

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

VAN KAMPEN AMERICAN CAPITAL SELECT SECTOR MUNICIPAL TRUST

CIK: **912022** | IRS No.: **431239043** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **N-30D** | Act: **40** | File No.: **811-08000** | Film No.: **96687909**

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VKL ANR 12/96

LETTER TO SHAREHOLDERS

December 10, 1996

Dear Shareholder,

The first ten months of 1996 have been a mixed experience for most municipal bond fund investors. The continuation of the 1995 rally at the beginning of this year was thwarted early on as the economy gained momentum, causing the bond market to sell off. But by the second half of the year, the pattern reversed. Growth slowed and bonds recovered much of their earlier losses.

[photo]

DENNIS J. MCDONNELL AND DON G. POWELL

This kind of volatility is not unusual, but it is difficult to predict and serves as a reminder to investors to maintain their long-term outlook. Bailing out during price declines and re-entering after market rebounds is often a losing strategy. We believe it is time in the market, not timing the market, that potentially maximizes long-term investment gains.

Additionally, we believe our recent acquisition by Morgan Stanley Group Inc. will further help investors achieve their long-term goals. Morgan Stanley's strong global presence and commitment to superior investment performance complement our broad range of investment products, money management capabilities, and high level of service that we currently offer.

ECONOMIC OVERVIEW

The economy has grown at a moderate pace this year, despite the second quarter's 4.7 percent surge. By the third quarter, growth slowed to 2.0 percent, near the level that prevailed early in the year. This moderation of economic activity, coupled with continued low inflation, eased fears of an interest rate hike by the Federal Reserve Board--fears that had dominated the market in early summer and pushed long-term bond yields above 7.0 percent.

Once the market realized that the economy's pace had slowed, bond prices rose from their 1996 lows and yields fell as they moved in the opposite direction of bond prices. By the end of October, the 30-year Treasury bond yield was near 6.5 percent.

During this recovery, municipal bonds rebounded even more than Treasuries, due to a steady demand that outpaced supply. It is expected that on a nationwide basis there will be little or no increase in the total number of municipal bonds outstanding this year. The volume of new issues is expected to almost equal the volume of bonds that were redeemed or called.

[pie chart]

PORTFOLIO COMPOSITION BY CREDIT QUALITY AS OF OCTOBER 31, 1996

<S>	<C>
AAA.....	59.7%
AA.....	8.9%
A.....	16.8%
BBB.....	11.4%
B.....	1.9%
Non-rated....	1.3%

Based upon credit ratings issued by Standard & Poor's. For securities not rated by Standard & Poor's, the Moody's rating is used.

PERFORMANCE SUMMARY

Many closed-end municipal bond funds, such as this one, are currently offering higher after-tax yields than taxable income alternatives. The Trust generated a tax-exempt distribution of 6.49 percent(3), based on the closing stock price of \$10.625 per common share as of October 31, 1996. For shareholders in the federal income tax bracket of 36 percent, this distribution rate is equivalent to a yield of 10.14 percent(4) on a taxable investment.

The Trust's one-year total return was 5.35 percent(1), including reinvestment of all dividends, reflecting a 1.2 percent decrease in market price for the period ended October 31, 1996.

Top Five Portfolio Holdings by Industry as of October 31, 1996

Health Care.....	19.1%
Housing.....	16.3%
Education.....	15.8%
Transportation.....	15.6%
Utilities.....	13.2%

ECONOMIC OUTLOOK

We believe Fed policy will remain unchanged through the end of the year. We look for the long Treasury bond to trade within a range of 6.25 and 6.75 percent and the 5-year Treasury to trade between 5.75 percent and 6.25 percent for the remainder of 1996. After that, interest rates could rise moderately if the economy rebounds to a 3.0 percent annual growth rate and inflation edges higher. Based upon this view of moderate growth and slightly higher inflation, we believe the outlook for fixed-income markets remains positive.

Relatively stable interest rates early next year would be favorable for the leveraged structure of our closed-end funds, which involves borrowing short-term funds to purchase long-term municipal securities. Depending on the difference between long-term and short-term market rates, this structure provides opportunities for additional earnings over time.

Continued on page three

The leveraged capital structure of the Trust continues to provide common shareholders with above-market levels of dividend income. It should be noted, however, that the rise in short-term rates would have an unfavorable effect on common share performance.

