DUFF & PHELPS UTILITIES TAX FREE INCOME INC
Form N-30D
July 06, 2001

Letter to Shareholders

April 30, 2001

Dear Shareholder:

Fund Performance

Duff & Phelps Utilities Tax-Free Income Fund (DTF) provided an attractive level of tax-free income over the past six months ending April 30, 2001. On April 30th, the stock closed at $13.99. Our $0.0625 cent monthly dividend translates to a tax-free yield of 5.36%. This level of income continues to be generated by a high quality, well-diversified investment portfolio.

The DTF's total return for its one, three and five year periods is compared to its Lipper Leveraged Municipal Peer Group below:

ANNUALIZED TOTAL RETURN
(4/30/01)

	One Year	Three Year	Five Year	Since Inception1
DTF	11.48%	4.79%	6.42%	7.50%
Lipper Leveraged Peer Group	12.00	4.16	6.32	6.95

1) Inception date 11/30/91.

The Fund's call protection and diversified sector holdings contributed to this performance over these periods. The Fund's diversification by market sector is shown below:

FUND DIVERSIFICATION

Market Sectors	
Electric Utilities	20%
Pollution Control	11
Water/Sewer Revenue	25
Pre-Refunded Utilities	11
Non-Utilities	32
Cash	1

General Economic Commentary

The bond market's volatility has continued into 2001 as short-term U.S. Treasury rates have declined significantly due to five interest rate decreases by the Federal Reserve, totaling 250 basis points, as the U.S. economy has slowed. The Fed remains on close watch due to the increasing threat that the U.S. economy may be moving towards a recession. Over the past six months ending April 30, 2001, one-year U.S. Treasury rates have decreased by 225 basis points while five-year U.S. Treasury rates have declined by only 92 basis points and 30-year U.S. Treasury rates are unchanged. This significant decline in shorter-term rates when compared to intermediate and long-term rates is opposite of the market's experience last year. As a result of the significant decline in shorter-term rates due to the Fed's easing of monetary policy and an increase in long-term yields caused partly by a reduction in the Treasury's buyback of 30-year US Treasury bonds, the U.S. Treasury yield curve has steepened dramatically. We expect the U.S. Treasury curve to remain steep over the near term as the threat of a recession and a very aggressive Fed should keep shorter-term rates low.

The U.S. economy has begun to show signs of slowing after setting a post war record of over nine years of uninterrupted economic expansion. Corporate layoff announcements are increasing, consumer spending has slowed, GDP growth has declined, and a dramatic reversal in the performance of the equity markets has all contributed to reduced consumer confidence and the threat of a recession. The national unemployment rate, which ended April, 2000 at 4.0%, rose to 4.5% at the end of April, 2001 as company layoffs are starting to impact employment. Consumer spending, as measured by retail sales, has experienced several monthly declines over the past six months as consumers have become more cautious in the face of rising unemployment. Inflation, as measured by the Consumer Price Index (CPI), has declined recently after moving steadily upward since 1998 as it ended the first quarter at approximately 2.9%, down from 3.8% a year ago. Despite the recent easing of monetary policy, the economy remains fragile as labor markets have slowed and consumer spending is weaker. The willingness of consumers to borrow and spend is the necessary fuel to keep the economy healthy. We expect the Fed to remain vigilant to ensure that the economy does not dip into a prolonged recession.

The Municipal Market and Your Fund

The past six months in the tax-exempt market could be characterized by two major themes: a significant steepening of the tax-exempt yield curve and increased supply of municipal bonds. The aggressive interest rate actions by the Fed in attempt to jump start the economy resulted in a significant steepening of the municipal yield curve. Through the first four months of 2001, there was very little change in long maturity tax-exempt rates, while there was a significant decline in rates from seven years and shorter causing the yield curve to steepen. The second theme has been increased supply. Municipalities have taken advantage of historically low municipal yields to fund new projects as well as refund older, higher cost debt. Through the first four months of 2001, new issuance is up over 36% year over year with refundings, which are essentially refinacings of older debt, up over 300% compared to this same period in 2000. It is anticipated that new supply will remain high through the balance of the year, especially in light of the significant amount of issuance expected from California as a result of its power crisis. Generally, new issues are heavily weighted with longer-dated maturities compared to shorter-dated

maturities especially when rates are lower. As such, this higher amount of longer-dated bonds has contributed to the steepening of the municipal yield curve as more supply in the longer-end of the curve has kept pressure on municipal rates from declining. Overall, municipal credit spreads have widened over the past twelve months. However, credit spreads still remain narrow when taking the risks of lower rated securities into consideration making higher quality bonds still good relative value.

