| Florida -- 3.8% | | | |
| 5,000,000 | AAA | Florida State Board & Educational Capital Outlay GO, FSA-Insured, 5.000% due 6/1/24 | 5,032,750 |
| 3,000,000 | AA+ | Florida State Board of Education GO, Series A, 5.125% due 6/1/21 | 3,120,570 |
| 1,465,000 | AAA | Florida State Department of Transportation, GO (Right of Way Project), FGIC-Insured, 5.000% due 7/1/25 | 1,469,190 |
| 600,000 | A-1 | Manatee County, FL Pollution Control Revenue Refunding (Florida Power & Light Co. Project), 1.100% due 9/1/24 (c) | 600,000 |
| 6,500,000 | BBB- | Martin County, FL IDA (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (d) | 6,674,265 |
| 1,290,000 | AAA | Miami Beach, FL Stormwater Revenue, FGIC-Insured, 5.375% due 9/1/30 | 1,322,934 |
| | | Orange County, FL School Board COP, MBIA-Insured: | |
| 2,000,000 | Aaa* | Series A, 5.250% due 8/1/23 | 2,064,600 |
| 3,335,000 | VMIG 1* | Series B, 1.080% due 8/1/27 (c) | 3,335,000 |
| 1,400,000 | VMIG 1* | Sarasota County Public Hospital Board Revenue, Sarasota Memorial Hospital, Series A, AMBAC-Insured, 1.100% due 7/1/37 (c) | 1,400,000 |
| 2,500,000 | Aaa* | South Brevard, FL Recreational Facilities Improvement, Special District, AMBAC-Insured, 5.000% due 7/1/20 | 2,553,725 |
| | | | 27,573,034 |
| ----- | | | |
| Georgia -- 2.0% | | | |
| 200,000 | A-1+ | Atlanta, GA Water & Wastewater Revenue, Series C, FSA-Insured, 1.080% due 11/1/41 (c) | 200,000 |
| 6,000,000 | AAA | Augusta, GA Water & Sewer Revenue, FSA-Insured, 5.250% due 10/1/26 | 6,098,040 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|-----------------------------|-----------|--|--------------|
| ----- | | | |
| Georgia -- 2.0% (continued) | | | |
| \$ 1,000,000 | A-1+ | Monroe County Development Authority PCR Refunding, Oglethorpe Power Corp., Series B, AMBAC-Insured, 1.080% due 1/1/20 (c) | \$ 1,000,000 |
| 2,180,000 | Baal* | Private Colleges & Universities Authority Revenue (Mercer University Project): 5.750% due 10/1/21 | 2,259,395 |
| 2,000,000 | Baal* | Series A: 5.250% due 10/1/25 | 1,880,160 |
| 1,000,000 | Baal* | 5.375% due 10/1/29 | 945,120 |
| 2,000,000 | BBB- | Savannah, GA EDA Revenue (College of Arts & Design Inc. Project), (Call 10/1/09 @ 102), 6.900% due 10/1/29 (e) | 2,354,600 |
| | | | ----- |
| | | | 14,737,315 |
| ----- | | | |
| 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 (g) | 4,294,920 |
| ----- | | | |
| Idaho -- 0.1% | | | |
| 500,000 | VMIG 1* | Idaho Health Facilities Authority Revenue (St. Luke's Regional Medical Center Project), 1.090% due 5/1/22 (c) | 500,000 |
| ----- | | | |
| Illinois -- 3.9% | | | |
| 4,095,000 | AAA | Chicago, IL GO, Series D, FGIC-Insured, 5.500% due 1/1/35 | 4,169,365 |
| 7,400,000 | AAA | Chicago, IL Skyway Toll Bridge Revenue, AMBAC-Insured, 5.500% due 1/1/31 (b) | 7,532,608 |
| 2,105,000 | VMIG 1* | Illinois Finance Authority Revenue (Francis W. Parker School Project), 1.060% due 4/1/29 (c) | 2,105,000 |
| | | Illinois Health Facilities Authority Revenue, OSF Healthcare System: | |
| 400,000 | A-1+ | 1.100% due 11/15/27 (c) | 400,000 |
| 8,000,000 | A | 6.250% due 11/15/29 (b) | 8,357,680 |
| 5,000,000 | AAA | Illinois State GO, First Series, MBIA-Insured (Call 6/1/10 @ 100), 5.625% due 6/1/25 (e) | 5,610,250 |
| | | | ----- |
| | | | 28,174,903 |
| ----- | | | |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating (a) | Security | Value |
|-----------------------|------------|--|--------------|
| ----- | | | |
| Indiana -- 0.4% | | | |
| \$ 3,000,000 | BBB+ | Indiana State Development Financing Authority Revenue (USX Corp. Project), 5.250% due 12/1/22 | \$ 3,211,710 |
| ----- | | | |
| Kansas -- 0.5% | | | |
| 2,060,000 | A-1 | Kansas Development Finance Authority Revenue, Village Shalom Obligation Group, Series BB, 1.090% due 11/15/28 (c) | 2,060,000 |
| 1,250,000 | AAA | Scott County, KS GO, Unified School District No. 446, FGIC-Insured, 5.000% due 9/1/22 | 1,269,313 |
| ----- | | | |
| | | | 3,329,313 |
| ----- | | | |
| Maine -- 0.3% | | | |
| 2,085,000 | AA+ | Maine State Housing Authority Mortgage Revenue, Series C, 5.300% due 11/15/23 | 2,096,405 |
| ----- | | | |
| Maryland -- 1.2% | | | |
| | | Baltimore, MD Wastewater Project Revenue, Series A, FGIC-Insured: | |
| 2,500,000 | AAA | 5.125% due 7/1/32 | 2,522,100 |
| 3,385,000 | AAA | 5.200% due 7/1/32 | 3,442,883 |
| 3,075,000 | AA- | Maryland State Health & Higher Educational Facilities Authority Revenue, John Hopkins Hospital Issue, 5.000% due 11/15/26 | 3,074,908 |
| ----- | | | |
| | | | 9,039,891 |
| ----- | | | |
| Massachusetts -- 4.9% | | | |
| 2,000,000 | Baa3* | Boston, MA Industrial Development Financing Authority, Sr. Revenue Bonds (Cross-Town Center Project), Series 2002, 6.500% due 9/1/35 (d) | 1,932,440 |
| | | Massachusetts Bay Transportation Authority, Sales Tax Revenue, Series A: | |
| 2,430,000 | AAA | Call 7/1/10 @ 100, 5.500% due 7/1/30 (e) | 2,713,654 |
| 570,000 | AAA | Unrefunded Balance, 5.500% due 7/1/30 | 586,860 |

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| | | | |
|-----------|------|--|-----------|
| 1,125,000 | Aaa* | Massachusetts Development Finance Agency, Merrimack College Issue, MBIA-Insured, 5.200% due 7/1/32 | 1,135,294 |
|-----------|------|--|-----------|