The bond market should find continued support from the results of the recent national elections. With a Democratic president and a Republican Congress, there should be checks on potential spending increases and tax cuts so the budget deficit does not balloon out of control. This split government should also help minimize chances of major tax reform, which would likely affect investment markets, including municipal bonds.

The stock market is another factor that could influence the performance of the bond market in the coming year. If stocks suffer a protracted setback, the demand for bonds, including municipals, could increase.

We will closely monitor any new developments in Washington and in the financial markets in order to evaluate their potential impact on the Trust. We believe that in the coming year, the municipal market will continue to be an attractive investment choice for investors seeking high current income. Thank you for your continued confidence in your investment with Van Kampen American Capital and for the privilege of working with you to help you achieve your financial goals.

Sincerely,

[SIG]
Don G. Powell

Chairman
Van Kampen American Capital
Investment Advisory Corp.

[SIG]
Dennis J. McDonnell

President
Van Kampen American Capital
Investment Advisory Corp.

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PERFORMANCE RESULTS FOR THE PERIOD ENDED OCTOBER 31, 1996

VAN KAMPEN AMERICAN CAPITAL SELECT SECTOR MUNICIPAL TRUST
(AMEX TICKER SYMBOL--VKL)

COMMON SHARE TOTAL RETURNS

<TABLE>	<C>
<S>	
One-year total return based on market price(1).....	5.35%
One-year total return based on NAV(2).....	6.29%

DISTRIBUTION RATES

Distribution rate as a % of closing common stock price(3).....	6.49%
Taxable-equivalent distribution rate as a % of closing common stock price(4).....	10.14%

SHARE VALUATIONS

Net asset value.....	\$ 12.92
Closing common stock price.....	\$10.625
One-year high common stock price (02/12/96).....	\$11.375
One-year low common stock price (06/24/96).....	\$ 9.875
Preferred share (Series A) rate(5).....	3.400%
Preferred share (Series B) rate(5).....	3.460%

</TABLE>

(1) Total return based on market price assumes an investment at the market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common stock price at the end of the period indicated.

(2) Total return based on net asset value (NAV) assumes an investment at the beginning of the period indicated, reinvestment of all distributions for the period, and sale of all shares at the end of the period, all at NAV.

(3) Distribution rate represents the monthly annualized distributions of the Trust at the end of the period and not the earnings of the Trust.

(4) The taxable-equivalent distribution rate is calculated assuming a 36% federal income tax bracket.

(5) See "Notes to Financial Statements" footnote #5, for more information concerning Preferred Share reset periods.

A portion of the interest income may be taxable for those investors subject to the federal alternative minimum tax (AMT).

Past performance does not guarantee future results. Investment return, stock price and net asset value will fluctuate with market conditions. Trust shares, when sold, may be worth more or less than their original cost.

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>
<CAPTION>

Par Amount (000)	Description	Coupon	Maturity	Market Value
<S>	<C>	<C>	<C>	<C>
	MUNICIPAL BONDS			
	ALASKA 1.4%			
\$1,500	Alaska St Hsg Fin Corp Ser A Rfdg.....	5.000%	12/01/18	\$ 1,341,270
	CALIFORNIA 9.4%			
4,500	Los Angeles Cnty, CA Metro Tran Auth Sales Tax Rev Ser A Rfdg (FGIC Insd) (d).....	5.000	07/01/21	4,087,935
3,000	Los Angeles, CA Regl Arpts Impt Corp Lease Rev Los Angeles Intl Arpt (FSA Insd).....	6.700	01/01/22	3,207,150
1,500	Orange County, CA Recovery Ctfs Partn Ser A (MBIA Insd).....	6.000	07/01/07	1,623,375
				8,918,460
	COLORADO 5.7%			
2,435	Colorado Hsg Fin Auth Single Family Prog Sr Ser E.....	8.125	12/01/24	2,732,460
2,500	Meridian Metro Dist CO Rfdg.....	7.000	12/01/01	2,675,600
				5,408,060
	HAWAII 1.2%			
1,000	Hawaii St Arpts Sys Rev (FGIC Insd).....	7.000	07/01/10	1,100,980
	ILLINOIS 1.1%			
1,000	Illinois Hlth Fac Auth Rev Ravenswood Hosp Med			