Within the DTF Fund, we continue to emphasize higher quality bonds. The Fund currently has an average quality rating of AA/Aa with over 90% of its issues rated AA or higher. Within the utility segment of the portfolio, the Fund is well diversified between electric utility, pollution control, and water/sewer issues. The electric utility sector continues to be an area of close focus due to the uncertainty surrounding electric deregulation and its ultimate impact on valuations. Specifically, the power crisis that is plaguing California has cast a negative shadow over the electric utility industry, causing bond prices to remain under pressure. While numerous states have adopted various forms of electric utility deregulation, the federal government has been unable to pass a national deregulation plan despite extensive debate. This debate is likely to continue indefinitely, especially in light of the problems that California is currently experiencing. As a result, the portfolio remains well diversified in an effort to minimize exposure to any one sector, with electric utility exposure currently at 20%, which historically is a low level of exposure for the DTF fund. Further, the fund has no exposure to any California electric utilities.

Outlook

As we move forward into the second half of 2001, factors that could drive the relative value of municipal bonds over the balance of the year include; the U.S. economic outlook, tax reform leading to changes in the top marginal tax rates, Federal Reserve policy, legislative developments in the electric utility industry as well as the amount of new municipal supply. Finally, should the U.S. stock market continue to experience the same level of volatility and negative returns that is has experienced over the past few months, nervous investors could continue to move money into tax-exempt issues, which could be positive for the market. In spite of these uncertainties, we believe the municipal market represents good relative value at current levels.

We continue to appreciate your interest in the Duff & Phelps Utilities Tax-Free Income Fund and look forward to being of continued service in the future.

Sincerely,

Francis E. Jeffries, CFA
Chairman of the Board

Duff & Phelps
Utilities
Tax-Free
Income Inc.

Semi-Annual Report
April 30, 2001

DUFF & PHELPS UTILITIES
TAX-FREE INCOME INC.
Portfolio of Investments
April 30, 2001 (Unaudited)

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		LONG-TERM INVESTMENTS--97.7%	
		Alabama--3.3%	
		Jefferson Cnty. Swr. Rev. Capital Impvt.,	
Aaa	$ 3,000	5.125%, 2/1/29, Ser. A, F.G.I.C.	$ 2,832,420
Aaa	4,000	5.00%, 2/1/33, Ser. A.	3,659,640
			6,492,060

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		California--15.9%	
		Foothill/Eastern Trans. Corr. Agency Toll Road Rev.,	
Aaa	5,640(b)	6.00%, 1/1/34, Ser. A, Prerefunded 1/1/07 @ $100..................	6,227,857
		Fresno Swr. Rev.,	
Aaa	3,030	6.00%, 9/1/09, A.M.B.A.C.............	3,369,512
Aaa	2,000	6.25%, 9/1/14, A.M.B.A.C.............	2,298,000
		Pomona Sngl. Fam. Mtge. Rev.,	
Aaa	2,705	7.375%, 8/1/10 Escrowed to maturity...	3,077,452
		Riverside Cnty. Sngl. Fam. Rev., Mtge. Backed	
Aaa	2,500	7.80%, 5/1/21, Ser. A, Escrowed to maturity...	3,209,550
		San Bernardino Cnty. Residential Mtge. Rev.,	
Aaa	7,840	9.60%, 9/1/15 Escrowed to maturity...	11,467,646
		Santa Monica Waste Wtr. Enterprise Rev., Hyperion Proj.,	
A1	2,000(b)	6.70%, 1/1/22, Ser. A, Prerefunded 1/1/02 @ $102..................	2,086,960
			31,736,977
		Colorado--1.9%	
		Colorado Hsg. Fin. Auth., Sngl. Fam. Prog.,	
Aa2	995	8.00%, 6/1/25...........	1,061,386
Aa2	350	8.125%, 6/1/25..........	374,105

