

# Dreyfus A Bonds Plus, Inc.

**SEMIANNUAL REPORT**  
September 30, 1999



**Dreyfus**

The views expressed herein are current to the date of this report. These views and the composition of the fund's portfolio are subject to change at any time based on market and other conditions.

- Not FDIC-Insured
- Not Bank-Guaranteed
- May Lose Value

### Year 2000 Issues (Unaudited)

The fund could be adversely affected if the computer systems used by The Dreyfus Corporation and the fund's other service providers do not properly process and calculate date-related information from and after January 1, 2000. The Dreyfus Corporation is working to avoid Year 2000-related problems in its systems and to obtain assurances from other service providers that they are taking similar steps. In addition, issuers of securities in which the fund invests may be adversely affected by Year 2000-related problems. This could have an impact on the value of the fund's investments and its share price.

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## THE FUND

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## LETTER FROM THE PRESIDENT

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Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus A Bonds Plus, Inc., covering the six-month period from April 1, 1998 through September 30, 1999. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with Gerald Thunelius, portfolio manager and a member of the Dreyfus Taxable Fixed Income Team that manages the fund.

The past six months have been highly volatile for most bonds. When the reporting period began, evidence had emerged that the U.S. economy was growing strongly in an environment characterized by high levels of consumer spending and low levels of unemployment. Concerns that inflationary pressures might re-emerge caused the Federal Reserve Board to raise short-term interest rates twice during the summer of 1999, effectively offsetting most of last fall's interest-rate cuts.

Higher interest rates led to some erosion of bond prices, especially among the higher yielding market sectors. In this environment, however, the yields of many higher yielding bonds — including corporate bonds and U.S. government agency securities — have recently been quite attractive compared to the yields of U.S. Treasury securities of comparable maturity.

We appreciate your confidence over the past year, and we look forward to your continued participation in Dreyfus A Bonds Plus, Inc.

Sincerely,

Stephen E. Canter  
President and Chief Investment Officer  
The Dreyfus Corporation  
October 15, 1999



## DISCUSSION OF FUND PERFORMANCE

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Gerald E. Thunelius, Portfolio Manager  
Dreyfus Taxable Fixed Income Team

### **How did Dreyfus A Bonds Plus, Inc., perform relative to its benchmark?**

For the six-month period ended September 30, 1999, Dreyfus A Bonds Plus, Inc., produced a 0.22% total return.<sup>1</sup> This compares to a -0.22% total return provided by the fund's benchmark, the Merrill Lynch Domestic Master Index,<sup>2</sup> and a -0.21% total return for the Lehman Brothers Aggregate Bond Index<sup>3</sup> for the same period.

We attribute the fund's performance to our asset allocation strategy. We increased the fund's exposure to corporate bonds from economically sensitive issuers, a sector of the bond market that has performed relatively well over the past six months. At the same time, we decreased exposure to commercial mortgage-backed securities in order to improve the liquidity of the fund's holdings.

### **What is the fund's investment approach?**

The fund seeks high current income from a portfolio that invests at least 80% of its assets in fixed-income securities that, when purchased, are rated single-A or better or are the unrated equivalent as determined by Dreyfus, and in securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities. While the fund may invest in a broad array of fixed-income securities, the fund has recently concentrated primarily on corporate securities.

When selecting securities for the fund, we first examine U.S. and global economic conditions and other market factors to determine what we believe is the likely direction of long- and short-term interest rates. Using a research-driven investment process, we then attempt to identify potentially profitable sectors before they are widely perceived by the market. Finally, we look for underpriced or mispriced

securities within those sectors that, in our opinion, appear likely to perform well over time.

### **What other factors influenced the fund's performance?**

At the beginning of the fund's six-month reporting period, many global economies appeared to be recovering from last fall's currency and credit crisis. Commodity prices, particularly oil prices, began to climb from levels that we considered substantially undervalued. At the same time, investors seemed to become more comfortable holding a broader array of assets. This recovery helped boost returns from some of our corporate bond holdings, especially those from economically sensitive issuers such as oil, chemical and paper companies. Prices of U.S. Treasury securities, however, fell sharply in the face of higher interest rates and concerns that robust economic growth might re-ignite inflationary pressures.

Largely because of inflation concerns, the Federal Reserve Board raised short-term interest rates twice during the summer of 1999. An additional interest-rate hike was expected in November, which would effectively offset all of last fall's rate cuts. Overall, higher interest rates adversely affected the securities in which the fund invests. By August, in fact, the differences in yields between U.S. Treasury securities and corporate bonds had widened to levels last seen during 1998's global financial crisis.

### **What is the fund's current strategy?**

During the six-month period, we emphasized the corporate bond market and de-emphasized our exposure to mortgage-related securities, particularly commercial mortgage-backed securities. This shift enabled us to focus on maintaining certain levels of liquidity in a rising interest-rate environment, and the strategy proved beneficial for the fund.

The fund's strongest fixed-income gains were produced by the corporate bond sector. Especially attractive returns were produced by bonds from cyclical issuers — especially oil, paper, and chemical companies — that we added to the portfolio in the beginning of the year, before oil prices rose. Our holdings in the telecommunications sector also provided relatively attractive returns.

Most recently, we have decreased our exposure to industrial and economically sensitive companies within the corporate bond sector, choosing instead to shift those assets to the financial services sector. We believe that the financial sector is likely to benefit from the more stable interest-rate environment that we expect to prevail once the Federal Reserve Board's interest-rate hikes are complete.

October 15, 1999

- <sup>1</sup> *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost.*
- <sup>2</sup> *SOURCE: BLOOMBERG L.P. — The Merrill Lynch Domestic Master Index is an unmanaged performance benchmark composed of U.S. Treasury and agency securities, and mortgage and investment grade corporate securities with maturities greater than or equal to one year.*
- <sup>3</sup> *SOURCE: LIPPER ANALYTICAL SERVICES, INC. — The Lehman Brothers Aggregate Bond Index is an unmanaged index of corporate, government and government agency debt instruments, mortgage-backed securities and asset-backed securities with an average maturity of 1–10 years.*