



International
Strategy &
Investment

**ISI MANAGED
MUNICIPAL FUND
CLASS A SHARES (MUNIX)
CLASS I SHARES (MMFIX)**

A mutual fund with the investment objectives of a high level of total return with relative stability of principal and, secondarily, high current income exempt from federal income tax through investment in a portfolio consisting primarily of tax-free municipal obligations.

The Securities and Exchange Commission has neither approved nor disapproved these securities nor has it passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

March 1, 2011

**Managed
Municipal Fund, Inc.**

PROSPECTUS

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**The Fund is managed by International
Strategy & Investment Inc. (the "Advisor").**

RISK/RETURN SUMMARY

Investment Objectives

The investment objectives of the Fund are to provide a high level of total return with relative stability of principal and, secondarily, high current income exempt from federal income tax.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts on the purchase of Class A shares if you and your family invest, or agree to invest in the future, at least \$100,000 in the ISI Funds. More information about these and other discounts is available from your financial professional and in the “Sales Charges” section on page 12 of this Prospectus and the “Distribution of Fund Shares” section on page 21 of the Fund’s Statement of Additional Information (“SAI”).

| Shareholder Fees (fees paid directly from your investment): | Class A Shares | Class I Shares |
|--|-----------------------|-----------------------|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 3.00% | None |
| Maximum Deferred Sales Charge (Load) (as a percentage of the lower of the net asset value at purchase or sale) | None | None |
| Maximum Sales Charge (Load) Imposed on Reinvested Dividends | None | None |
| Redemption Fee | None | None |
| Exchange Fee | None | None |
| Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment): | | |
| Management Fees | 0.40% | 0.40% |
| Distribution and Service (12b-1 Fees) | 0.25% | None |
| Other Expenses | <u>0.32%</u> | <u>0.30%</u> |
| Total Annual Fund Operating Expenses | <u>0.97%</u> | <u>0.70%</u> |

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

| | <u>1 Year</u> | <u>3 Years</u> | <u>5 Years</u> | <u>10 Years</u> |
|----------------|---------------|----------------|----------------|-----------------|
| Class A Shares | \$ 396 | \$ 600 | \$ 821 | \$1,459 |
| Class I Shares | \$ 72 | \$ 224 | \$ 390 | \$ 874 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the Example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 22% of the average value of its portfolio.

Principal Investment Strategies

Under normal circumstances, the Fund will invest at least 80% of its net assets (including the amount of any borrowings for investment purposes) in tax-exempt securities of state and local governments in the United States and their political subdivisions, agencies and instrumentalities. These securities will usually be rated within the three highest rating categories by Moody’s

Investors Service, Inc. or Standard & Poor's Ratings Group, but may be unrated if they are determined to be of equivalent quality by International Strategy & Investment Inc. (the "Advisor").

The Fund's investments in municipal securities may include general obligation bonds, revenue bonds, industrial revenue bonds and pre-refunded bonds. General obligation bonds are backed by the issuer's full faith and credit and taxing power, revenue bonds are backed by the revenues of a specific project, facility or tax and industrial revenue bonds are backed by the credit of a private user of a facility. Pre-refunded bonds have been refinanced by their issuers and their payment is funded from securities in a designated escrow account that holds U.S. Treasury securities.

The Advisor buys and sells securities with a view toward, first, a high level of total return with relative stability of principal and, second, high current income. Therefore, in selecting investments, the Advisor will consider both yield and a security's potential for capital appreciation resulting from changes in interest rates. The Fund's average maturity will depend upon the Advisor's assessment of both the relative yields available on securities with different maturities and future changes in interest rates. The Advisor may take full advantage of the entire range of maturities offered by municipal securities. If the market environment is defensive and rising interest rates and weak corporate earnings are expected, the Fund may invest primarily in securities with shorter-term maturities (under 5 years). Conversely, in an aggressive market environment of low inflation, declining interest rates and rising corporate profits, the Fund may invest primarily in securities with longer-term maturities (20-30 years).

The Fund may invest in taxable obligations that are consistent with its objective of a high level of total return with relative stability of principal. To the extent the Fund invests in taxable obligations, a larger portion of its distributions will be taxable than would be the case if the Fund placed a greater emphasis on earning tax-free income. The Fund does not currently intend to acquire municipal securities that are subject to the alternative minimum tax but may so invest up to 20% of its net assets.

Principal Risks

The Fund may be suited for you if you are seeking a high level of total return including some income exempt from federal income taxes, but you also desire the value of your investment to remain relatively stable.

As with any mutual fund investment, there is a risk that you could lose money by investing in the Fund. The Fund's share price will vary from day-to-day based upon changes in the price of the securities held by the Fund. The price of municipal securities will change in response to changes in general economic conditions, conditions within the municipal securities market, the financial condition of the issuer, political changes, interest rate changes and other factors. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Some of the specific principal risks of investing in the Fund are listed below.

Municipal Securities Risks

- **Interest Rate Risk.** The value of the Fund's shares can be expected to increase during periods of falling interest rates and decrease during periods of rising interest rates. The magnitude of these fluctuations will generally be greater if the Fund holds securities with longer maturities or lower quality ratings.
- **Maturity Risk.** Longer-term securities generally have greater price fluctuations and are more sensitive to interest rate changes than shorter-term securities. Therefore, the Fund may experience greater price fluctuations when it holds securities with longer maturities.
- **Credit Risk.** Credit risk is the risk that the issuer of a municipal security will not be able to make payments of interest and principal when due. A deterioration in the financial condition of an issuer or a deterioration in general economic conditions could cause an issuer to fail to make timely payments of principal or interest. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may affect the value of the Fund's investments in that issuer.
- **Liquidity Risk.** The secondary market for certain municipal securities tends to be less well developed or liquid than many other securities markets, which may adversely affect the Fund's ability to sell these securities at or near their perceived value. Where there is little or no active trading market for specific types of securities, the value of such securities and the Fund's share price could decline.