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		Colorado Springs Utils. Rev.,	
Aa2	$ 2,300	6.50%, 11/15/15, Ser. A.....................	$ 2,380,523
			3,816,014
		Connecticut--3.4%	
		Connecticut St Airport Rev.,	
Aaa	3,000	7.65%, 10/1/12, F.G.I.C...............	3,339,480
		Mashantucket Western Pequot Tribe Connecticut Spl. Rev.	
Baa3	3,500	5.75%, 9/1/18, Ser. B....	3,380,580

			6,720,060

		Delaware--1.8%	
		Delaware St., Econ. Dev. Auth. Rev., Delmarva Pwr.,	
Aaa	3,500	6.75%, 5/1/19, Ser. B, A.M.B.A.C.	3,655,540

		Florida--3.8%	
		Dade Cnty. Wtr. & Swr. Sys. Rev.,	
Aaa	3,000	5.25%, 10/1/26, F.G.I.C.	2,954,340
		St. Petersburg Public Utility	
Aaa	5,000	Rev., Ser. A, 5.00%, 10/1/28, F.S.A.	4,709,900

			7,664,240

		Georgia--9.6%	
		Atlanta Wtr. & Waste Rev., Ser. A,	
Aaa	5,000	5.00%, 11/1/29, F.G.I.C.	4,701,050
Aaa	1,500	5.00%, 11/1/38, F.G.I.C.	1,368,675
		De Kalb Cnty. Wtr. & Sewage Rev.,	
Aa2	4,000	5.00%, 10/1/24..........	3,801,840
		Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y,	
Aaa	145(b)	6.40%, 1/1/13...........	166,429
		Prerefunded 1/1/11 @ $100	
Aaa	2,470	6.40%, 1/1/13...........	2,809,798
		Georgia Mun. Elec. Auth. Rev.,	
Aaa	5,500	6.50%, 1/1/20, Ser. X, A.M.B.A.C.	6,318,510

			19,166,302

See Notes to Financial Statements.

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		Idaho--3.3%	
		Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr.,	

Aa1	$ 3,555	6.65%, 7/1/14, Ser. B....	$ 3,713,447
Aaa	2,720	6.60%, 7/1/27, Ser. B....	2,826,515
			6,539,962
		Illinois--4.7%	
		Chicago Gas Supply Rev., (People's Gas, Lt. & Coke Co.),	
Aa3	4,600	6.875%, 3/1/15...........	4,795,592
		Chicago Gen. Oblig.	
Aaa	4,000	6.25%, 1/1/11, A.M.B.A.C.............	4,486,960
			9,282,552
		Indiana--2.8%	
		Indiana Mun. Pwr. Agcy., Pwr. Supply Sys. Rev.,	
Aaa	5,000	6.00%, 1/1/13, Ser. B, M.B.I.A...............	5,516,800
		Kentucky--0.9%	
		Louisville & Jefferson Cnty. Met. Swr. District Swr. & Drainage Sys. Rev.,	
Aaa	2,000	5.00%, 5/15/30, F.G.I.C...............	1,874,980
		Louisiana--0.7%	
		St. Charles Parish, Solid Waste Disp. Rev., (Louisiana Pwr. & Lt. Co.),	
Aaa	1,250	7.00%, 12/1/22, F.S.A....	1,326,562
		Massachusetts--5.0%	
		Boston Wtr. & Swr. Commission Rev.,	
Aaa	2,000	5.00%, 11/1/28, Ser. D, F.G.I.C...............	1,850,280
		Massachusetts St. Tpk. Auth., Metropolitan Highway Sys. Rev.,	
Aaa	2,355	5.125%, 1/1/23, Ser. B...	2,263,956
		Massachusetts St., Wtr. Res. Auth.,	
Aaa	5,330(b)	7.00%, 8/1/13, Ser. A, M.B.I.A. Prerefunded 8/1/04 @ $101 1/2..............	5,936,660
			10,050,896