	Cent Ser A Rfdg.....	8.800	06/01/06	1,037,740
	INDIANA 4.0%			-----
3,450	Indiana Hlth Fac Fin Auth Hosp Rev Comm Hosp of IN (MBIA Insd).....	6.850	07/01/22	3,799,933
	KENTUCKY 4.0%			-----
4,000	Louisville & Jefferson Cnty, KY Metro Swr Dist Drainage Rev Rfdg (MBIA Insd).....	5.300	05/15/19	3,825,160
	LOUISIANA 8.5%			-----
2,145	Louisiana Pub Fac Auth Rev (Embedded Cap) (FGIC Insd).....	5.875	02/15/11	2,198,475
1,750	Saint Charles Parish, LA Environmental Impt Rev LA Pwr & Lt Co Proj A (AMBAC Insd).....	6.875	07/01/24	1,936,305
3,500	Saint Charles Parish, LA Pollutn Ctl Rev LA Pwr & Lt Co Proj A (FSA Insd).....	7.500	06/01/21	3,918,495

				8,053,275

	MAINE 4.3%			
4,000	Maine Muni Bond Bk Ser A Rfdg.....	5.375	11/01/08	4,029,880

</TABLE>

See Notes to Financial Statements

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PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>
<CAPTION>

Par Amount (000)	Description	Coupon	Maturity	Market Value
<S>	<C>	<C>	<C>	<C>
	MASSACHUSETTS 3.3%			
\$2,195	Massachusetts St Hlth & Edl Fac Auth Rev Saint Mem Med Cent Ser A.....	6.000%	10/01/23	\$ 1,823,979
1,235	Massachusetts St Indl Fin Agy Rev.....	6.750	12/01/20	1,259,231

				3,083,210

	MICHIGAN 4.8%			
1,580	Michigan Higher Edl Fac Auth Ltd Oblig Rev Hope College Rfdg (Connie Lee Insd).....	7.000	10/01/13	1,761,637
2,500	Michigan St Strategic Fund Ltd Oblig Rev Detroit Edison Co College Rfdg (FGIC Insd).....	6.950	09/01/21	2,737,700

				4,499,337

	MISSOURI 4.5%			
3,855	Missouri St Hlth & Edl Fac Auth Hlth Fac Rev SSM Hlthcare Ser AA Rfdg (MBIA Insd).....	6.400	06/01/10	4,271,610

	NEVADA 2.0%			
1,780	Nevada Hsg Div Single Family Prog Ser E (FHA Gtd).....	6.900	10/01/14	1,871,634

	NEW JERSEY 3.6%			
1,340	New Jersey Econ Dev Auth Dist Heating & Cooling Rev Trigen Trenton Proj Ser A.....	6.200	12/01/10	1,360,529

2,000	New Jersey Hlthcare Fac Fin Auth Rev Genl Hosp Cent at Passaic (FSA Insd).....	6.000	07/01/14	2,041,700

				3,402,229

	NEW YORK 16.4%			
2,000	New York City, NY Hsg Dev Corp Mtg Rev Multi-Family Ser A Rfdg (FHA Gtd).....	6.550	10/01/15	2,091,880
3,000	New York City, NY Muni Wtr Fin Auth Wtr & Swr Sys Rev Ser A.....	5.625	06/15/19	2,935,950
1,000	New York City, NY Ser H (FSA Insd).....	7.000	02/01/21	1,115,830
4,000	New York St Dorm Auth Rev City Univ Ser F.....	5.000	07/01/14	3,549,640
2,500	New York St Dorm Auth Rev St Univ Edl Fac Ser B Rfdg.....	5.250	05/15/09	2,410,950
3,100	New York St Med Care Fac Fin Agy Rev NY Hosp Ser A (AMBAC Insd).....	6.800	08/15/24	3,427,577

				15,531,827

	OHIO 1.1%			
1,500	Akron, OH Ctfs Partn Akron Muni Baseball Stadium Proj (b) (c).....	0/6.900	12/01/16	1,079,805

	OKLAHOMA 2.3%			
2,000	Oklahoma Hsg Fin Agy Single Family Mtg Rev Homeownership Ln Pgm Ser A (GNMA Collateralized).....	7.050	09/01/26	2,172,460
	OREGON 2.2%			
1,750	Emerald Peoples Util Dist OR Rfdg (FGIC Insd)...	7.350	11/01/07	2,087,855