- **Call Risk.** Call risk is the risk that during a period of falling interest rates, the issuer may redeem a security by repaying it early, which may reduce the Fund's income if the proceeds are reinvested in securities with lower interest rates.
- **Tax Risk.** Adverse tax developments could change the way the Fund's income distributions may be treated for income tax purposes. While income distributions from the Fund will generally be exempt from federal taxes, to the extent the Fund invests in securities that do not pay interest that is exempt from federal income tax, distributions on these investments will be taxable to shareholders.
- **Focused Investing Risk.** The Fund may focus its investments within a single state, region or sector of the municipal market. Because many municipal obligations are issued to finance similar projects, the Fund's investments may be focused within a particular sector of the municipal market, such as education, health care, transportation or utilities. Adverse conditions affecting a state, region or sector of the municipal market may cause the Fund's performance to be more sensitive to developments affecting that state, region or sector than a fund that does not focus its investments.

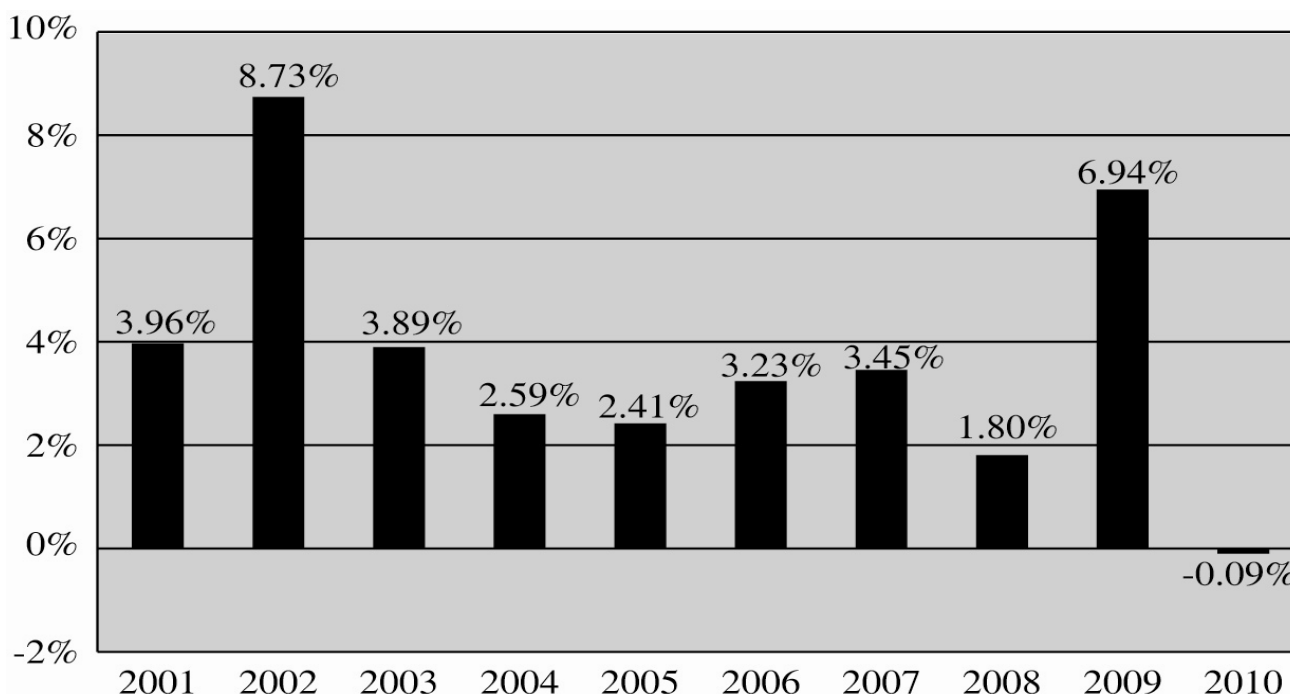
Management Risks

There can be no assurance that the Advisor's analyses of economic conditions and its expectations regarding interest rate changes will be accurate or that the portfolio strategies based on such analyses will be effective. There is no guarantee that the Fund will achieve its investment objectives.

Performance Summary

The bar chart and performance table shown below provide some indication of the risks and variability of investing in the Fund. The bar chart shows changes in the performance of the Fund's Class A shares from year to year for each of the past 10 calendar years. The impact of taxes and sales charges is not reflected in the bar chart; if reflected, returns would be less than those shown. The performance of Class I shares will differ from the performance of Class A shares to the extent that the classes do not have the same expenses or inception dates. The performance table shows how the Fund's average annual total returns for 1, 5 and 10 years compare with those of a broad measure of market performance. How the Fund has performed in the past (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. Updated performance information, current through the most recent month end, is available by calling 1-800-882-8585.

Class A Annual Total Returns



During the periods shown in the bar chart, the highest return for a quarter was 5.25% (quarter ended December 31, 2000) and the lowest return for a quarter was -4.55% (quarter ended December 31, 2010).