Moody's	Principal Amount		Value

Rating	(000)	Description (a)	(Note 1)
		Nebraska--2.8%	
		Omaha Pub. Pwr. Dist., Elec. Rev.,	
Aa2	$ 2,500	6.15%, 2/1/12, Ser. B, Escrowed to maturity...	$ 2,801,800
Aa2	2,500	6.20%, 2/1/17, Ser. B, Escrowed to maturity...	2,788,175
			5,589,975
		New York--10.6%	
		Long Island Pwr. Auth. Elec. Sys. Rev.,	
Aaa	4,000	5.25%, 12/1/26, Ser. A, M.B.I.A...............	3,911,680
		New York City Mun. Wtr. Fin. Auth. Wtr. & Swr. Sys. Rev.,	
Aaa	5,000	5.00%, 6/15/29, Ser. B, F.S.A.................	4,718,950
		New York St. Dorm. Auth. Rev., Comsewogue Pub. Lib. Insd.,	
Aaa	2,485	6.00%, 7/1/15, M.B.I.A...............	2,633,181
		New York St. Energy Research & Dev. Auth. Facs. Rev., (Con Edison Co. of N.Y.),	
A1	4,000	7.125%, 12/1/29.........	4,388,360
		New York St. Envir. Fac. Corp. Poll. Ctrl. Rev.,	
Aaa	5,000	6.90%, 11/15/15, Ser. D.....................	5,538,400
			21,190,571
		Pennsylvania--1.6%	
		Montgomery Cnty. Ind. Dev. Auth., Poll. Ctrl. Rev., (PECO Energy Co.),	
Aaa	3,000	6.70%, 12/1/21, M.B.I.A...............	3,108,510
		Tennessee--1.7%	
		Tennessee Hsg. Dev. Agcy., Mtge. Finance,	
Aaa	3,135	6.15%, 7/1/15, Ser. B, M.B.I.A...............	3,288,176
		Texas--8.5%	
		Bexar Met. Wtr. Dist. Waterworks Sys. Rev.,	
Aaa	2,500	5.00%, 5/1/25,	

		M.B.I.A...............	2,331,375

See Notes to Financial Statements.

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		Texas (cont'd.)	
		Coastal Wtr. Auth. Contract Rev., City Of Houston Proj.,	
Aaa	$ 4,000	5.00%, 12/15/25, F.S.A..................	$ 3,685,680
		Harris Cnty. Toll Road Sub. Lien.,	
Aa2	1,650	7.00%, 8/15/10, Ser. A...	1,943,799
		Houston Wtr. & Swr. Sys. Rev., Ser. A,	
Aaa	3,500	5.00%, 12/1/28...........	3,236,100
		Lower Colorado River Auth. Texas Rev. Refunding & Improvement,	
Aaa	2,000	5.00%, 5/15/31...........	1,840,560
		San Antonio Elec. & Gas Rev.,	
Aa1	4,000	5.00%, 2/1/18, Ser. A....	3,811,600
			16,849,114
		Virginia--1.9%	
		Henrico Cnty. Wtr. & Swr. Rev.,	
Aa2	3,985	5.00%, 5/1/28............	3,749,606
		Washington--11.4%	
		Conservation & Renewable Energy Sys. Conservation Proj. Rev.,	
Aa1	2,600	6.875%, 10/1/11..........	2,874,924
		Lewis Cnty. Pub. Utils. Dist. No. 1, Cowlitz Falls Hydroelectric Proj. Rev.,	
Aaa	5,000(b)	7.00%, 10/1/22, Prerefunded 10/1/01 @ $102...................	5,178,900
		Snohomish Cnty., Pub. Utils. Dist. No. 1 Elec. Rev.,	
A1	1,500	6.90%, 1/1/06, Ser. A....	1,580,850
A1	8,000	5.80%, 1/1/24............	7,941,440

Moody's Rating	Principal Amount (000)	Description (a)	Value (Note 1)
		Washington St. Pub. Pwr. Supply, Nuclear Proj. No. 1 Rev.,	
Aaa	$ 2,500(b)	6.875%, 7/1/17, Ser. A, Prerefunded 7/1/01 @ $102	$ 2,564,275
		Nuclear Proj. No. 2 Rev.,	
Aa1	2,400	6.00%, 7/1/07, Ser. A....	2,602,632
			22,743,021
		Wyoming--2.1%	
		Wyoming St. Farm Loan Board Capital Fac. Rev.,	
AA-*	4,000	5.75%, 10/1/20...........	4,218,040
		Total long-term investments (cost $181,048,969)....	194,579,958
		SHORT-TERM INVESTMENTS--0.6%	
	Shares (000)		
		Goldman Sachs Tax Exempt Money Market Fund,	
NR	1,319	(cost $1,319,109)........	1,319,109
		Total Investments--98.3% (cost $182,368,078)....	195,899,067
		Other assets in excess of liabilities--1.7%......	3,289,310
		Net Assets--100%.........	$199,188,377

(a) The following abbreviations are used in portfolio descriptions:
A.M.B.A.C.--American Municipal Bond Assurance Corporation.
M.B.I.A.--Municipal Bond Insurance Association.
F.G.I.C.--Financial Guarantee Insurance Company.
F.S.A.--Financial Security Assurance Inc.