</TABLE>

See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>
<CAPTION>

Par Amount (000)	Description	Coupon	Maturity	Market Value
<C>	<S>	<C>	<C>	<C>
	TEXAS 6.5%			
\$1,425	Tarrant Cnty, TX Jr College Dist.....	5.050%	02/15/10	\$ 1,381,039
3,015	Texas Hsg Agy Residential Dev Rev Mtg Ser D (GNMA Collateralized).....	8.400	01/01/21	3,168,554
1,530	Texas St Higher Edl Coordinating Brd College Student Ln Rev Sr Lien.....	7.700	10/01/25	1,582,295

				6,131,888

	VIRGINIA 4.6%			
2,885	Fairfax Cnty, VA Econ Dev Auth Res Recovery Rev Ogden Martin Sys Ser A.....	7.750	02/01/11	3,121,541
1,250	Fairfax Cnty, VA Indl Dev Auth Rev Inova Hlth Sys Hosp Proj Rfdg (FSA Insd).....	5.000	08/15/13	1,190,512

				4,312,053

	WISCONSIN 1.1%			
940	Wisconsin Hsg & Econ Dev Auth Homeownership Rev			

Ser F.....	7.550	07/01/26	1,007,069
PUERTO RICO 6.8%			-----
4,800 Puerto Rico Comwlth Hwy & Tran Auth Hwy Rev Ser			
Y (Embedded Cap) (FSA Insd).....	5.730	07/01/21	5,258,448
1,100 Puerto Rico Elec Pwr Auth Pwr Rev Ser N.....	7.000	07/01/07	1,188,858

			6,447,306

TOTAL LONG-TERM INVESTMENTS 98.8%			
(Cost \$88,136,549) (a).....			93,413,041
OTHER ASSETS IN EXCESS OF LIABILITIES 1.2%.....			1,092,053

NET ASSETS 100.0%.....			\$94,505,094
			=====

</TABLE>

(a) At October 31, 1996, the cost for federal income tax purposes is \$88,136,549; the aggregate gross unrealized appreciation is \$5,452,332 and the aggregate gross unrealized depreciation is \$175,840, resulting in net unrealized appreciation of \$5,276,492.

(b) Security purchased on a when issued or delayed delivery basis.

(c) Security is currently a zero coupon bond which will convert to a coupon paying bond at a predetermined date.

(d) Asset segregated as collateral for when issued or delayed delivery purchase commitments.

See Notes to Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>	
<S>	<C>
ASSETS:	
Investments, at Market Value (Cost \$88,136,549) (Note 1).....	\$93,413,041
Cash.....	570,337
Receivables:	
Interest.....	1,724,478
Securities Sold.....	92,865
Unamortized Organizational Expenses (Note 1).....	16,535

Total Assets.....	95,817,256

LIABILITIES:	
Payables:	
Securities Purchased.....	1,063,695
Income Distributions -- Common and Preferred Shares.....	79,426
Investment Advisory and Administrative Fees (Note 2).....	55,784
Affiliates (Note 2).....	1,265
Accrued Expenses.....	64,465
Deferred Compensation and Retirement Plans (Note 2).....	47,527

Total Liabilities.....	1,312,162

NET ASSETS.....	\$94,505,094
	=====
NET ASSETS CONSIST OF:	
Preferred Shares (\$.01 par value, authorized 100,000,000 shares, 1,360	
issued with liquidation preference of \$25,000 per share) (Note 5).....	\$34,000,000

Common Shares (\$.01 par value with an unlimited number of shares authorized, 4,682,128 shares issued and outstanding).....	46,821
Paid in Surplus.....	64,532,602
Net Unrealized Appreciation on Securities.....	5,276,492
Accumulated Undistributed Net Investment Income.....	272,204
Accumulated Net Realized Loss on Securities.....	(9,623,025)
<hr/>	
Net Assets Applicable to Common Shares.....	60,505,094
<hr/>	
NET ASSETS.....	\$94,505,094
<hr/>	
NET ASSET VALUE PER COMMON SHARE (\$60,505,094 divided by 4,682,128 shares outstanding).....	\$ 12.92
<hr/>	