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

13

SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|-----------------------------------|-----------|--|--------------|
| ----- | | | |
| Massachusetts -- 4.9% (continued) | | | |
| \$ 1,850,000 | AAA | Massachusetts Health & Educational Facilities Authority, University of Massachusetts Issue, Series C, FGIC-Insured, 5.125% due 10/1/27 | \$ 1,861,710 |
| 17,000,000 | AA- | Massachusetts State GO, Consolidated Loan of 2002, Series C (Call 11/1/12 @ 100), 5.250% due 11/1/30 (b) | 18,555,160 |
| 5,000,000 | AAA | Massachusetts State Special Obligation Revenue, Series A, FGIC-Insured, 5.000% due 6/1/21 | 5,122,450 |
| 1,200,000 | A-1+ | Massachusetts State Water Resources Authority Revenue Refunding, Sub-Series B, FGIC-Insured, 1.060% due 8/1/37 (c) | 1,200,000 |
| 2,000,000 | A | University of Massachusetts Building Authority Project Revenue Refunding, Series 2004-1, AMBAC-Insured, 5.250% due 11/1/25 | 2,040,100 |
| | | | ----- |
| | | | 35,147,668 |
| ----- | | | |
| Michigan -- 2.5% | | | |
| 5,000,000 | AA+ | East Lansing, MI School District GO, Q-SBLF-Insured, 5.625% due 5/1/30 | 5,222,950 |
| 2,345,000 | AAA | Michigan State COP, AMBAC-Insured: 5.500% due 6/1/19 (f) | 2,494,846 |
| 6,000,000 | AAA | 5.500% due 6/1/27 | 6,191,340 |
| 2,500,000 | AA- | Michigan State Hospital Finance Authority Revenue Refunding, Trinity Health Credit, Series C, 5.375% due 12/1/23 | 2,536,575 |
| 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) (h) | 600,000 |
| 1,000,000 | A-1+ | University of Michigan, MI University | |

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| | | | |
|-------------------|-----|---|------------|
| | | Revenue, Medical Services Plan, Series A-1, 1.080% due 12/1/21 (c) | 1,000,000 |
| | | | ----- |
| | | | 18,045,711 |
| ----- | | | |
| Minnesota -- 2.2% | | | |
| 1,500,000 | AAA | Dakota County, MN Community Development Agency, MFH Revenue, FNMA-Collateralized, 5.625% due 2/1/26 | 1,534,965 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

14

SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|-------------------------------|-----------|---|--------------|
| ----- | | | |
| Minnesota -- 2.2% (continued) | | | |
| \$ 7,000,000 | A3* | Minneapolis, MN Healthcare System Revenue, Allina Health System, Series A, 6.000% due 11/15/23 (b) | \$ 7,301,000 |
| | | Minneapolis & St. Paul, MN Community Airport Revenue, FGIC-Insured: | |
| 2,000,000 | AAA | Series A, 5.125% due 1/1/25 | 2,019,360 |
| 4,000,000 | AAA | Sub-Series C, 5.250% due 1/1/26 | 4,062,040 |
| 800,000 | AA+ | Minnesota State Housing Financing Agency, Single-Family Mortgage, Series I, 5.500% due 1/1/17 | 815,192 |
| | | | ----- |
| | | | 15,732,557 |
| ----- | | | |
| Missouri -- 3.8% | | | |
| 1,500,000 | AAA | Greene County, MO Reorganized School District No. R-8 GO, FSA-Insured, 5.100% due 3/1/22 | 1,539,450 |
| 21,000,000 | Aaa* | Missouri State Environmental Improvement & Energy Resource Authority (Water Pollution Revolving Funds Program), Series B, 5.000% due 1/1/24 (b) | 21,231,210 |
| 2,745,000 | A-1 | Missouri State Health & Educational Facilities Authority Revenue Refunding, Cox Health Systems, 1.100% due 6/1/22 (c) | 2,745,000 |
| 2,000,000 | AAA | St. Louis, MO Airport Revenue, Airport Development Program, Series A, MBIA-Insured, 5.125% due 7/1/22 | 2,032,540 |
| | | | ----- |

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27,548,200

| | | | |
|--------------------|------|--|-----------|
| ----- | | | |
| 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) | 7,098,840 |
| ----- | | | |
| New Jersey -- 6.9% | | | |
| 5,200,000 | A+ | Hudson County, NJ Improvement Authority, 6.624% due 8/1/25 | 5,245,552 |
| 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 | 968,700 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|--------------------------------|-----------|---|--------------|
| ----- | | | |
| New Jersey -- 6.9% (continued) | | | |
| | | New Jersey EDA: | |
| \$ 3,125,000 | BBB | PCR Refunding (PSEG Power LLC Project), 5.000% due 3/1/12 | \$ 3,118,813 |
| 1,000,000 | AA- | Revenue (School Facilities-Construction), Series F, 5.000% due 6/15/28 | 982,140 |
| | | New Jersey Health Care Facilities Financing Authority Revenue: | |
| 3,875,000 | AAA | Engelwood Hospital, FHA/MBIA-Insured, 5.000% due 8/1/23 | 3,921,345 |
| 8,000,000 | A+ | Robert Wood Johnson University Hospital, 5.700% due 7/1/20 (b) | 8,349,600 |
| 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) | 2,688,650 |
| 1,350,000 | A | South Jersey Port Corp., NJ Revenue Refunding, 5.000% due 1/1/26 | 1,304,978 |
| | | Tobacco Settlement Financing Corp., NJ Asset-Backed Bonds: | |
| 9,705,000 | BBB | 5.750% due 6/1/32 (b) | 8,224,405 |
| 15,000,000 | BBB | 6.000% due 6/1/37 (b) | 11,991,600 |
| 3,390,000 | BBB | 6.125% due 6/1/42 | 2,684,982 |
| | | | ----- |
| | | | 49,480,765 |

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| | | | |
|--------------------|------|--|-----------|
| ----- | | | |
| New Mexico -- 0.2% | | | |
| 1,330,000 | AAA | New Mexico Mortgage Financing Authority, Single-Family Mortgages Revenue, Series D-3, 5.625% due 9/1/28 (f) | 1,347,809 |
| ----- | | | |
| New York -- 3.9% | | | |
| 900,000 | A-1+ | Nassau County Industrial Development Agency Revenue Refunding, Cold Spring Harbor Laboratory, 1.090% due 1/1/34 (c) | 900,000 |
| 2,000,000 | AAA | Nassau Health Care Corp., NY Health Systems Revenue, FSA-Insured: 5.500% due 8/1/19 | 2,124,920 |
| 3,000,000 | AAA | 5.750% due 8/1/29 | 3,141,150 |
| New York, NY GO: | | | |
| 4,700,000 | A-1+ | Sub-Series C-4, 1.050% due 8/1/20 (c) | 4,700,000 |
| 200,000 | A-1+ | Sub-Series H-3, FSA-Insured, 1.070% due 8/1/21 (c) | 200,000 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|--|-----------|---|--------------|
| ----- | | | |
| New York -- 3.9% (continued) | | | |
| \$ 6,000,000 | AA | New York City, NY Municipal Water Financing Authority, Water & Sewer System Revenue, Series D, 5.250% due 6/15/25 | \$ 6,102,120 |
| 100,000 | A-1+ | New York City Transitional Finance Authority Revenue Refunding, NYC Recovery, Series 3, Sub-Series 3-B, 1.100% due 11/1/22 (c) | 100,000 |
| New York State Dormitory Authority Revenue: | | | |
| 5,000,000 | AAA | Series B, FSA-Insured (Call 5/15/10 @ 101), 5.500% due 5/15/30 (e) | 5,628,000 |
| 1,000,000 | AAA | Willow Towers Inc. Project, GNMA- Collateralized, 5.250% due 2/1/22 | 1,022,860 |
| 3,000,000 | AAA | New York State Thruway Authority Highway & Bridge Revenue, Series B-1, FGIC-Insured, 5.400% due 4/1/17 | 3,193,350 |
| 1,400,000 | A-1+ | Port Authority of New York & New Jersey, Versatile Structure | |