(b) Prerefunded issues are secured by escrowed cash and/or direct U.S. guaranteed obligations.

* Standard & Poor's rating.

NR--Not Rated by Moody's or Standard & Poor's.

See Notes to Financial Statements.

DUFF & PHELPS UTILITIES
TAX-FREE INCOME INC.

Statement of Assets and Liabilities
April 30, 2001
(Unaudited)

Assets	
Investments, at value (cost $182,368,078)	$195,899,067
Cash	83,069
Interest receivable	3,405,840
Total assets	199,387,976
Liabilities	
Advisory fee payable (Note 2)	80,192
Accrued expenses	68,001
Dividends payable	27,351
Administration fee payable (Note 2)	24,055
Total liabilities	199,599
Net Assets	$199,188,377
Remarketed preferred stock ($.01 par value; 1,300 preferred shares, issued and outstanding, liquidation preference $50,000 per share; Note 4)	$ 65,000,000
Net assets were comprised of:	
Common stock at par ($.01 par value; 600,000,000 shares authorized and 8,507,456 issued and outstanding)	85,075
Paid-in capital	120,408,778
Undistributed net investment income	509,090
Accumulated net realized loss on investments	(345,555)
Net unrealized appreciation on investments	13,530,989
Net assets applicable to common stock (equivalent to $15.77 per share based on 8,507,456 shares outstanding)	134,188,377
Total capital (Net assets)	$199,188,377

DUFF & PHELPS UTILITIES
TAX-FREE INCOME INC.
Statement of Operations
Six Months Ended April 30, 2001 (Unaudited)

Net Investment Income

Income	
Interest.............................	$ 5,588,684
Expenses	
Investment advisory fee...............	494,826
Administration fee....................	148,448
Remarketing expense...................	81,000
Directors' fees and expenses..........	62,000
Custodian's fees and expenses.........	31,000
Audit fees and expenses...............	22,000
Transfer agent's fees and expenses....	16,000
Reports to shareholders...............	14,000
Registration fees.....................	12,000
Legal fees and expenses...............	9,000
Miscellaneous.........................	3,344
Total expenses.....................	893,618
Net investment income..................	4,695,066
Realized and Unrealized Gain (Loss) on Investments	
Net realized loss on investment transactions.........................	(160,195)
Net change in unrealized appreciation on investments..........................	2,923,292
Net realized and unrealized gain on investments..........................	2,763,097
Net Increase in Net Assets Resulting from Operations..............	$ 7,458,163

See Notes to Financial Statements.

See Notes to Financial Statements.

DUFF & PHELPS UTILITIES
TAX-FREE INCOME INC.
Statement of Changes
In Net Assets
(Unaudited)

Increase in Net Assets	Six Months Ended April 30, 2001	Year Ended October 31, 2000
Operations:		
Net investment income......	$ 4,695,066	$ 9,582,390
Net realized gain (loss) on investment transactions............	(160,195)	110,084
Net change in unrealized appreciation of		

investments.............	2,923,292	4,213,584
Net increase in net assets resulting from operations..............	7,458,163	13,906,058
Dividends:		
Dividends to common shareholders from net investment income........	(3,170,386)	(7,256,711)
Dividends to preferred shareholders from net investment income........	(1,258,753)	(2,728,990)
Total increase..........	3,029,024	3,920,357
Net Assets		
Beginning of period(a).......	196,159,353	192,238,996
End of period(a)(b).........	$199,188,377	$196,159,353

(a) Includes $65,000,000 in preferred stock.

(b) Includes undistributed net investment income of.....	$ 509,090	$ 243,163

See Notes to Financial Statements.