</TABLE>

See Notes to Financial Statements

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<hr/>	
<TABLE>	
<S>	<C>
INVESTMENT INCOME:	
Interest.....	\$5,529,195
<hr/>	
EXPENSES:	
Investment Advisory and Administrative Fees (Note 2).....	656,202
Preferred Share Maintenance (Note 5).....	117,940
Trustees Fees and Expenses (Note 2).....	22,692
Legal (Note 2).....	11,583
Amortization of Organizational Expenses (Note 1).....	8,019
Other.....	111,431
<hr/>	
Total Expenses.....	927,867
<hr/>	
NET INVESTMENT INCOME.....	\$4,601,328
<hr/>	
REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Realized Gain/Loss on Securities:	
Investments.....	\$ 278,349
Options.....	(73,281)
Futures.....	13,985
<hr/>	
Net Realized Gain on Securities.....	219,053
<hr/>	
Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	5,181,063
End of the Period:	
Investments.....	5,276,492
<hr/>	
Net Unrealized Appreciation on Securities During the Period.....	95,429
<hr/>	
NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$ 314,482
<hr/>	
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$4,915,810
<hr/>	

</TABLE>

See Notes to Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>
<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 4,601,328	\$ 4,644,575
Net Realized Gain/Loss on Securities.....	219,053	(5,477,980)
Net Unrealized Appreciation on Securities During the Period.....	95,429	11,943,913
Change in Net Assets from Operations.....	4,915,810	11,110,508
Distributions from Net Investment Income:		
Common Shares.....	(3,242,307)	(3,623,929)
Preferred Shares.....	(1,231,813)	(1,348,208)
Total Distributions.....	(4,474,120)	(4,972,137)
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	441,690	6,138,371
FROM CAPITAL TRANSACTIONS:		
Recapture of Excess Offering Costs.....	-0-	46,423
TOTAL INCREASE IN NET ASSETS.....	441,690	6,184,794
NET ASSETS:		
Beginning of the Period.....	94,063,404	87,878,610
End of the Period (Including undistributed net investment income of \$272,204 and \$144,996, respectively).....	\$94,505,094 =====	\$94,063,404 =====

</TABLE>

See Notes to Financial Statements

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FINANCIAL HIGHLIGHTS

The following schedule presents financial highlights for one common share of the Trust outstanding throughout the periods indicated.

<TABLE>
<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995	November 26, 1993 (Commencement of Investment Operations) to October 31, 1994
<S>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period (a)....	\$12.828	\$11.507	\$13.783
Net Investment Income.....	.983	.992	.894
Net Realized and Unrealized Gain/Loss on			

Securities.....	.068	1.391	(2.377)
	-----	-----	-----
Total from Investment Operations.....	1.051	2.383	(1.483)
	-----	-----	-----
Less Distributions from Net Investment Income:			
Paid to Common Shareholders.....	.693	.774	.621
Common Share Equivalent of Distributions Paid to Preferred Shareholders.....	.263	.288	.172
	-----	-----	-----
Total Distributions.....	.956	1.062	.793
	-----	-----	-----
Net Asset Value, End of the Period.....	\$12.923	\$12.828	\$11.507
	=====	=====	=====
Market Price Per Share at End of the Period....	\$10.625	\$10.750	\$9.625
Total Investment Return at Market Price (b)....	5.35%	19.87%	(27.90%)*
Total Return at Net Asset Value (c).....	6.29%	18.75%	(14.18%)*
Net Assets at End of the Period (In millions)...	\$94.5	\$94.1	\$87.9
Ratio of Expenses to Average Net Assets			
Applicable to Common Shares.....	1.55%	1.68%	1.58%
Ratio of Expenses to Average Net Assets.....	.99%	1.05%	1.04%
Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares (d).....	5.62%	5.77%	6.06%
Portfolio Turnover.....	47%	84%	224%*

</TABLE>

(a) Net asset value at November 26, 1993, is adjusted for common and preferred share offering costs of \$.317 per common share.

(b) Total investment return at market price reflects the change in market value of the common shares for the period indicated with reinvestment of dividends in accordance with the Trust's dividend reinvestment plan.

(c) Total return at net asset value (NAV) reflects the change in value of the Trust's assets with reinvestment of dividends based upon NAV.

(d) Net investment income is adjusted for the common share equivalent of distributions paid to preferred shareholders.

* Non-Annualized

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

October 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen American Capital Select Sector Municipal Trust (the "Trust") is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Trust's primary investment objective is to provide a high level of current income exempt from federal income tax, consistent with preservation of capital. The Trust will invest primarily in a portfolio of municipal securities from those market sectors which the Adviser feels will best meet the Trust's investment objective. The Trust commenced investment operations on November 26, 1993.