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| | | | |
|------------------------|------|---|------------|
| | | Obligation Revenue Refunding, 1.100% due 6/1/20 (c) | 1,400,000 |
| | | | ----- |
| | | | 28,512,400 |
| ----- | | | |
| North Carolina -- 1.3% | | | |
| | | Charlotte, NC COP (Governmental Facilities Projects), Series G: | |
| 1,750,000 | AA+ | 5.000% due 6/1/28 | 1,721,178 |
| 3,500,000 | AA+ | 5.000% due 6/1/33 | 3,421,390 |
| 1,615,000 | AAA | Harnett County, NC GO, Refunded Custody Receipts, AMBAC-Insured, 5.250% due 6/1/24 | 1,655,391 |
| | | North Carolina Capital Facilities Finance Agency, Educational Facilities Revenue Foundation LLC Project), Series A, AMBAC-Insured: | |
| 1,000,000 | AAA | 5.000% due 6/1/23 | 1,013,740 |
| 1,250,000 | AAA | 5.000% due 6/1/33 | 1,244,300 |
| | | | ----- |
| | | | 9,055,999 |
| ----- | | | |
| Ohio -- 9.2% | | | |
| 4,500,000 | Aa2* | Bexley, OH City School District GO, 5.125% due 12/1/27 | 4,506,120 |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|--------------------------|-----------|---|--------------|
| ----- | | | |
| Ohio -- 9.2% (continued) | | | |
| \$ 2,000,000 | AAA | Canton, OH City School District GO, Series A, MBIA-Insured, 5.500% due 12/1/20 | \$ 2,132,400 |
| 1,300,000 | AA+ | Cincinnati, OH Water System Revenue, 5.125% due 12/1/21 | 1,346,709 |
| 3,000,000 | AAA | Cuyahoga County, OH Hospital Revenue Refunding, University Hospitals Health System Inc., AMBAC-Insured, 5.500% due 1/15/30 | 3,056,340 |
| 25,000,000 | Aaa* | Hamilton County, OH Sales Tax Revenue, AMBAC-Insured, 5.250% due 12/1/32 (b) | 25,301,500 |
| 7,500,000 | AA- | Lorain County, OH Hospital Revenue, | |

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| | | | |
|-----------|------|--|------------|
| | | Catholic Healthcare Partners, 5.375% due 10/1/30 (b) | 7,479,450 |
| 5,990,000 | AAA | Lucas County, OH Hospital Revenue, Promedic Healthcare Obligation Group, AMBAC-Insured, 5.375% due 11/15/29 | 6,087,158 |
| 3,025,000 | Aaa* | Muskingum County, OH GO, Refunding & County Facilities Improvement, MBIA-Insured, 5.125% due 12/1/19 | 3,130,512 |
| 1,375,000 | AAA | Ohio State Higher Educational Facility Commission Revenue (University of Dayton Project), AMBAC-Insured, 5.500% due 12/1/25 | 1,418,395 |
| 2,500,000 | AAA | Portage County, OH GO, MBIA-Insured, 5.250% due 12/1/17 | 2,649,100 |
| 1,500,000 | A3* | Steubenville, OH Hospital Revenue, 6.375% due 10/1/20 | 1,568,385 |
| 1,000,000 | AAA | Summit County, OH GO, FGIC-Insured: 5.000% due 12/1/21 | 1,021,990 |
| 500,000 | AAA | 5.000% due 12/1/22 | 507,935 |
| 1,500,000 | Aaa* | Trumbull County, OH GO, MBIA-Insured, 5.200% due 12/1/20 | 1,563,915 |
| 2,000,000 | AAA | University of Cincinnati, OH General Receipts Revenue, Series A, FGIC-Insured, 5.250% due 6/1/24 | 2,055,160 |
| 590,000 | A-1+ | University of Toledo, OH General Receipts Revenue, 1.090% due 6/1/32 (c) | 590,000 |
| 1,500,000 | AAA | Warrensville Heights, OH GO, City School District, School Improvements, FGIC-Insured, 5.625% due 12/1/20 (f) | 1,621,185 |
| | | | ----- |
| | | | 66,036,254 |
| | | | ----- |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|----------------|-----------|---|--------------|
| ----- | | | |
| Oregon -- 2.4% | | | |
| \$ 3,210,000 | AA | Clackamas County, OR Hospital Facilities Authority Revenue, Legacy Health System, 5.750% due 5/1/16 | \$ 3,437,910 |
| 4,895,000 | AA+ | Oregon State Department of Transportation, Highway User Tax | |

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| | | | |
|------------------------|------|---|------------|
| | | Revenue, Series A, 5.125% due 11/15/23 | 5,021,389 |
| 8,410,000 | AA | Oregon State Veterans Welfare GO, Series 82, 5.500% due 12/1/42 (b) | 8,530,011 |
| | | | ----- |
| | | | 16,989,310 |
| ----- | | | |
| Pennsylvania -- 4.0% | | | |
| 3,000,000 | BBB+ | Pennsylvania State Higher Educational Facilities Authority Revenue, 5.000% due 7/15/20 | 2,903,100 |
| 970,000 | A-1+ | Schuylkill County IDA Revenue Refunding, Northeastern Power Co., 1.080% due 12/1/22 (c) | 970,000 |
| | | State Public School Building Authority, School Revenue (Philadelphia School District Project), FSA-Insured: | |
| 18,745,000 | AAA | 5.250% due 6/1/26 (b) | 19,108,278 |
| 5,540,000 | AAA | 5.250% due 6/1/27 | 5,643,321 |
| | | | ----- |
| | | | 28,624,699 |
| ----- | | | |
| Puerto Rico -- 0.4% | | | |
| 3,000,000 | AAA | Puerto Rico Public Buildings Authority Revenue Refunding, Government Facilities, Series K, MBIA-Insured, 4.000% due 7/1/26 | 3,103,620 |
| ----- | | | |
| South Carolina -- 4.5% | | | |
| 10,000,000 | BBB+ | Berkeley County, SC PCR, 4.875% due 10/1/14 (b) | 10,223,400 |
| 1,000,000 | A | Dorchester County, SC School District No. 2 Installment Purchase Revenue, Growth Remedy Opportunity Tax Hike, 5.250% due 12/1/29 | 968,600 |
| 15,000,000 | AA- | Greenville County, SC School District Installment Purchase Revenue, 5.500% due 12/1/28 (b) | 15,178,800 |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating (a) | Security | Value |
|------------------------------------|------------|----------|-------|
| ----- | | | |
| South Carolina -- 4.5% (continued) | | | |
| South Carolina Transportation | | | |