DUFF & PHELPS UTILITIES TAX-FREE INCOME INC.
Financial Highlights (Unaudited)

PER SHARE OPERATING PERFORMANCE OF COMMON SHAREHOLDERS:	Six Months Ended April 30, 2001	Year Ended October 3 2000	1999	1998
Net asset value, beginning of period.....	$ 15.42	$ 14.96	$ 16.62	$ 16.28
Net investment income(d)...............	.55	1.13	1.14	1.17
Net realized and unrealized gain (loss) on investments(d)....................	.32	.50	(1.59)	.41
Net increase (decrease) from investment operations...........................	.87	1.63	(.45)	1.58
Dividends from net investment income to:				
Preferred shareholders.................	(.15)	(.32)	(.25)	(.28)
Common shareholders...................	(.37)	(.85)	(.96)(e)	(.96)
Distributions from net realized gains to:				
Preferred shareholders.................	--	--	--	--
Common shareholders...................	--	--	--	--

Net asset value, end of period(a)	$ 15.77	$ 15.42	$ 14.96	$ 16.62
Per share market value, end of period(a)	$ 13.99	$ 12.69	$ 14.13	$ 17.31
TOTAL INVESTMENT RETURN OF COMMON SHAREHOLDERS(b)	13.33%	(4.08)%	(13.34)%	11.41%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:(c)				
Operating expenses	1.32%(f)	1.38%	1.39%	1.34%
Net investment income	6.95%(f)	7.51%	7.10%	7.18%
SUPPLEMENTAL DATA:				
Average net assets of common shareholders (000)	$ 136,180	$127,639	$136,111	$137,680
Portfolio turnover rate	2%	26%	6%	0%
Net assets of common shareholders, end of period (000)	$ 134,188	$131,159	$127,239	$140,465
Asset coverage per share of preferred stock, end of period	$ 153,222	$150,892	$147,876	$158,050
Preferred stock outstanding (000)	$ 65,000	$ 65,000	$ 65,000	$ 65,000

(a) NAV and market value are published in The Wall Street Journal each Monday.
(b) Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each period reported. Dividends are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Brokerage commissions are not reflected. Total return for periods of less than a full year are not annualized.
(c) Ratios calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders. Ratios do not reflect the effect of dividend payments to preferred shareholders.
(d) Calculated based upon weighted average shares outstanding during the period.
(e) The unrounded amount is $0.955.
(f) Annualized.

See Notes to Financial Statements.

DUFF & PHELPS UTILITIES
TAX-FREE INCOME INC.
Notes to Financial Statements (Unaudited)

Duff & Phelps Utilities Tax-Free Income Inc. (the 'Fund') was organized in Maryland on September 24, 1991 as a diversified, closed-end management investment company. The Fund had no operations until November 20, 1991 when it sold 8,000 shares of common stock for $112,400 to Duff & Phelps Corporation. Investment operations commenced on November 29, 1991.

The Fund's investment objective is current income exempt from regular federal income tax consistent with preservation of capital. The Fund will seek to achieve its investment objective by investing primarily in a diversified portfolio of investment grade tax-exempt utility obligations. The ability of the issuers of the securities held by the Fund to meet their obligations may be affected by economic developments in a specific state, industry or region.

Note 1. Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Securities Valuation: The Fund values its fixed income securities by using market quotations, prices provided by market makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics in accordance with procedures established by the Board of Directors of the Fund. The relative liquidity of some securities in the Fund's portfolio may adversely affect the ability of the Fund to accurately value such securities. Any securities or other assets for which such current market quotations are not readily available are valued at fair value as determined in good faith under procedures established by and under the general supervision and responsibility of the Fund's Board of Directors.

Debt securities having a remaining maturity of 60 days or less when purchased and debt securities originally purchased with maturities in excess of 60 days but which currently have maturities of 60 days or less are valued at cost adjusted for amortization of premiums and accretion of discounts.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains and losses on sales of securities are calculated on the identified cost basis. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes original issue discount on securities using the effective interest method.

Federal Income Taxes: It is the Fund's intention to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute sufficient net income to shareholders to qualify as a regulated investment company. For this reason, no federal income tax provision is required.