Average Annual Total Returns for Periods Ended December 31, 2010

The table below shows how the Fund's average annual total returns compare with those of the Barclays Capital Prerefunded Municipal Bond Index and the Barclays Capital General Obligation Index. The table also presents the impact of taxes on the Fund's Class A returns. Performance for Class I shares is not shown because Class I shares have not been in existence for at least one calendar year. After-tax returns are shown for Class A shares only and after tax returns for Class I shares will vary. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend upon an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts ("IRA").

| | <u>1 Year</u> | <u>5 Years</u> | <u>10 Years</u> |
|---|---------------|----------------|-----------------|
| Class A Shares | | | |
| Return Before Taxes | -3.08% | 2.42% | 3.35% |
| Return After Taxes on Distributions | -3.22% | 2.11% | 2.99% |
| Return After Taxes on Distributions and Sale of Fund Shares | -0.92% | 2.31% | 3.09% |
| Barclays Capital Prerefunded Municipal Bond Index (reflects no deduction for fees, expenses or taxes) | 1.61% | 4.31% | 4.31% |
| Barclays Capital General Obligation Index * | 2.67% | 4.48% | 4.89% |

* The Barclays Capital General Obligation Index is included as an additional comparative index because it is reflective of general municipal market performance. The average annual total returns for this index reflect no deduction for fees, expenses or taxes.

Portfolio Management

International Strategy & Investment Inc. is the investment advisor of the Fund.

R. Alan Medaugh, Co-Founder and President of the Advisor, is primarily responsible for the day-to-day management of the Fund's portfolio and has acted in this capacity since the Fund's inception in 1990.

Purchase and Sale of Fund Shares

Eligibility

There are no specific eligibility requirements for Class A shares.

Class I shares are offered primarily to institutions, such as pension and profit-sharing plans, employee benefit trusts, endowments, foundations, and corporations. Class I shares also may be offered through certain broker-dealers and financial institutions that have entered into appropriate arrangements with the Fund. These arrangements are generally limited to discretionary managed, asset allocation, eligible retirement plans or wrap products offered by broker-dealers and financial institutions. Shareholders participating in these programs may be charged fees by their broker-dealer or financial institution.

Present or former officers, directors and employees (and their eligible family members) of the Fund, the Advisor, its affiliates and retirement plans established for the benefit of such individuals, are also permitted to purchase Class I shares of the Fund.

Minimum Initial Investment

Class A shares require a minimum initial investment of \$5,000 which may be waived at the discretion of the Fund. The minimum for an IRA, qualified retirement plan or within a wrap-fee account managed by your securities dealer or fund servicing agent is \$1,000, which may be waived at the discretion of the Fund.

Class I shares require a minimum initial investment of \$100,000, except the minimum initial investment may be waived at the discretion of the Fund. At the Advisor's or the Fund's discretion, certain related accounts may be aggregated for purposes of meeting the Class I shares minimum initial investment requirement. The minimum initial investment for Class I shares may also be waived or reduced for certain financial intermediaries that have entered into appropriate arrangements with the Fund or otherwise by the Fund in its discretion.

Minimum Subsequent Investment

The minimum subsequent investment for both classes of shares of the Fund is \$100 and the Adviser reserves the right to waive the minimum on subsequent investments. The minimum for participants in the Automatic Investment Plan is \$100. The Automatic Investment Plan is currently closed to new participants.

General Information

You may purchase or redeem (sell) shares of the Fund through your securities dealer or through any fund servicing agent on each day that the Fund is open for business. Transactions must be made through your securities dealer or fund servicing agent, unless the shares are registered in your name. If your Fund shares are registered in your name, transactions may be initiated by written request or by telephone. For more information about purchasing and redeeming shares, please see "How to Buy Shares" and "How to Redeem Shares" in this Prospectus or call the Fund at 1-800-882-8585.

Tax Information

The Fund's distributions are generally exempt from federal income tax. However, the Fund may distribute taxable dividends, including distributions of short-term taxable gains, which are subject to federal income tax as ordinary income. The Fund's distributions of net long-term capital gains are taxable as long-term capital gains for federal income tax purposes.

Payments to Broker-Dealers and Other Financial Intermediaries

When you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

ADDITIONAL INVESTMENT INFORMATION

Investment Objectives. The investment objectives of the Fund are to provide a high level of total return with relative stability of principal and, secondarily, high current income exempt from federal income tax. The Fund seeks to achieve its investment objectives by investing at least 80% of its net assets in tax-exempt securities of state and local governments in the United States and their political subdivisions, agencies and instrumentalities. The Fund will not change this policy unless it notifies shareholders at least 60 days in advance.

Temporary Defensive Strategies. To reduce the Fund's risk under adverse market conditions, the Advisor may, for temporary defensive purposes, invest up to 100% of the Fund's assets in short-term U.S. Government and agency securities, bank and corporate securities, and repurchase agreements fully collateralized by these securities. These temporary defensive investments may include taxable investments that would not ordinarily be consistent with the Fund's objectives. While engaged in a temporary defensive strategy, the Fund may not achieve its investment objectives. The Advisor would follow such a strategy only if it believes that the risk of loss in pursuing the Fund's primary investment strategies outweighs the opportunity for gains.

THE FUND'S NET ASSET VALUE

The price you pay when you buy shares or receive when you redeem shares of each class of the Fund is based on the net asset value per share of that Class. When you buy Class A shares, the price you pay may be increased by a sales charge. See the section entitled "Sales Charges" for details on how and when this charge may or may not be imposed.