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

A. SECURITY VALUATION--Investments are stated at value using market quotations or, if such valuations are not available, estimates obtained from yield data relating to instruments or securities with similar characteristics in accordance with procedures established in good faith by the Board of Trustees. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost.

B. SECURITY TRANSACTIONS--Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. The Trust may purchase and sell securities on a "when issued" or "delayed delivery" basis with settlement to occur at a later date. The value of the security so purchased is subject to market fluctuations during this period. The Trust will maintain, in a segregated account with its custodian, assets having an aggregate value at least equal to the amount of the when issued or delayed delivery purchase commitments until payment is made.

C. INVESTMENT INCOME--Interest income is recorded on an accrual basis. Bond premium and original issue discount are amortized over the expected life of each applicable security.

D. ORGANIZATIONAL EXPENSES--The Trust has reimbursed Van Kampen American Capital Distributors, Inc. or its affiliates (collectively "VKAC") for costs incurred in

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

connection with the Trust's organization in the amount of \$40,000. These costs are being amortized on a straight line basis over the 60 month period ending November 25, 1998. Van Kampen American Capital Investment Advisory Corp. (the "Adviser") has agreed that in the event any of the initial shares of the Trust originally purchased by VKAC are redeemed during the amortization period, the Trust will be reimbursed for any unamortized organizational expenses in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

E. FEDERAL INCOME TAXES--It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required.

The Trust intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At October 31, 1996, the Trust had an accumulated capital loss carryforward for tax purposes of \$9,623,025 which will expire between October 31, 2002 and October 31, 2003.

F. DISTRIBUTION OF INCOME AND GAINS--The Trust declares and pays dividends from net investment income to common shareholders monthly. Net realized gains, if any, are distributed annually on a pro rata basis to common and preferred shareholders.

For the year ended October 31, 1996, 100% of the income distributions made by the Trust were exempt from Federal income taxes. In January, 1997, the Trust will provide tax information to shareholders for the 1996 calendar year.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory and Administrative Agreement, the Adviser will provide investment advice, administrative services and facilities to the Trust for an annual fee payable monthly of .70% of the average

net assets of the Trust.

Certain legal expenses are paid to Skadden, Arps, Slate, Meagher & Flom, counsel to the Trust, of which a trustee of the Trust is an affiliated person.

For the year ended October 31, 1996, the Trust recognized expenses of approximately \$11,400 representing VKAC's cost of providing accounting and legal services to the Trust.

Certain officers and trustees of the Trust are also officers and directors of VKAC. The Trust does not compensate its officers or trustees who are officers of VKAC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

The Trust has implemented deferred compensation and retirement plans for its trustees. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. The retirement plan covers those trustees who are not officers of VKAC.

At October 31, 1996, VKAC owned 7,128 common shares of the Trust.

3. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investments, excluding short-term investments, for the year ended October 31, 1996, were \$46,493,577 and \$43,236,925, respectively.

4. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument in very general terms refers to a security whose value is "derived" from the value of an underlying asset, reference rate or index.

The Trust has a variety of reasons to use derivative instruments, such as to attempt to protect the Trust against possible changes in the market value of its portfolio, manage the portfolio's effective yield, maturity and duration. All of the Trust's portfolio holdings, including derivative instruments, are marked to market each day with the change in value reflected in the unrealized appreciation/depreciation on securities. Upon disposition, a realized gain or loss is recognized accordingly, except for exercised option contracts where the recognition of gain or loss is postponed until the disposal of the security underlying the option contract.

Summarized below are the specific types of derivative financial instruments used by the Trust.

A. OPTION CONTRACTS--An option contract gives the buyer the right, but not the obligation to buy (call) or sell (put) an underlying item at a fixed exercise price during a specified period. These contracts are generally used by the Trust to manage the portfolio's effective maturity and duration.

Transactions in options for the year ended October 31, 1996, were as follows:

<TABLE>
<CAPTION>

	CONTRACTS	PREMIUM
Outstanding at October 31, 1995.....	-0-	\$ -0-
Options Written and Purchased (Net).....	125	(73,275)

Options Terminated in Closing Transactions (Net).....	-0-	-0-
Options Expired (Net).....	(125)	73,275
	----	-----
Outstanding at October 31, 1996.....	-0-	\$ -0-
	====	=====

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

B. FUTURES CONTRACTS--A futures contract is an agreement involving the delivery of a particular asset on a specified future date at an agreed upon price. The Trust generally invests in futures on U.S. Treasury Bonds and the Municipal Bond Index and typically closes the contract prior to the delivery date. These contracts are generally used to manage the portfolio's effective maturity and duration.