Dividends and Distributions: The Fund will declare and pay dividends to common shareholders monthly from net investment income. Net long-term capital gains, if any, in excess of loss carryforwards are expected to be distributed annually. The Fund will make a determination at the end of its fiscal year as to whether to retain or distribute such gains. Dividends and distributions are recorded on the ex-dividend date. Dividends to preferred shareholders are accrued on a weekly basis and are determined as described in Note 4.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from investment income and capital gains recorded in accordance with generally accepted accounting principles.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2. Agreements

The Fund has an Advisory Agreement with Duff & Phelps Investment Management Co. (the 'Adviser'), a subsidiary of Phoenix Duff & Phelps Corporation, and an Administration Agreement with Prudential Investments Fund Management LLC ('PIFM'), a wholly owned subsidiary of The Prudential Insurance Company of America.

The investment fee paid to the Adviser is computed weekly and payable monthly at an annual rate of .50% of the Fund's average weekly managed assets. The administration fee paid to PIFM is also computed weekly and payable monthly at an annual rate of .15% of the Fund's average weekly managed assets.

Pursuant to the agreements, the Adviser provides continuous supervision of the investment portfolio and pays the compensation of officers of the Fund who are affiliated persons of the Adviser. PIFM pays occupancy and certain clerical and

accounting costs of the Fund. The Fund bears all other costs and expenses.

Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, for the six months ended April 30, 2001 aggregated $4,591,629 and $3,858,005, respectively.

The Federal income tax basis of the Fund's investments at April 30, 2001 was substantially the same as the basis for financial reporting and, accordingly, net unrealized appreciation for federal income tax purposes was $13,530,989 (gross unrealized appreciation--$13,654,557; gross unrealized depreciation--$123,568).

The Fund had a capital loss carryforward as of October 31, 2000 of approximately $185,400, of which $62,100 expires in 2006 and $123,300 expires in 2007. Accordingly, no capital gains distribution is expected to be paid to shareholders until net realized gains have been realized in excess of such amounts.

Note 4. Capital

There are 600 million shares of $.01 par value common stock authorized.

During the six months ended April 30, 2001 the Fund did not issue any common shares in connection with the reinvestment of dividends. For the year ended October 31, 2000 the Fund did not issue any common shares in connection with the reinvestment of dividends.

The Fund's Articles of Incorporation authorize the issuance of Remarketed Preferred Stock ('RP'). Accordingly, the Fund issued 1,300 shares of RP on February 4, 1992. The RP has a liquidation value of $50,000 per share plus any accumulated but unpaid dividends.

Dividends on shares of RP are cumulative from their date of original issue and payable on each dividend payment date. Dividend rates ranged from 3.30% to 5.00% during the six months ended April 30, 2001.

Under the Investment Company Act of 1940, the Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock would be less than 200%.

The RP is redeemable at the option of the Fund, in whole or in part, on any dividend payment date at $50,000 per share plus any accumulated or unpaid dividends whether or not declared. The RP is also subject to a mandatory redemption at $50,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Articles of Incorporation are not satisfied.

The holders of RP have voting rights equal to the holders of common stock (one vote per share) and will vote together with holders of shares of common stock as a single class. However, holders of RP are also entitled to elect two of the Fund's directors. In addition, the Investment Company Act of 1940 requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, and (b) take any action requiring a vote of security holders, including, among other things, changes in the Fund's subclassification as a closed-end investment company or changes in its fundamental investment restrictions.

Note 5. Dividends Subsequent to April 30, 2001, dividends declared and paid on preferred shares totalled $179,725. On May 1, 2001, the Board of Directors of the Fund declared a dividend of $.0625 per common share payable on May 31, to common shareholders of record on May 15. On May 23, 2001, the Board of Directors approved a dividend of $.0625 per common share to be declared on June 1, 2001 payable on June 29, to common shareholders of record on June 13.

OTHER INFORMATION (Unaudited)

Pursuant to certain rules of the Securities and Exchange Commission the following additional disclosure is required.