The net asset value of each Class of shares of the Fund is determined as of the close of regular trading on the New York Stock Exchange (the "Exchange") on each day the Exchange is open for business. While regular trading ordinarily closes at 4:00 p.m. (Eastern Time), it could be earlier, particularly on the day before a holiday. Contact the Fund's transfer agent (the "Transfer Agent") to determine whether the Fund will close early before a particular holiday. The net asset value of each Class is calculated by subtracting its liabilities from its assets and dividing the result by the number of outstanding shares of the Class.

In valuing its assets, the Fund prices its investments at their market value. The Fund may value securities at fair value pursuant to procedures adopted by the Fund's Board of Directors if market quotations are not readily available or are unreliable due to, among other things, the occurrence of events after the close of the markets on which the Fund's securities primarily trade but before the time as of which the Fund calculates its net asset value.

You may buy or redeem shares on any day the Exchange is open for business (a "Business Day"). If your order is received by the Fund or its agents in proper form before the close of the Exchange, the price you pay or receive will be based on that day's net asset value. If your order is received after the close of the Exchange, the price you pay or receive will be based on the net asset value determined on the next Business Day.

The following sections describe how to buy and redeem shares.

HOW TO BUY SHARES

You may buy shares through any securities dealer authorized to sell the Fund's shares ("Securities Dealer") and any financial institution that acts as a shareholder servicing agent on behalf of the Fund ("Fund Servicing Agent"). Send your check (along with a completed Application Form) to the Fund's Transfer Agent in order to open an account. You may obtain an Application Form by calling the Transfer Agent at 1-800-882-8585, by visiting the Fund's website at www.isifunds.com, or in writing. Written requests should be sent to:

By Mail:

ISI Managed Municipal Fund, Inc.
c/o State Street Transfer Agency
P.O. Box 5493
Boston, MA 02206

By Overnight:

ISI Managed Municipal Fund, Inc.
c/o State Street Transfer Agency
200 Clarendon Street
Boston, MA 02116

It is the responsibility of your Securities Dealer or Fund Servicing Agent to transmit properly completed orders to the Transfer Agent in a timely manner.

The Fund reserves the right to refuse any purchase (including exchange) request, particularly those requests that could adversely affect the Fund or its operations. This includes, but is not limited to, requests from any individual or group that the Fund, in its sole discretion, believes to be involved in frequent trading.

Investment Minimums

With respect to purchases of Class A shares, your initial investment must be at least \$5,000 unless you are investing in an IRA, qualified retirement plan or within a wrap-fee account managed by your Securities Dealer or Fund Servicing Agent. Your initial investment may be as low as \$1,000 if you are investing in an IRA, qualified retirement plan or within a wrap-fee account managed by your Securities Dealer or Fund Servicing Agent. The Fund reserves the right to change or reduce these minimums at its discretion. With respect to purchases of Class I shares, your initial investment must be at least \$100,000 unless such minimum initial investment is waived or reduced for certain financial intermediaries that have entered into appropriate arrangements with the Fund or otherwise by the Fund in its discretion. At the Advisor's or the Fund's discretion, certain related accounts may be aggregated for purposes of meeting the Class I shares minimum initial investment requirement. The subsequent investment for both classes must be at least \$100 unless you are a current participant in the Automatic Investment Plan.

Automatic Investment Plan

The Automatic Investment Plan is closed to new participants. If you are a current participant in the Automatic Investment Plan, your subsequent investments may be as low as \$100.

Dividend Reinvestment Plan

Unless you elect otherwise, all income and capital gains distributions will be reinvested in additional shares of the Fund at the current net asset value. You may elect to receive your distributions in cash or to have your distributions invested in shares of other funds managed by the Advisor (each an "ISI Fund"). To make either of these elections or to terminate automatic reinvestment, complete the appropriate section of the Application Form or notify the Transfer Agent, your Securities Dealer or your Fund Servicing Agent at least five days before the date on which the next dividend or distribution will be paid.

Customer Identification and Verification

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account.

When you open an account with the Fund, you will be asked to provide your name, address, date of birth, and other information or documents that will allow the Fund to identify you. If you do not supply the required information, the Fund will attempt to contact you or your Securities Dealer or Fund Servicing Agent. If the Fund cannot obtain the required information within a time frame established in its sole discretion, your application will be rejected.

Once it is in proper form and includes all required information, your application will normally be accepted and your order will be processed at the net asset value next calculated. The Fund will then attempt to verify your identity using the information you supply and other information about you that is available from third parties, including information available in public and private databases such as consumer reports from credit reporting agencies. In certain instances, the Fund is required to collect documents to fulfill its legal obligations. Such documents will be used solely to verify your identity and the Fund has no obligation to observe, monitor or enforce the terms of any such document.

The Fund will attempt to verify your identity within a time frame established in its sole discretion. If the Fund cannot do so, it reserves the right to close your account, redeem your shares at the net asset value next calculated after the Fund decides to close your account, and send you a check for the proceeds. If you paid for your purchase with a check, the Fund will not send you a check for the proceeds of the redemption until it has verified that your check has cleared. You may experience either a gain or loss on such redemption of your shares and you will be subject to any related taxes.

The Fund may reject your application under its Anti-Money Laundering Program. Under this program, it is possible that your money may not be returned to you if your account is closed at the request of governmental or law enforcement authorities.