The fluctuation in market value of the contracts is settled daily through a cash margin account. Realized gains and losses are recognized when the contracts are closed or expire.

Transactions in futures contracts for the year ended October 31, 1996, were as follows:

<TABLE>
<CAPTION>

	CONTRACTS
<S>	<C>
Outstanding at October 31, 1995.....	-0-
Futures Opened.....	100
Futures Closed.....	(100)

Outstanding at October 31, 1996.....	-0-
	====

</TABLE>

C. EMBEDDED CAPS--These securities, which are identified in the portfolio of investments, include a cap strike level such that the coupon payment may be supplemented by cap payments if the floating rate index upon which the cap is based rises above the strike level. The price of these securities may be more volatile than the price of a comparable fixed rate security. The Trust invests in these instruments as a hedge against a rise in the short-term interest rates which it pays on its preferred shares.

5. PREFERRED SHARES

The Trust has outstanding 1,360 Auction Preferred Shares ("APS") in two series of 680 shares each. Dividends are cumulative and the dividend rate is periodically reset through an auction process. The dividend period for Series A is 7 days while Series B is 28 days. The average rate in effect on October 31, 1996, was 3.430%. During the year ended October 31, 1996, the rates ranged from 3.279% to 5.000%.

The Trust pays annual fees equivalent to .25% of the preferred share liquidation value for the remarketing efforts associated with the preferred auctions. These fees are included as a component of Preferred Share Maintenance expense.

The APS are redeemable at the option of the Trust in whole or in part at the liquidation value of \$25,000 per share plus accumulated and unpaid dividends. The Trust is subject to certain asset coverage tests and the APS are subject to

mandatory redemption if the tests are not met.

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees and Shareholders of

Van Kampen American Capital Select Sector Municipal Trust:

We have audited the accompanying statement of assets and liabilities of Van Kampen American Capital Select Sector Municipal Trust (the "Trust"), including the portfolio of investments, as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Van Kampen American Capital Select Sector Municipal Trust as of October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Chicago, Illinois
December 11, 1996

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DIVIDEND REINVESTMENT PLAN

The Trust offers a Dividend Reinvestment Plan (the "Plan") pursuant to which Common Shareholders may elect to have dividends and capital gains distributions automatically reinvested in Common Shares of the Trust.

If you decide to participate in the Plan, State Street Bank and Trust Company, as your Plan Agent, will automatically invest your dividends and capital gains distributions in Common Shares of the Trust for your account.

HOW TO PARTICIPATE

If you wish to participate and your shares are held in your own name, call 1-800-341-2929 for more information and a Plan brochure. If your shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it would participate in the Plan on your behalf. If you wish to participate in the Plan, but your brokerage firm, bank or nominee is unable to participate on your behalf, you should request that your shares be re-registered in your own name which will enable your participation in the Plan.

HOW THE PLAN WORKS

State Street Bank and Trust Company, as your Plan Agent, serves as agent for the Common Shareholders in administering the Plan. After the Trust declares a dividend or determines to make a capital gains distribution, the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Common Shares in the open market, on the American Stock Exchange or elsewhere, for the participants' accounts. The Trust will not issue any new Common Shares in connection with the Plan. All reinvestments are in full and fractional Common Shares, carried to three decimal places.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust 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 Common Shareholders of the Trust 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 by at least 90 days written notice to all Common Shareholders of the Trust.

COSTS OF THE PLAN

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. 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. No other charges will be made to participants for reinvesting dividends or capital gains distributions, except for certain brokerage commissions, as described above.

TAX IMPLICATIONS

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax which may be payable on dividends or distributions.