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| | | | |
|-------------------|---------|---|--------------|
| \$ 2,505,000 | Aaa* | 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 | \$ 2,760,886 |
| 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 | 3,351,330 |
| ----- | | | |
| | | | 32,483,016 |
| ----- | | | |
| Tennessee -- 2.9% | | | |
| | | Blount County, TN Public Building Authority Revenue, Local Government Public Improvement, AMBAC-Insured: | |
| 600,000 | VMIG 1* | Series A-1-G, 1.100% due 6/1/17 (c) | 600,000 |
| 1,200,000 | VMIG 1* | Series A-3-A, 1.100% due 6/1/26 (c) | 1,200,000 |
| 1,150,000 | NR | Hardeman County, TN Correctional Facilities Revenue, Correctional Facilities Corp., 7.750% due 8/1/17 | 1,189,675 |
| 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 | 6,621,010 |
| | | Sevier County, TN Public Building Authority, Local Government Public Improvement Revenue: AMBAC-Insured: | |
| 1,000,000 | VMIG 1* | Series IV-E-3, 1.100% due 6/1/24 (c) | 1,000,000 |
| 3,420,000 | VMIG 1* | Series IV-F-1, 1.100% due 6/1/25 (c) | 3,420,000 |
| 3,300,000 | VMIG 1* | Series IV-H-1, 1.100% due 6/1/25 (c) | 3,300,000 |
| 200,000 | VMIG 1* | FSA-Insured, Series IV-B-12, 1.100% due 6/1/20 (c) | 200,000 |
| 3,000,000 | AA | Tennessee State, GO Series A, 5.250% due 3/1/17 | 3,176,370 |
| ----- | | | |
| | | | 20,707,055 |
| ----- | | | |
| Texas -- 5.3% | | | |
| 3,700,000 | A-1+ | Bell County, TX Health Facility Development Corp. Revenue, Scott & White Memorial Hospital & Sherwood and Brindley Foundation, 2001-1, MBIA-Insured, 1.080% due 8/15/31 (c) | 3,700,000 |

SEE NOTES TO FINANCIAL STATEMENTS.

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| Face Amount | Rating(a) | Security | Value |
|---------------------------|-----------|---|--------------|
| Texas -- 5.3% (continued) | | | |
| \$ 1,595,000 | AAA | Burleson, TX ISD, GO, PSFG, 6.750% due 8/1/24 | \$ 1,735,264 |
| | | Dallas 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) | 7,951,920 |
| 3,000,000 | CCC | Series B, 6.050% due 5/1/29 (d) (i) | 2,786,640 |
| | | Harris County, TX Health Facilities Development Corp., Hospital Revenue: | |
| 11,000,000 | A-1+ | Methodist Hospital, 1.080% due 12/1/32 (c) | 11,000,000 |
| 1,000,000 | AAA | School Health Care Systems Refunding, Series B, 5.750% due 7/1/27 (g) | 1,095,920 |
| 9,540,000 | A-1+ | St. Luke's Episcopal Hospital Refunding, Series B, 1.080% due 2/15/31 (c) | 9,540,000 |
| 100,000 | A-1+ | Texas Medical Center Project, MBIA-Insured, 1.080% due 2/15/22 (c) | 100,000 |
| 600,000 | VMIG 1* | YMCA-Greater Houston Area, 1.080% due 7/1/37 (c) | 600,000 |
| | | | 38,509,744 |
| Virginia -- 4.0% | | | |
| 3,000,000 | BBB+ | Chesapeake, VA IDA Revenue, Remarketed 11/8/02, 5.250% due 2/1/08 | 3,115,290 |
| 3,000,000 | BBB+ | Chesterfield County, VA IDA, PCR, Virginia Electric & Power Co., Remarketed 11/8/02, Series A, 5.875% due 6/1/17 | 3,239,820 |
| 2,500,000 | A-1+ | Roanoke, VA IDA, Hospital Revenue, Carilion Health System, Series B, 1.080% due 7/1/27 (c) | 2,500,000 |
| 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) | 10,034,600 |

SEE NOTES TO FINANCIAL STATEMENTS.

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May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|---|-----------|--|--------------|
| ----- | | | |
| Virginia -- 4.0% (continued) | | | |
| \$ 1,235,000 | AAA | Virginia State HDA, MFH Revenue: Series H, AMBAC-Insured, 6.300% due 11/1/15 (f) | \$ 1,275,471 |
| 600,000 | AA+ | Series K: 5.800% due 11/1/10 | 625,998 |
| 925,000 | AA+ | 5.900% due 11/1/11 | 963,859 |
| 7,000,000 | BBB+ | York County, VA IDA PCR, Virginia Electrical & Power Co., Remarketed 11/8/02, 5.050% due 7/1/09 (b) | 7,404,460 |
| | | | ----- |
| | | | 29,159,498 |
| ----- | | | |
| Washington -- 1.2% | | | |
| 22,685,000 | AAA | Chelan County, WA GO, Public Utilities, District No. 1, Columbus River Rock, Series A, MBIA-Insured, zero coupon due 6/1/22 (b) | 8,545,213 |
| | | | ----- |
| 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 | 3,907,020 |
| 5,000,000 | AAA | Series C, 5.350% due 11/1/27 | 5,086,350 |
| | | | ----- |
| | | | 8,993,370 |
| ----- | | | |
| Wisconsin -- 0.5% | | | |
| 1,290,000 | AA | Wisconsin Housing & Economic Development Authority, Home Ownership Revenue, Series A, 5.650% due 11/1/23 | 1,298,940 |
| Wisconsin State Health & Educational Facilities Authority Revenue: | | | |
| 1,100,000 | A | Kenosha Hospital & Medical Center Project, 5.700% due 5/15/20 | 1,108,228 |
| 1,250,000 | AAA | The Medical College of Wisconsin Inc. Project, MBIA-Insured, 5.400% due 12/1/16 | 1,319,862 |
| | | | ----- |
| | | | 3,727,030 |
| ----- | | | |

SEE NOTES TO FINANCIAL STATEMENTS.

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SCHEDULE OF INVESTMENTS
May 31, 2004 (continued)

| Face Amount | Rating(a) | Security | Value |
|-----------------------------|-----------|---|---------------|
| ----- | | | |
| Wyoming -- 0.1% | | | |
| | | Uinta County, WY PCR (Chevron USA Inc. Project): | |
| \$ 100,000 | P-1* | 1.080% due 4/1/10 (c) | \$ 100,000 |
| 700,000 | P-1* | 1.080% due 8/15/20 (c) | 700,000 |
| | | | ----- |
| | | | 800,000 |
| | | | ----- |
| TOTAL INVESTMENTS -- 100.0% | | | |
| (Cost -- \$717,579,623**) | | | \$721,576,872 |
| ----- | | | |

- (a) All ratings are by Standard & Poor's Ratings Service, except for those which are identified by an asterisk (*), are rated by Moody's Investors Service.
- (b) All or a portion of this security is segregated for open futures contracts.
- (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 has not applied for new ratings.
- (f) All or a portion of this security is held as collateral for open futures contracts.
- (g) Bonds are escrowed to maturity with U.S. government securities and are considered by the Manager to be triple-A rated even if the issuer has not applied for new ratings.
- (h) Security is currently in default.
- (i) Variable rate security.
- **Aggregate cost for Federal income tax purposes is \$717,345,560.

See pages 25 and 26 for definitions of ratings and certain abbreviations.