Limitations on Frequent Purchases and Redemptions

The Fund's Board of Directors has adopted policies and procedures with respect to frequent purchases and redemptions of the Fund's shares. It is the Fund's policy to discourage short-term trading. Frequent trading in the Fund may interfere with the management of the Fund's portfolio and result in increased costs. As money is moved in and out, the Fund may incur expenses buying and selling portfolio securities and these expenses are borne by Fund shareholders.

Specifically, focus is placed on reviewing substantial redemptions, which may be harmful to the Fund or its shareholders if they are frequent. These transactions are analyzed for offsetting purchase activity occurring within a certain period. If short-term trading trends are detected, an appropriate course of action is taken. The Fund reserves the right to restrict, reject, or cancel, without any prior notice, any purchase or exchange order, including transactions representing frequent trading, transactions that may be disruptive to the management of the Fund's portfolio, and purchase orders not accompanied by payment. These restrictions apply uniformly among all shareholders.

Because the Fund receives purchase and sale orders through financial intermediaries that use omnibus or retirement accounts, the Fund cannot always detect frequent purchases and redemptions. As a consequence, the Fund's ability to monitor and discourage abusive trading practices in such accounts may be limited.

HOW TO REDEEM SHARES

You may redeem all or part of your investment through your Securities Dealer or Fund Servicing Agent. Contact them for information on how to place your redemption order and how you will be paid. If your account is registered in your name (rather than in your Securities Dealer's or Fund Servicing Agent's name), you may also redeem shares by contacting the Transfer Agent. Redemptions through the Transfer Agent may be made by mail or, if you are redeeming \$50,000 or less, by telephone. See the section entitled "Telephone Transactions" for more information on this method of redemption. Under normal circumstances, the Transfer Agent will mail your redemption check within seven days after it receives your order in proper form. If the Fund has not yet collected payment for the shares you are selling, it may delay sending redemption proceeds until it receives payment, which may take up to 15 calendar days.

Your Securities Dealer, your Fund Servicing Agent or the Transfer Agent may require specific documents, such as those listed below, before they redeem your shares.

- 1) A letter of instruction specifying your account number and the number of shares or dollar amount you wish to redeem. The letter must be signed by all owners of the shares exactly as their names appear on the account.
- 2) In certain circumstances, a guarantee of your signature. These circumstances include: a change in ownership of your account; a change in your address within the past 30 days; a request to mail a check to an owner, bank account or address other than that stated on your Application Form; or a redemption request of more than \$50,000. Your signature guarantee must be obtained from a bank or Securities Dealer that participates in the STAMP Medallion Program. Your signature can not be guaranteed by a notary.
- 3) Any stock certificates representing the shares you are redeeming. The certificates must be either properly endorsed or accompanied by a duly executed stock power.
- 4) Any additional documents that may be required if your account is in the name of a corporation, partnership, trust or fiduciary.

Other Redemption Information

Any dividends payable on shares you redeem will be paid on the next dividend payable date. If you are entitled to a dividend and you have redeemed all of your shares prior to the payable date, the dividend will be paid to you in cash, whether or not that is the payment option you have selected. Redemption proceeds may not be available until your check has cleared or up to 15 days, whichever is earlier.

Small Accounts. If you redeem sufficient shares to reduce your investment to \$3,500 or less, the Fund may redeem your remaining shares and close your account after giving you 60 days' notice. This does not currently apply to shares held in an IRA or qualified retirement plan or shares held within a wrap-fee account managed by a Securities Dealer or Fund Servicing Agent.

Redemptions in Kind. The Fund reserves the right to pay redemption proceeds in portfolio securities rather than cash. These redemptions "in kind" usually occur when the amount to be redeemed is large enough to affect the Fund's operations (for example, if it represents more than 1% of the Fund's assets).

Systematic Withdrawal Plan. If you own shares having a value of at least \$10,000, you may arrange to have some of your shares redeemed monthly or quarterly under the Fund's Systematic Withdrawal Plan. Each redemption under this plan involves all of the tax implications normally associated with Fund redemptions. Contact your Securities Dealer, your Fund Servicing Agent or the Transfer Agent for information on this plan.

TELEPHONE TRANSACTIONS

If your shares are registered in your name, you may redeem them (in an amount up to \$50,000) or exchange them for shares of another ISI Fund by calling the Transfer Agent on any Business Day between the hours of 8:30 a.m. and 5:30 p.m. (Eastern Time). You are automatically entitled to telephone transaction privileges unless you specifically request that no telephone redemptions or exchanges be accepted for your account. You may make this election when you complete the Application Form or at any time thereafter by completing and returning documentation supplied by the Transfer Agent.

The Fund and the Transfer Agent will employ reasonable procedures to confirm that telephone instructions are genuine. These procedures include requiring you to provide certain personal identification information when you open your account and before you effect each telephone transaction. You may be required to provide additional written instructions. If these procedures are employed, neither the Fund nor the Transfer Agent will bear any liability for following telephone instructions that they reasonably believe to be genuine. Your telephone transaction request will be recorded.

During periods of significant economic or market volatility, you may experience difficulty contacting the Transfer Agent by telephone. In such event, you should make your request by mail. If you hold your shares in certificate form, you may not exchange or redeem them by telephone.