RIGHT TO WITHDRAW

Plan participants may withdraw at any time by calling 1-800-341-2929 or by writing State Street Bank and Trust Company, P.O. Box 8200, Boston, MA 02266-8200. If you withdraw, you will receive, without charge, a share certificate issued in your name for all full Common Shares credited to your account under the Plan and a cash payment will be made for any fractional Common Share credited to your account under the Plan. You may again elect to participate in the Plan at any time by calling 1-800-341-2929 or writing to the Trust at:

Van Kampen American Capital
Attn: Closed-End Funds
2800 Post Oak Blvd.
Houston, TX 77056

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FUNDS DISTRIBUTED BY VAN KAMPEN AMERICAN CAPITAL

GLOBAL AND INTERNATIONAL

Global Equity Fund
Global Government Securities Fund
Global Managed Assets Fund
Short-Term Global Income Fund
Strategic Income Fund

EQUITY

Growth
Aggressive Growth Fund
Emerging Growth Fund
Enterprise Fund

Pace Fund
Growth & Income
Balanced Fund
Comstock Fund
Equity Income Fund
Growth and Income Fund
Harbor Fund
Real Estate Securities Fund
Utility Fund

FIXED INCOME

Corporate Bond Fund
Government Securities Fund
High Income Corporate Bond Fund
High Yield Fund
Limited Maturity Government Fund
Prime Rate Income Trust
Reserve Fund
U.S. Government Fund
U.S. Government Trust for Income

TAX-FREE

California Insured Tax Free Fund
Florida Insured Tax Free
Income Fund
High Yield Municipal Fund
Insured Tax Free Income Fund
Intermediate Term Municipal
Income Fund
Municipal Income Fund
New Jersey Tax Free Income Fund
New York Tax Free Income Fund
Pennsylvania Tax Free Income Fund
Tax Free High Income Fund
Tax Free Money Fund

THE GOVETT FUNDS

Emerging Markets Fund
Global Income Fund
International Equity Fund
Latin America Fund
Pacific Strategy Fund
Smaller Companies Fund

Ask your investment representative for a prospectus containing more complete information, including sales charges and expenses. Please read it carefully before you invest or send money. Or call us direct at 1-800-341-2911 weekdays from 7:00 a.m. to 7:00 p.m. Central time.

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VAN KAMPEN AMERICAN CAPITAL SELECT SECTOR MUNICIPAL TRUST

BOARD OF TRUSTEES

DAVID C. ARCH
ROD DAMMEYER
HOWARD J KERR
DENNIS J. MCDONNELL*--Chairman
THEODORE A. MYERS
HUGO F. SONNENSCHNEIN
WAYNE W. WHALEN*

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RONALD A. NYBERG*
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EDWARD C. WOOD, III*
Vice President and Chief Financial Officer

CURTIS W. MORELL*
Vice President and Chief Accounting Officer

JOHN L. SULLIVAN*
Treasurer

TANYA M. LODEN*
Controller

PETER W. HEGEL*
Vice President

INVESTMENT ADVISER

VAN KAMPEN AMERICAN CAPITAL
INVESTMENT ADVISORY CORP.
One Parkview Plaza
Oakbrook Terrace, Illinois 60181

CUSTODIAN AND TRANSFER AGENT

STATE STREET BANK
AND TRUST COMPANY
225 Franklin Street
P.O. Box 1713
Boston, Massachusetts 02105

LEGAL COUNSEL

SKADDEN, ARPS, SLATE,
MEAGHER & FLOM
333 West Wacker Drive
Chicago, Illinois 60606

INDEPENDENT ACCOUNTANTS

KPMG PEAT MARWICK LLP
Peat Marwick Plaza
303 East Wacker Drive
Chicago, Illinois 60601

* "Interested" persons of the Trust, as defined in the Investment Company Act of 1940.

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RESULTS OF SHAREHOLDER VOTES

An Annual Meeting of Shareholders of the Trust was held on May 23, 1996, where shareholders voted on the election of trustees and the selection of independent public accountants. With regard to the election of Wayne Whalen as elected trustee by the common shareholders of the Trust, 3,015,431 shares voted in his favor, 129,592 withheld. With regard to the election of Rod Dammeyer as elected trustee by the preferred shareholders of the Trust, 1,119 shares voted in his favor, 0 withheld. With regard to the ratification of KPMG Peat Marwick LLP as independent public accountants for the Trust, 3,037,891 voted in favor, 50,897 voted against and 57,354 abstained.

A Special Meeting of Shareholders of the Trust was held on October 23, 1996, where shareholders voted on a new investment advisory agreement and changes to investment policies. With regard to the approval of a new investment advisory agreement between Van Kampen American Capital Investment Advisory Corp. and the Trust, 3,962,077 shares voted for the proposal, 153,494 voted against and 157,469 abstained. With regard to the approval of certain changes to the Trust's fundamental investment policies with respect to investment in other investment companies, 1,807,648 shares voted for the proposal, 135,968 voted against and 89,704 abstained.

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