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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| | |
|-----------------------|--------|
| Hospitals | 16.3% |
| Education | 13.5 |
| General Obligation | 13.0 |
| Transportation | 12.2 |
| Water and Sewer | 6.9 |
| Pollution Control | 6.7 |
| Single-Family Housing | 5.1 |
| Tobacco | 4.4 |
| Utilities | 3.9 |
| Other | 18.0 |
| | ----- |
| | 100.0% |
| | ===== |

*As a percentage of total investments. Please note that Fund holdings are as of May 31, 2004, 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 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 issues 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.

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"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 therefore 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

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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 | --Ambac Assurance Corporation |
| AMT | --Alternative Minimum Tax |
| BAN | --Bond Anticipation Notes |
| BIG | --Bond Investors Guaranty |
| CDA | --Community Development Authority |
| CGIC | --Capital Guaranty Insurance Company |
| CHFCLI | --California Health Facility Construction Loan Insurance |
| CONNIE | |
| LEE | --College Construction Loan Insurance Association |
| COP | --Certificate of Participation |
| CSD | --Central School District |
| CTFS | --Certificates |
| DFA | --Development Finance Agency |
| EDA | --Economic Development Authority |
| EFA | --Educational Facilities 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 | --Federal Savings Association |
| GIC | --Guaranteed Investment Contract |
| GNMA | --Government National Mortgage Association |
| GO | --General Obligation |
| HDC | --Housing Development Corporation |
| HEFA | --Health & Educational Facilities Authority |
| HFA | --Housing Finance Authority |
| IBC | --Insured Bond Certificates |
| IDA | --Industrial Development Authority |
| IDB | --Industrial Development Board |
| IDR | --Industrial Development Revenue |
| IFA | --Industrial Finance Agency |
| INFLOS | --Inverse Floaters |
| ISD | --Independent School District |
| ISO | --Independent System Operator |
| LOC | --Letter of Credit |
| MBIA | --Municipal Bond Investors Assurance Corporation |
| MERLOT | --Municipal Exempt Receipts Liquidity Optional Tender |
| MFH | --Multi-Family Housing |

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MSTC --Municipal Securities Trust Certificates
 MUD --Municipal Utilities District
 MVRICS --Municipal Variable Rate Inverse Coupon Security
 PART --Partnership Structure
 PCFA --Pollution Control Finance Authority
 PCR --Pollution Control Revenue
 PFA --Public Finance Authority
 PFC --Public Finance Corporation
 PSFG --Permanent School Fund Guaranty
 Q-SBLF --Qualified School Bond Loan Fund
 Radian --Radian Asset Assurance
 RAN --Revenue Anticipation Notes
 RAW --Revenue Anticipation Warrants
 RDA --Redevelopment Agency
 RIBS --Residual Interest Bonds
 RITES --Residual Interest Tax-Exempt Securities
 SPA --Standby Bond Purchase Agreement
 SWAP --Swap Structure
 SYCC --Structured Yield Curve Certificate
 TAN --Tax Anticipation Notes
 TCRS --Transferable Custodial Receipts
 TECP --Tax Exempt Commercial Paper
 TFA --Transitional Finance Authority
 TOB --Tender Option Bond Structure
 TRAN --Tax and Revenue Anticipation Notes
 UFSD --Unified Free School District
 UHSD --Unified High School District
 USD --Unified School District
 VA --Veterans Administration
 VRDD --Variable Rate Daily Demand
 VRDO --Variable Rate Demand Obligation
 VRWE --Variable Rate Wednesday Demand
 XLCA --XL Capital Assurance

*Abbreviations may or may not appear in the Schedule of Investments.

[GRAPHIC]

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STATEMENT OF ASSETS AND LIABILITIES

May 31, 2004

| | |
|---|---------------|
| ----- | |
| ASSETS: | |
| Investments, at value (Cost -- \$717,579,623) | \$721,576,872 |
| Cash | 9,804 |
| Receivable for securities sold | 22,914,929 |
| Interest receivable | 11,443,500 |
| Receivable from broker -- variation margin | 1,484,375 |
| ----- | |

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| | |
|--|---------------|
| Total Assets | 757,429,480 |
| ----- | |
| LIABILITIES: | |
| Payable for securities purchased | 14,320,170 |
| Dividends payable to Common Stock Shareholders | 689,828 |
| Investment advisory fee payable | 325,359 |
| Administration fee payable | 126,012 |
| Dividends payable to Auction Rate Cumulative Preferred Stockholders | 41,180 |
| Accrued expenses | 170,615 |
| ----- | |
| Total Liabilities | 15,673,164 |
| ----- | |
| 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 |
| ----- | |
| Total Net Assets | \$491,756,316 |
| ----- | |
| NET ASSETS: | |
| Par value of capital shares | \$ 41,916 |
| Capital paid in excess of par value | 509,780,978 |
| Undistributed net investment income | 553,787 |
| Accumulated net realized loss from investment transactions and futures contracts | (37,056,287) |
| Net unrealized appreciation of investments and futures contracts | 18,435,922 |
| ----- | |
| Total Net Assets (Equivalent to \$11.73 per share on 41,915,511 common shares of \$0.001 par value outstanding; 500,000,000 common shares authorized) | \$491,756,316 |
| ----- | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

27

STATEMENT OF OPERATIONS

| | |
|-------------------------------------|----------------------------|
| | Year Ended May 31, 2004 |
| ----- | |
| INVESTMENT INCOME: | |
| Interest | \$37,724,306 |
| ----- | |
| EXPENSES: | |
| Investment advisory fee (Note 3) | 4,064,193 |
| Administration fee (Note 3) | 1,500,972 |
| Auction participation fees (Note 6) | 627,103 |

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| | |
|--|--------------|
| Shareholder communications | 190,356 |
| Transfer agency services | 148,651 |
| Audit and legal | 101,979 |
| Custody | 62,206 |
| Directors' fees | 55,665 |
| Auction agent fees | 40,000 |
| Stock exchange listing fees | 35,002 |
| Rating agency fees | 17,300 |
| Other | 22,621 |
| ----- | |
| Total Expenses | 6,866,048 |
| ----- | |
| Net Investment Income | 30,858,258 |
| ----- | |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS (NOTES 4 AND 5): | |
| Realized Gain (Loss) From: | |
| Investments transactions | 3,675,558 |
| Futures contracts | (4,021,150) |
| ----- | |
| Net Realized Loss | (345,592) |
| ----- | |
| Change in Net Unrealized Appreciation of Investments and Futures Contracts: | |
| Beginning of year | 21,229,478 |
| End of year | 18,435,922 |
| ----- | |
| Decrease in Net Unrealized Appreciation | (2,793,556) |
| ----- | |
| Net Loss on Investments and Futures Contracts | (3,139,148) |
| ----- | |
| Distributions Paid to Auction Rate Cumulative Preferred Stockholders From Net Investment Income | (2,305,479) |
| ----- | |
| Increase in Net Assets From Operations | \$25,413,631 |
| ----- | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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STATEMENTS OF CHANGES IN NET ASSETS

For the Years
Ended May 31,

2004 2003

OPERATIONS:

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| | | |
|---|---------------|---------------|
| Net investment income | \$ 30,858,258 | \$ 31,961,114 |
| Net realized loss | (345,592) | (6,095,076) |
| Increase (decrease) in net unrealized appreciation | (2,793,556) | 10,448,849 |
| Dividends paid to Auction Rate Cumulative Preferred Stockholders from net investment income | (2,305,479) | (3,092,691) |
| <hr/> | | |
| Increase in Net Assets From Operations | 25,413,631 | 33,222,196 |
| <hr/> | | |
| DISTRIBUTIONS PAID TO COMMON STOCK SHAREHOLDERS FROM (NOTE 2): | | |
| Net investment income | (29,138,516) | (27,708,391) |
| <hr/> | | |
| Decrease in Net Assets From Distributions Paid to Common Stock Shareholders | (29,138,516) | (27,708,391) |
| <hr/> | | |
| FUND SHARE TRANSACTIONS: | | |
| Underwriting commissions and offering expenses for the issuance of Auction Rate Cumulative Preferred Stock (Note 6) | -- | (71,209) |
| Net asset value of shares issued for reinvestment of dividends (Note 7) | 704,238 | -- |
| <hr/> | | |
| Increase (Decrease) in Net Assets From Fund Share Transactions | 704,238 | (71,209) |
| <hr/> | | |
| Increase (Decrease) in Net Assets | (3,020,647) | 5,442,596 |
| NET ASSETS: | | |
| Beginning of year | 494,776,963 | 489,334,367 |
| <hr/> | | |
| End of year* | \$491,756,316 | \$494,776,963 |
| <hr/> | | |
| * Includes undistributed net investment income of: | \$553,787 | \$1,144,516 |
| <hr/> | | |

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS

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 following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting

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principles ("GAAP"): (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 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 the 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 GAAP. At May 31, 2004, reclassifications were made to the Fund's capital accounts to reflect permanent book/tax differences and income and gains

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (continued)

available for distributions under income tax regulations; 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. 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

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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 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 (continued)

4. INVESTMENTS

During the year ended May 31, 2004, 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 | \$234,529,245 |
| Sales | 270,719,996 |

At May 31, 2004, the aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were as follows:

| | |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 28,506,222 |
| Gross unrealized depreciation | (24,274,910) |
| Net unrealized appreciation | \$ 4,231,312 |

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 contract. Additional securities are also segregated up to the current market value of the futures contract. 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 May 31, 2004, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration | Basis Value | Market Value | Unrealized Gain |
|--------------------|------------------------|------------|----------------|-----------------|--------------------|
| ----- | | | | | |
| Contracts to Sell: | | | | | |
| U.S. Treasury | | | | | |
| Bonds | 2,500 | 6/04 | \$280,844,923 | \$266,406,250 | \$14,438,673 |
| ----- | | | | | |

[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS
(continued)

6. AUCTION RATE CUMULATIVE PREFERRED STOCK

As of May 31, 2004, 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"). 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 1.25% during the year ended May 31, 2004. At May 31, 2004, the dividend rates were as follows:

| | Series M | Series T | Series W | Series Th | Series F |
|----------------|----------|----------|----------|-----------|----------|
| ----- | | | | | |
| Dividend Rates | 1.08% | 1.05% | 1.05% | 1.05% | 1.05% |
| ----- | | | | | |

The ARCPS are redeemable under certain conditions by the Fund, or subject to

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mandatory redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to the liquidation preference, which is the sum 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 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 year ended May 31, 2004, the Fund incurred auction participation fees of \$627,103 for CGM's services as a participating broker/dealer.

7. CAPITAL SHARES

Capital stock transactions were as follows:

| | Year Ended May 31, 2004 | |
|-------------------------------|----------------------------|-----------|
| | Shares | Amount |
| ----- | ----- | ----- |
| Shares issued on reinvestment | 59,395 | \$704,238 |
| ----- | ----- | ----- |

[GRAPHIC]

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NOTES TO FINANCIAL STATEMENTS (continued)

8. CAPITAL LOSS CARRYFORWARD

At May 31, 2004, the Fund had, for Federal income tax purposes, approximately \$21,156,000 of unused capital loss carryforwards available to offset future capital gains. To the extent that these carryforward losses are used to offset capital gains, it is probable that the gains so offset will not be distributed. The amount and year of expiration for each carryforward loss is indicated below. Expiration occurs on May 31 of the year indicated:

2008

2011

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 Carryforward Amounts \$10,787,000 \$10,369,000

In addition, the Fund had \$1,461,142 of capital losses realized after October 31, 2003, which were deferred for income purposes to the first day of the following fiscal year.

9. INCOME TAX INFORMATION AND DISTRIBUTIONS TO SHAREHOLDERS

At May 31, 2004, the tax basis components of distributable earnings were:

 Undistributed tax-exempt income \$ 1,096,751

 Accumulated capital losses (21,156,474)

 Unrealized appreciation 4,231,312

The difference between book basis and tax basis unrealized appreciation and depreciation is attributable primarily to mark to market of derivative contracts and the treatment of accretion of discounts and amortization of premiums.

The tax character of distributions paid during the year ended May 31, was:

| | 2004 | 2003 |
|-------------------|--------------|--------------|
| Tax-exempt income | \$31,439,501 | \$30,794,471 |
| Ordinary income | 4,494 | 6,611 |
| Total | \$31,443,995 | \$30,801,082 |

[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS
 (continued)

10. ADDITIONAL INFORMATION

Citigroup has been notified by the Staff of the Securities and Exchange

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Commission ("SEC") that the Staff is considering recommending a civil injunctive action and/or an administrative proceeding against Citigroup Asset Management ("CAM"), including its applicable investment advisory companies and Citicorp Trust Bank ("CTB"), an internal transfer agent, relating to the creation and operation of the internal transfer agent unit to serve certain CAM-managed funds. CTB did not provide services to the Fund. This notification arises out of a previously disclosed investigation by the SEC and the U.S. Attorney and relates to CTB's entry in 1999 into the transfer agency business, CAM's retention of, and agreements with an unaffiliated sub-transfer agent, the adequacy of the disclosures made to the fund boards that approved the transfer agency arrangements, (including CAM's failure to disclose a related revenue guarantee agreement benefiting CAM and its affiliates), and CAM's operation of and compensation for the transfer agency business. The revenue guarantee described above was terminated in 1999 and CAM will be paying the applicable funds, primarily through fee waivers, a total of approximately \$17 million (plus interest) that is the amount of the revenue received by Citigroup relating to the revenue guarantee. Citigroup is cooperating fully in the investigation and will seek to resolve the matter in discussions with the SEC Staff. Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the Fund.