TRANSACTIONS THROUGH THIRD PARTIES

The policies and fees (other than sales charges) charged by your Securities Dealer or Fund Servicing Agent may be different than those of the Fund. These financial institutions may charge transaction fees and may have different minimum investment requirements or different limitations on buying or selling shares. These institutions may designate intermediaries to accept purchase and sales orders on behalf of the Fund. These institutions may also provide you with certain shareholder services such as periodic account statements and trade confirmations summarizing your investment activity. Consult a representative of your Securities Dealer or Fund Servicing Agent for more information.

The Advisor or its affiliates may enter into arrangements with a Securities Dealer or Fund Servicing Agent under which the Advisor, at its own expense, will pay the financial institution a fee for providing distribution related services and/or performing certain administrative servicing functions (such as sub-transfer agency, recordkeeping or shareholder communication services) for the benefit of Fund shareholders. The Fund may also directly compensate a Securities Dealer or Fund Servicing Agent (if approved by the Board) for providing administrative servicing functions for the benefit of Fund shareholders. Payments by the Advisor or an affiliate out of its own resources that create an incentive for these financial institutions to sell shares of the Fund and/or to promote retention of customer assets in the Fund are sometimes referred to as "revenue sharing" (see the Fund's SAI for additional details).

SALES CHARGES

Class A Shares

The price you pay to buy Class A shares is the offering price, which is calculated by adding any applicable sales charges to the net asset value per share. The amount of the sales charge included in your purchase price will be according to the following schedule:

| <u>Amount of Purchase</u> | <u>Sales Charge as % of</u> | |
|---------------------------|-----------------------------|----------------------------|
| | <u>Offering Price</u> | <u>Net Amount Invested</u> |
| Less than \$100,000 | 3.00% | 3.09% |
| \$100,000 - \$249,999 | 2.50% | 2.56% |
| \$250,000 - \$499,999 | 2.00% | 2.04% |
| \$500,000 - \$999,999 | 1.50% | 1.52% |
| \$1,000,000 - \$1,999,999 | 0.75% | 0.76% |
| \$2,000,000 - \$2,999,999 | 0.50% | 0.50% |
| \$3,000,000 and over | None | None |

The sales charge you pay on a purchase of Class A shares may be reduced or eliminated if you qualify under the rights of accumulation plan, letter of intent or under any of the circumstances described under “Purchases at Net Asset Value” below.

Rights of Accumulation. If you are purchasing additional Class A shares of the Fund or shares of Total Return U.S. Treasury Fund, Inc., ISI Strategy Fund, Inc., or Class A shares of North American Government Bond Fund, Inc., you may combine the value of your purchase with the value of your existing investments and those of your spouse and your children under the age of 21 to determine whether you qualify for a reduced sales charge. You must be able to provide sufficient information to verify that you qualify for this right of accumulation.

To be entitled to a reduced sales charge based on the shares you already own, you must ask for the reduction at the time of purchase. The Fund may amend or terminate this right of accumulation at any time.

Letter of Intent. If you anticipate making additional purchases of Class A shares over the next 13 months, you may combine the value of your current purchase with the value of your anticipated purchases to determine whether you qualify for a reduced sales charge. You will be required to sign a letter of intent indicating the total value of your anticipated purchases and your intention to initially purchase at least 5% of the total. When you make each purchase during the period, you will pay the sales charge applicable to your combined intended purchases. If, at the end of the 13-month period, the total value of your purchases is less than the amount you indicated, you will be required to pay the difference between the sales charges you paid and the sales charges applicable to the amount you actually did purchase. Some of the shares you own will be redeemed to pay this difference.

Calculating Your Sales Charge. The transaction processing procedures maintained by certain financial institutions through which you can purchase shares may restrict the universe of accounts considered for purposes of calculating a reduced sales charge under rights of accumulation or letters of intent. For example, the processing procedures of a financial institution may limit accounts to those that share the same tax identification number or mailing address and that are maintained only with that financial institution. The Fund permits financial institutions to identify account assets that qualify for a reduced sales charge under rights of accumulation or letters of intent.

Purchases at Net Asset Value. You may buy Class A shares without paying a sales charge under the following circumstances:

- 1) If you are reinvesting some or all of the proceeds of a redemption of Class A shares made within the last six months, provided that the amount you are reinvesting is at least \$5,000.
- 2) If you are exchanging an investment in another ISI Fund for an investment in the Fund (see “Purchases by Exchange” below for a description of the conditions).
- 3) If you are a current or retired Director of this or any other ISI Fund, or an employee or a member of the immediate family of

an employee of any of the following or their respective affiliates: the Advisor, the Fund's administrator, or a broker-dealer authorized to sell Class A shares of the Fund.

- 4) If you purchase Class A shares in a fiduciary or advisory account through a bank, bank trust department, registered investment advisor, financial planner or Securities Dealer. To qualify for this provision you must be paying an account management fee for the fiduciary or advisory services. You may be charged an additional fee by your Securities Dealer or Fund Servicing Agent if you buy Class A shares in this manner.

Sales charge information regarding the Fund is available on the Fund's website at www.isifunds.com. Additional information about sales charges is in the Fund's SAI.

Purchases by Exchange

You may exchange Class A shares of the Fund for an equal dollar amount of shares of Total Return U.S. Treasury Fund, Inc., ISI Strategy Fund, Inc. or Class A shares of North American Government Bond Fund, Inc. without payment of the sales charges described above or any other charge. You may enter both your redemption and purchase orders on the same Business Day or, if you have already redeemed the shares of the other fund, you may enter your purchase order within six months of the redemption, provided the amount of the purchase order is at least \$5,000. The Fund may modify or terminate these offers of exchange upon 60 days' notice.