Pursuant to the Fund's Dividend Reinvestment Plan (the 'Plan'), common shareholders may elect to have all distributions of dividends and capital gains automatically reinvested by State Street Bank & Trust Company (the 'Plan Agent') in shares of common stock of the Fund ('Fund Shares') pursuant to the Plan; provided that such election is subject to the power of the Board of Directors to declare capital gains distributions in the form of stock (if such a declaration is made by the Board of Directors, all shareholders who do not elect to receive cash will receive the distribution in the form of stock whether or not they elect to participate in the Plan). Common shareholders who do not participate in the Plan will receive all distributions in cash (except as described above) paid by check in United States dollars mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Custodian, as dividend disbursing agent. Common shareholders who wish to participate in the Plan should contact the Fund at P.O. Box 8200, Boston, Massachusetts, 02266 or call toll free (800) 451-6788.

The Plan Agent serves as agent for the common shareholders in administering the Plan. After the Fund declares a dividend or determines to make a capital gain distribution, if (1) the market price is lower than net asset value, the participants in the Plan will receive the equivalent in Fund Shares valued at the market price determined as of the time of purchase (generally, the payment date of the dividend or distribution); or if (2) the market price of Fund Shares on the payment date of the dividend or distribution is equal to or exceeds their net asset value, participants will be issued Fund Shares at the higher of net asset value or 95% of the market price. This discount reflects savings in underwriting and other costs that the Fund otherwise will be required to incur to raise additional capital. If net asset value exceeds the market price of Fund Shares on the payment date or the Fund declares a dividend or other distribution payable only in cash (i.e., if the board of directors precludes reinvestment in Fund Shares for that purpose), the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Fund Shares in the open market, on the New York Stock Exchange, other national securities exchanges on which the Fund's common stock is listed or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of a Fund Share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of Fund Shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. The Fund will not issue shares under the Plan below net asset value.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent and will receive certificates for whole Fund Shares and a cash payment will be made for any fraction of a Fund Share.

There is no charge to participants for reinvesting dividends or capital gain distributions, except for certain brokerage commissions, as described below. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. There will be no brokerage commissions charged with respect to shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent upon at least 90 days written notice to all common shareholders of the Fund. All correspondence concerning the Plan should be directed to the Fund at the address on the front of this report.

The Plan has been amended to permit Plan participants periodically to purchase additional common shares through the Plan by delivering to the Plan Agent a check for at least $100, but not more than $5,000, in any month. The Plan Agent will use the funds to purchase shares in the open market or in private transactions as described above with respect to reinvestment of dividends and distributions. This amendment to the Plan was approved by the Board on May 27, 1998 and is effective September 1, 1998. Thereafter, purchases made pursuant to the Plan will be made commencing at the time of the first dividend or distribution payment following the second business day after receipt of the funds for additional purchases, and may be aggregated with

purchases of shares for reinvestment of the dividends and distributions. Shares will be allocated to the accounts of participants purchasing additional shares at the average price per share, plus a service charge imposed by the Plan Agent and brokerage commissions (or equivalent purchase costs) paid by the Plan Agent for all shares purchased by it, including for reinvestment of dividends and distributions. Checks drawn on a foreign bank are subject to collection and collection fees, and will be invested at the time of the next distribution after funds are collected by the Plan Agent.

The Plan Agent will make every effort to invest funds promptly, and in no event more than 30 days after the Plan Agent receives a dividend or distribution, except where postponement is deemed necessary to comply with applicable provisions of the federal securities laws.

Funds sent to the Plan Agent for voluntary additional share investment may be recalled by the participant by written notice received by the Plan Agent not later than two business days before the next distribution payment date. If for any reason a regular monthly distribution is not paid by the Fund, funds for voluntary additional share investment will be returned to the participant, unless the participant specifically directs that they continue to be held by the Plan Agent for subsequent investment.

There have been no material changes in the Fund's investment objectives or policies, charter or by-laws and principal risk factors associated with investment in the Fund.

Directors
Francis E. Jeffries, Chairman
E. Virgil Conway
William W. Crawford
William N. Georgeson
Philip R. McLoughlin
Everett L. Morris
Eileen A. Moran
Richard A. Pavia
Harry Dalzell-Payne

Officers
Francis E. Jeffries, President & Chief Executive Officer
James D. Wehr, Vice President & Chief Investment Officer
Timothy M. Heaney, Vice President
Nancy Engberg, Secretary, Vice President & Counsel
Alan M. Meder, Treasurer & Assistant Secretary

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The accompanying financial statements as of April 30, 2001 were not audited and accordingly, no opinion is expressed on them.

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

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