[GRAPHIC]

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FINANCIAL HIGHLIGHTS

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

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|---------|---------|---------|---------|---------|
| Net Asset Value, Beginning of Year | \$11.82 | \$11.69 | \$11.74 | \$10.93 | \$11.97 |
| Income (Loss) From Operations: | | | | | |
| Net investment income/(1)(2)/ | 0.74 | 0.76 | 0.60 | 0.60 | 0.58 |
| Net realized and unrealized gain (loss)/(2)/ | (0.07) | 0.10 | 0.02 | 0.79 | (1.14) |
| Dividends paid to Auction Rate Cumulative Preferred Stockholders from net investment income | (0.06) | (0.07) | (0.00)* | -- | -- |
| Total Income (Loss) From Operations | 0.61 | 0.79 | 0.62 | 1.39 | (0.56) |
| Gain From Repurchase of Treasury Stock | -- | -- | -- | 0.02 | 0.12 |
| Underwriting Commissions and Offering Expenses for the Issuance of Auction Rate Cumulative Preferred Stock | -- | (0.00)* | (0.07) | -- | -- |
| Distributions Paid to Common Stock Shareholders From: | | | | | |
| Net investment income | (0.70) | (0.66) | (0.60) | (0.60) | (0.60) |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Total Distributions | (0.70) | (0.66) | (0.60) | (0.60) | (0.60) |
| Net Asset Value, End of Year | \$11.73 | \$11.82 | \$11.69 | \$11.74 | \$10.93 |
| Total Return, Based on Market Value/(3)/ | 5.86% | 10.60% | 4.79% | 20.69% | (3.88)% |
| Total Return, Based on Net Asset Value/(3)/ | 5.63% | 7.55% | 5.33% | 13.90% | (2.82)% |
| Net Assets, End of Year (millions) | \$492 | \$495 | \$489 | \$374 | \$352 |
| Ratios to Average Net Assets Based on Common Shares Outstanding/(4)/: | | | | | |
| Expenses/(1)/ | 1.37% | 1.51% | 0.52% | 0.68% | 0.89% |
| Net investment income/(2)/ | 6.17 | 6.40 | 4.84 | 5.15 | 5.19 |
| Portfolio Turnover Rate | 34% | 28% | 39% | 58% | 35% |
| Market Price, End of Year | \$10.93 | \$10.99 | \$10.57 | \$10.67 | \$9.375 |

[GRAPHIC]

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FINANCIAL HIGHLIGHTS
(continued)

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-----------|-----------|-----------|------|------|
| Auction Rate Cumulative Preferred Stock/(5)/: | | | | | |
| Total Amount Outstanding (000s) | \$250,000 | \$250,000 | \$250,000 | -- | -- |
| Asset Coverage Per Share | 74,250 | 74,478 | 74,000 | -- | -- |
| Involuntary Liquidating Preference Per Share/(6)/ | 25,000 | 25,000 | 25,000 | -- | -- |
| Average Market Value Per Share/(6)/ | 25,000 | 25,000 | 25,000 | -- | -- |

(1) The investment adviser and/or administrator waived a portion of its fees for the years ended May 31, 2002, 2001 and 2000. 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 Expense ratios

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| | net investment income | without fee waivers |
|------|-----------------------|---------------------|
| | ----- | ----- |
| 2002 | \$0.05 | 1.01% |
| 2001 | 0.04 | 1.01 |
| 2000 | 0.02 | 1.04 |

- (2) Effective June 1, 2001, the Fund adopted a change in 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 presentation. The impact of this change to net investment income and net realized and unrealized gain was less than \$0.01 per share.
- (3) 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.
- (4) Calculated on basis of average net assets of common shareholders. Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (5) 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.
- (6) Excludes accumulated undeclared dividends.
- * Amount represents less than \$0.01 per share.

[GRAPHIC]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors of Managed Municipals Portfolio Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Managed Municipals Portfolio Inc. ("Fund") as of May 31, 2004, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2004, by correspondence with the custodian or broker. As to securities purchased or sold but not yet

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received or delivered, we performed other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of May 31, 2004, and the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
July 19, 2004

[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 |
|------------------|-----------------|---------------------------|------------------------|------------------|-----------------------------------|
| Fiscal Year 2003 | | | | | |
| 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 |
| 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 |
| Fiscal Year 2004 | | | | | |
| 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 |
| 12/22/03 | 12/26/03 | 11.18 | 12.06 | 0.058 | 11.28 |

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| | | | | | |
|---------|---------|-------|-------|-------|-------|
| 1/27/04 | 1/30/04 | 11.69 | 12.11 | 0.058 | 11.67 |
| 2/24/04 | 2/27/04 | 11.67 | 12.13 | 0.058 | 11.83 |
| 3/23/04 | 3/26/04 | 11.76 | 11.99 | 0.058 | 11.75 |
| 4/27/04 | 4/30/04 | 10.63 | 11.88 | 0.058 | 10.61 |
| 5/25/04 | 5/28/04 | 10.74 | 11.70 | 0.058 | 10.92 |

+ As of record date.

[GRAPHIC]

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ADDITIONAL INFORMATION
(unaudited)

Information about Directors and Officers

The business and affairs of Managed Municipals Portfolio Inc. ("Fund") are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors and Officers of the Fund is set forth below.

| Name, Address and Age | Position(s) Held with Fund | Term of Office* and Length of Time Served | Principal Occupation(s) During Past Five Years | Number of Portfolios in Fund Complex Overseen by Director | Other Board Member Held Director |
|-----------------------|----------------------------|---|--|---|----------------------------------|
|-----------------------|----------------------------|---|--|---|----------------------------------|

Non-Interested Directors:

| | | | | | |
|--|-----------------------|---------------|---|----|---|
| Allan J. Bloostein 27 West 67th Street Apt. 5FW New York, NY 10023 Age 74 | Class I Director | Since 1992 | President, Allan J. Bloostein Associates | 34 | Taubman Center (retail shopping center) |
| Dwight B. Crane Harvard Business School Soldiers Field Morgan Hall #375 Boston, MA 02163 Age 66 | Class III Director | Since 1992 | Professor, Harvard Business School | 49 | None |
| Paolo M. Cucchi Drew University 108 Brothers College Madison, NJ 07940 Age 62 | Class I Director | Since 2001 | Vice President and Dean of College of Liberal Arts at Drew University | 7 | None |
| Robert A. Frankel | Class II | Since | Managing Partner of Robert | 24 | None |

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| | | | | | |
|---|-----------------------|---------------|---|----|--|
| 1961 Deargross Way Carlsbad, CA 92009 Age 77 | Director | 1994 | A. Frankel Management Consultants | | |
| Paul Hardin 12083 Morehead Chapel Hill, NC 27514-8426 Age 72 | Class II Director | Since 2001 | Chancellor Emeritus and Professor of Law at the University of North Carolina at Chapel Hill | 34 | None |
| William R. Hutchinson 535 N. Michigan Suite 1012 Chicago, IL 60611 Age 61 | Class III Director | Since 1995 | President, W.R. Hutchinson & Associates, Inc.; Formerly Group Vice President, Mergers & Acquisitions BP Amoco p.l.c. | 42 | Direct Associ Bank a Associ Banc-C |
| George M. Pavia 600 Madison Avenue New York, NY 10022 Age 76 | Class III Director | Since 2001 | Senior Partner, Pavia & Harcourt Attorneys | 7 | None |

[GRAPHIC]

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ADDITIONAL INFORMATION
(unaudited) (continued)

| Name, Address and Age | Position(s) Held with Fund | Term of Office* and Length of Time Served | Principal Occupation(s) During Past Five Years | Number of Portfolios in Fund Complex Overseen by Director | O B He Dir |
|---|---|---|--|---|---------------------|
| ----- | | | | | |
| Interested Director: | | | | | |
| R. Jay Gerken, CFA** Citigroup Asset Management ("CAM") 399 Park Avenue 4th Floor New York, NY 10022 Age 53 | Class I Director/ Chairman, also serves as President and Chief Executive Officer | Since 2002 | Managing Director of Citigroup Global Markets Inc. ("CGM"); Chairman, President and Chief Executive Officer of Smith Barney Fund Management LLC ("SBFM"), Travelers Investment Adviser, Inc. ("TIA") and Citi Fund Management Inc. ("CFM"); President and Chief Executive Officer of certain mutual funds associated with | 221 | N |