You may request an exchange through your Securities Dealer or Fund Servicing Agent. Contact them for details on how to enter your order. If your shares are registered in your name, you may also request an exchange directly through the Transfer Agent by mail or by telephone.

Redemption Price

The price you receive when you redeem Class A shares will be the net asset value per share.

Class I Shares

There are no sales charges with respect to the purchase of Class I shares. The price you pay to buy Class I shares is the net asset value per share and the price you receive when you redeem Class I shares will be the net asset value per share.

Distribution and Shareholder Service Plan

The Fund has adopted a plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 that allows the Fund to pay distribution and other fees for the sale of its shares and for shareholder services provided by your Securities Dealer or Fund Servicing Agent. Class A shares pay an annual distribution/shareholder service fee equal to 0.25% of its average daily net assets allocable to Class A shares. Because these fees are paid out of the Fund's assets on an ongoing basis, they will, over time, increase the cost of your investment and may cost you more than paying other types of sales charges.

There are no annual distribution/shareholder service fees with respect to the Class I shares.

DIVIDENDS AND TAXES

Dividends and Distributions

The Fund's policy is to distribute to shareholders substantially all of its net investment income in the form of monthly dividends and to distribute net realized capital gains at least annually.

Certain Federal Income Tax Consequences

The following summary is based on current tax laws, which may change.

The Fund expects to generate and pay to shareholders income that is exempt from federal income tax. The Fund may, however, invest a portion of its assets in securities that generate income that is not exempt from federal income tax. Income that is

exempt from federal income tax may be subject to state and local income taxes. The Fund will inform you annually regarding the federal income tax treatment of dividends and distributions.

The Fund will distribute substantially all of its net investment income and net realized capital gains. Dividends and distributions may be subject to federal, state and local taxation, depending upon your tax situation, whether you receive them in cash or reinvest them in additional shares. Short-term capital gains distributions are generally taxed at ordinary income tax rates. Long-term capital gains distributions are generally taxed at the rates applicable to long-term capital gains regardless of how long you have owned your shares. Each sale, exchange or redemption of Fund shares is generally a taxable event. For tax purposes, an exchange of shares for shares of a different ISI Fund is the same as a sale.

More information about taxes is in the SAI. Please contact your tax advisor regarding your specific questions about federal, state and local income taxes.

INVESTMENT ADVISOR

International Strategy & Investment Inc., the Fund's investment advisor, is located at 40 West 57th Street, New York, New York 10019. The Advisor is also the investment advisor to Total Return U.S. Treasury Fund, Inc., North American Government Bond Fund, Inc. and ISI Strategy Fund, Inc. These funds, together with the Fund, had approximately \$410 million in net assets as of December 31, 2010.

As compensation for its services during the fiscal year ended October 31, 2010, the Advisor received from the Fund a fee equal to 0.40% of the Fund's average daily net assets.

The continuance of the Investment Advisory Agreement with the Advisor was most recently approved by the Fund's Board of Directors on September 23, 2010. A discussion summarizing the basis on which the Board of Directors approved the continuance of the Investment Advisory Agreement is included in the Fund's annual report for the fiscal year ended October 31, 2010.

Portfolio Management

R. Alan Medaugh, President and a Director of the Fund and President of the Advisor, is responsible for the day-to-day management of the Fund's portfolio. Mr. Medaugh co-founded the Advisor with Edward S. Hyman in 1991. Before joining the Advisor, Mr. Medaugh was Managing Director of C.J. Lawrence Fixed Income Management and, prior to that, Senior Vice President and bond portfolio manager at Fiduciary Trust International. While at Fiduciary Trust International, Mr. Medaugh led its Fixed-Income Department, which managed \$5 billion of international fixed-income portfolios for institutional clients. Mr. Medaugh also had prior experience as a bond portfolio manager at both Putnam Management Company and Fidelity Management and Research.

Mr. Hyman, Senior Economic Advisor of the Fund and Chairman of the Advisor, is responsible for developing the forecasts and economic analyses on which the selection of investments in the Fund's portfolio is based. Before joining the Advisor, Mr. Hyman was vice chairman and a Board member of C.J. Lawrence Inc. and, prior to that, an economic consultant at Data Resources. He writes a variety of international and domestic economic research reports that follow trends that may determine the direction of interest rates. These international and domestic reports are sent to the Advisor's private institutional clients in the United States and overseas. The periodical *Institutional Investor*, which rates analysts and economists on an annual basis, has rated Mr. Hyman as a "first team" economist, which is its highest rating, in each of the last 31 years.

The Fund's SAI provides additional information about the portfolio manager's compensation, other accounts managed by the portfolio manager and the portfolio manager's ownership of Fund shares.

OTHER SERVICE PROVIDERS

International Strategy & Investment Group Inc., 40 West 57th Street, New York, New York, is the principal underwriter of the Fund.

State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02111 is the Fund's administrator, transfer and dividend disbursing agent, fund accountant and custodian.

FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand the Fund's Class A Shares financial performance for the past 5 years and Class I Shares financial performance for the period October 7, 2010 through October 31, 2010. Certain information reflects financial results for a single Fund share. The total returns in the tables represent the rate that an investor would have earned or lost on an investment in the Fund (assuming reinvestment of all dividends and distributions). With respect to Class A shares, the information for the years ended October 31, 2010, October 31, 2009, October 31, 2008, October 31, 2007 and October 31, 2006 has been audited by BBD, LLP (formerly Briggs, Bunting & Dougherty, LLP), whose report, along with the Fund's financial statements, is included in the October 31, 2010 annual report, which is available upon request. With respect to Class I shares, the information for the period ended October 31, 2010 has been audited by BBD, LLP, whose report, along with the Fund's financial statements, is included in the October 31, 2010 annual report, which is available upon request.

CLASS A SHARES

Selected Per Share Data and Ratios for a Share Outstanding Throughout Each Year

| | Years Ended October 31, | | | | |
|---|-------------------------|---------------|----------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Net asset value at beginning of year | \$ 10.68 | \$ 9.96 | \$ 10.61 | \$ 10.80 | \$ 10.68 |
| Income (loss) from investment operations: | | | | | |
| Net investment income ^(a) | 0.31 | 0.32 | 0.36 | 0.38 | 0.39 |
| Net realized and unrealized gains (losses) on investments | 0.18 | 0.74 | (0.50) | (0.14) | 0.10 |
| Total from investment operations | 0.49 | 1.06 | (0.14) | 0.24 | 0.49 |
| Less distributions: | | | | | |
| Dividends from net investment income | (0.31) | (0.32) | (0.47) | (0.34) | (0.34) |
| Distributions from net realized gains | (0.04) | (0.02) | (0.04) | (0.09) | (0.03) |
| Total distributions | (0.35) | (0.34) | (0.51) | (0.43) | (0.37) |
| Net asset value at end of year | \$ 10.82 | \$ 10.68 | \$ 9.96 | \$ 10.61 | \$ 10.80 |
| TOTAL RETURN^(b) | 4.62% | 10.68% | (1.44%) | 2.29% | 4.68% |
| Net assets at end of year (000's) | \$ 112,203 | \$ 100,923 | \$ 75,072 | \$ 73,038 | \$ 82,880 |
| Ratio of expenses to average net assets | 0.97% | 0.97% | 0.96% | 0.94% | 0.91% |
| Ratio of net investment income to average net assets | 2.89% | 3.02% | 3.48% | 3.57% | 3.63% |
| Portfolio turnover rate | 22% | 10% | 7% | 5% | 7% |

(a) Calculated using the average shares outstanding for the period.

(b) Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

CLASS I SHARES*Selected Per Share Data and Ratios for a Share Outstanding Throughout The Period*

| | Period Ended October 31, 2010^(a) |
|--|--|
| Net asset value at beginning of period | \$ 10.94 |
| Income (loss) from investment operations: | |
| Net investment income ^(b) | 0.02 |
| Net realized and unrealized losses on investments | (0.11) |
| Total from investment operations | (0.09) |
| Less distributions: | |
| Dividends from net investment income | (0.03) |
| Net asset value at end of period | \$ 10.82 |
| TOTAL RETURN^(c) | (0.86%)^(d) |
| Net assets at end of period (000's) | \$ 76 |
| Ratio of expenses to average net assets | 0.70% ^(e) |
| Ratio of net investment income to average net assets | 2.83% ^(e) |
| Portfolio turnover rate | 22% ^(d) |

(a) Class I commenced operations on October 7, 2010.

(b) Calculated using the average shares outstanding for the period.

(c) Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

(d) Not annualized.

(e) Annualized.

ISI MANAGED MUNICIPAL FUND

Investment Advisor

INTERNATIONAL STRATEGY & INVESTMENT INC.
40 West 57th Street, 18th Floor
New York, NY 10019

Administrator

STATE STREET BANK AND TRUST COMPANY
One Lincoln Street
Boston, MA 02111

Distributor

INTERNATIONAL STRATEGY &
INVESTMENT GROUP, INC.
40 West 57th Street, 18th Floor
New York, NY 10019
(800) 955-7175

Transfer Agent

STATE STREET BANK AND TRUST COMPANY
One Lincoln Street
Boston, MA 02111
1-800-882-8585

*Independent Registered Public
Accounting Firm*

BBD, LLP
1835 Market Street, 26th Floor
Philadelphia, PA 19103

Custodian

STATE STREET BANK AND TRUST COMPANY
One Lincoln Street
Boston, MA 02111

Fund Counsel

KRAMER LEVIN NAFTALIS &
FRANKEL LLP
1177 Avenue of the Americas
New York, NY 10036



International
Strategy &
Investment

**ISI MANAGED
MUNICIPAL FUND
CLASS A SHARES
CLASS I SHARES**

You may obtain the following additional information about the Fund, free of charge, from your Securities Dealer or Fund Servicing Agent, by calling (800) 955-7175, or by visiting the Fund's website at www.isifunds.com:

- A statement of additional information (SAI) about the Fund that is incorporated by reference into and is legally part of this Prospectus. A description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the SAI.
- The Fund's most recent annual and semi-annual reports containing detailed financial information and, in the case of the annual report, a discussion of market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

In addition, you may review information about the Fund (including the SAI) at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. (Call (202) 551-8090 to find out about the operation of the Public Reference Room). The EDGAR Database on the Commission's Internet site at <http://www.sec.gov> has reports and other information about the Fund. Copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Public Reference Section of the Commission, Washington, D.C. 20549-1520.

For other shareholder inquiries, contact the Transfer Agent at (800) 882-8585. For Fund information, call (800) 955-7175, or your Securities Dealer or Fund Servicing Agent.

Investment Company Act File No. 811-06023