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Citigroup Inc. ("Citigroup");
Formerly Portfolio Manager
of Smith Barney Allocation
Series Inc. (from 1996 to
2001) and Smith Barney
Growth and Income Fund
(from 1996 to 2000)

Officers:

| | | | | | |
|--|---|-----------------------|---|------------|----------|
| <p>Andrew B. Shoup CAM 125 Broad Street 11th Floor New York, NY 10004 Age 47</p> | <p>Senior Vice President and Chief Administrative Officer</p> | <p>Since 2003</p> | <p>Director of CAM; Senior Vice President and Chief Administrative Officer of mutual funds associated with Citigroup; Treasurer of certain mutual funds associated with Citigroup; Head of International Funds Administration of CAM (from 2001 to 2003); Director of Global Funds Administration of CAM (from 2000 to 2001); Head of U.S. Citibank Funds Administration of CAM (from 1998 to 2000)</p> | <p>N/A</p> | <p>N</p> |
| <p>Robert J. Brault*** CAM 125 Broad Street 11th Floor New York, NY 10004 Age 38</p> | <p>Chief Financial Officer and Treasurer</p> | <p>Since 2004</p> | <p>Director of CGM; Chief Financial Officer and Treasurer of certain mutual funds associated with Citigroup; Director of Internal Control for CAM U.S. Mutual Fund Administration (from 2002 to 2004); Director of Project Management & Information Systems for CAM U.S. Mutual Fund Administration (from 2000 to 2002); Vice President of Mutual Fund Administration at Investors Capital Services (from 1999 to 2000)</p> | <p>N/A</p> | <p>N</p> |

[GRAPHIC]

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| Name, Address and Age | Position(s) Held with Fund | Term of Office* and Length of Time Served | Principal Occupation(s) During Past Five Years | Portfolios in Fund Complex Overseen by Director | O B He Dir |
|---|---------------------------------------|---|--|---|---------------------|
| Joseph P. Deane CAM 399 Park Avenue 4th Floor New York, NY 10022 Age 56 | Vice President and Investment Officer | Since 1993 | Managing Director of CGM; Investment Officer of SBFM | N/A | |
| David T. Fare CAM 399 Park Avenue 4th Floor New York, NY 10022 Age 41 | Vice President and Investment Officer | Since 1993 | Director of CGM; Investment Officer of SBFM | N/A | |
| Kaprel Ozsolak CAM 125 Broad Street 11th Floor New York, NY 10004 Age 38 | Controllor | Since 2002 | Vice President of CGM; Controllor of certain mutual funds associated with Citigroup | N/A | |
| Robert I. Frenkel CAM 300 First Stamford Place 4th Floor Stamford, CT 06902 Age 48 | Secretary and Chief Legal Officer | Since 2003 | Managing Director and General Counsel of Global Mutual Funds for CAM and its predecessor (since 1994); Secretary of CFM (from 2001 to 2004); Secretary and Chief Legal Officer of mutual funds associated with Citigroup | N/A | |

*Directors are elected for a term of three years.

**Mr. Gerken is a Director who is an "interested person" of the Fund as defined in the Investment Company Act of 1940, as amended, because Mr. Gerken is an officer of SBFM and certain of its affiliates.

***As of May 27, 2004.

TAX INFORMATION
(unaudited)

For the year ended May 31, 2004, 99.99% of the dividends paid by the Fund from net investment income were tax exempt for regular Federal income tax purposes.

[GRAPHIC]

DIVIDEND REINVESTMENT PLAN
(unaudited)

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose 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 98% of 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) 98% of 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]

DIVIDEND REINVESTMENT PLAN
(unaudited) (continued)

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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 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 43027, Providence, Rhode Island 02940-3027 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

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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

Robert J. Brault*
Chief Financial Officer and Treasurer

Joseph P. Deane
Vice President and Investment Officer

David T. Fare
Vice President and
Investment Officer

Kaprel Ozsolak
Controller

Robert I. Frenkel
Secretary and
Chief Legal Officer

* As of May 27, 2004.
INVESTMENT ADVISER AND ADMINISTRATOR
Smith Barney Fund Management LLC
399 Park Avenue
New York, New York 10022

TRANSFER AGENT
PFPC Inc.
P.O. Box 43027
Providence, Rhode Island 02940-3027

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

[GRAPHIC]

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[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

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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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04-6812

ITEM 2. CODE OF ETHICS.

The registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Directors of the registrant has determined that William R. Hutchinson, a member of the Board's Audit Committee, possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an "audit committee financial expert," and has designated Mr.Hutchinson as the Audit Committee's financial expert. Mr.Hutchinson is an "independent" Director pursuant to paragraph (a) (2) of Item 3 to Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

- (a) Audit Fees for the Managed Municipals Portfolio Inc. of \$34,250 and \$36,000 for the years ended 5/31/04 and 5/31/03.
- (b) Audit-Related Fees for the Managed Municipals Portfolio Inc. of \$10,000 and \$10,000 for the years ended 5/31/04 and 5/31/03.
- (c) Tax Fees for Managed Municipals Portfolio Inc. of \$2,100 and \$2,100 for the years ended 5/31/04 and 5/31/03. These amounts represent aggregate fees paid for tax compliance, tax advice and tax planning services, which include (the filing and amendment of federal, state and local income tax returns, timely RIC qualification review and tax distribution and analysis planning) rendered by the Accountant to Managed Municipals Portfolio Inc.
- (d) All Other Fees for Managed Municipals Portfolio Inc. of \$0 and \$0 for the years ended 5/31/04 and 5/31/03.
- (e) (1) Audit Committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

The Charter for the Audit Committee (the "Committee") of the Board of each registered investment company (the "Fund") advised by Smith Barney Fund Management LLC or Salomon Brothers Asset Management Inc or one of their affiliates (each, an "Adviser") requires that the Committee shall approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund's independent auditors to the Adviser and any Covered Service Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services

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are approved other than by the full Committee.

The Committee shall not approve non-audit services that the Committee believes may impair the independence of the auditors. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund ("Covered Service Providers") constitutes not more than 5% of the total amount of revenues paid to the independent auditors during the fiscal year in which the permissible non-audit services are provided

to (a) the Fund, (b) the Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

(f) N/A

(g) Non-audit fees billed by the Accountant for services rendered to Managed Municipals Portfolio Inc. and CAM and any entity controlling, controlled by, or under common control with CAM that provides ongoing services to Managed Municipals Portfolio Inc. were \$0 and \$0 for the years ended 5/31/04 and 5/31/03.

(h) Yes. The Managed Municipals Portfolio Inc.'s Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates which were not pre-approved (not requiring pre-approval) is compatible with maintaining the Accountant's independence. All services provided by the Accountant to the Managed Municipals Portfolio Inc. or to Service Affiliates which were required to be pre-approved were pre-approved as required.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

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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 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

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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 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

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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) Code of Ethics attached hereto.

Exhibit 99.CODE ETH

- (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: August 9, 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 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.

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Date: August 9, 2004

By: /s/ Andrew B. Shoup

Andrew B. Shoup
Chief Administrative Officer of
Managed Municipals Portfolio Inc.

Date: August 9, 2004