

SECURITIES AND EXCHANGE COMMISSION

FORM N-30B-2

Periodic and interim reports mailed to investment company shareholders (other than annual and semi-annual reports mailed to shareholders pursuant to Rule 30e-1)

Filing Date: **1994-01-26** | Period of Report: **1993-11-30**
SEC Accession No. **0000053798-94-000034**

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FILER

SMITH BARNEY SHEARSON MASSACHUSETTS MUNICIPAL FUND

CIK: **809846** | State of Incorpor.: **MA** | Fiscal Year End: **1130**
Type: **N-30B-2** | Act: **40** | File No.: **811-04994** | Film No.: **94502786**

Business Address
2 WORLD TRADE CENTER
101ST FL
NEW YORK NY 10048
6172486178

NOVEMBER 30, 1993

[GRAPHIC]
SMALL BOX ABOVE FUND NAME
SHOWING AN EAGLE CENTERED WITH
THE AMERICAN FLAG BEHIND IT.
SMITH BARNEY SHEARSON
ADJUSTABLE RATE
GOVERNMENT
INCOME FUND

[LOGO]

SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

DEAR SHAREHOLDER:

We are pleased to present the semi-annual report for Smith Barney Shearson Adjustable Rate Government Income Fund (the "Fund") for the fiscal period ended November 30, 1993. The Fund is an open-end bond fund whose investment objective is to seek high current income and to limit the degree of fluctuation in its net asset value resulting from movements in interest rates by investing primarily in a portfolio of adjustable rate mortgage-backed securities and U.S. government securities. The Fund is part of the Smith Barney Shearson family of mutual funds and is managed by its investment adviser, Smith Barney Shearson Strategy Advisers Inc. and by its sub-investment adviser, BlackRock Financial Management.

The Fund has been operating since June 22, 1992 with an initial net asset value for Class A shares of \$10.00 per share. As of November 30, 1993, the net asset value for Class A and Class B shares was \$9.90 and \$9.90 per share, respectively. During the past six months, the Fund's net asset value ranged from \$10.00 to \$9.90 and the aggregate net assets of the Fund increased to approximately \$410 million. The Fund's net asset value is calculated daily and reported for Class A shares in the mutual funds listing in national newspapers under the heading Smith Barney Shearson Funds A as "AdjGvA."

PORTFOLIO STRATEGY

As sub-investment adviser, BlackRock is responsible for making the day-to-day investment decisions for the portfolio. The Fund is managed to seek to achieve a volatility of net asset value of between the 1-and 2-year Treasury by managing a portfolio of primarily adjustable rate mortgage-backed securities ("ARMs"). The adjustable rate securities in the Fund's portfolio have coupons which adjust in relation to changes in certain indices, such as the 1-year Constant Maturity Treasury Index (an index of Treasury securities with remaining terms of one year as published by the Federal Reserve), 6-month London Interbank Offered Rate (LIBOR) and the 11th District Cost of Funds Index (the weighted average cost of funds for savings and loan institutions of the Federal Home Loan Bank of San Francisco). As the value of the index changes at the time of the reset of the adjustable rate mortgage, the coupon will adjust, subject to the terms of the security.

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BlackRock manages the Fund using a "targeted duration" approach such that the Fund's duration target is approximately between 1 and 1 1/2 years. That duration target should create a fund with the price, or net asset value, sensitivity between a 1- and 2-year Treasury. Changes in the prices and yields of these Treasury securities affect the value of the Fund's securities. In addition to the interest rates, the Fund's net asset value is affected by the rate of prepayments of the mortgage securities in its portfolio. Specifically, the Fund's investment in mortgage-backed securities is dependent upon the degree to which homeowners refinance their mortgages. The actual performance of these securities depends upon whether the rate of prepayments is higher or lower than anticipated at the time of purchase of these securities. The past year has presented one of the most challenging periods for managers of mortgage securities as the rate of prepayments of mortgages rose to unprecedented levels, affecting the performance of such securities. In seeking to take advantage of the difficult market environment for mortgage securities, the Fund has been actively managed to attempt to reduce its exposure to mortgage prepayments by selling such prepayment sensitive securities as interest-only securities, now less than 1% of the total portfolio.

Over the past six months, the Fund's portfolio has been heavily weighted in the adjustable rate mortgage sector, in excess of the 65% minimum requirement. As of the end of this fiscal period, ARMs represented 82% of the Fund's portfolio, and averaged 75% throughout this period. The Fund emphasizes strong credit quality by investing primarily in securities issued or guaranteed by the United States government, its agencies or instrumentalities. As of November 30, 1993, approximately 91% of the portfolio was invested in government securities while 4% was invested in triple-A rated securities and 5% was invested in double-A rated securities.

In the past six months, the Fund's net asset value for its Class A shares has fluctuated along with short-term interest rates, beginning and ending the period at \$9.96 and \$9.90, respectively, and performing according to its investment objective. For the same period, the Fund's net asset value for Class B shares fluctuated beginning at \$9.96 and ending the period at \$9.90. The Fund provided monthly distributions over the period which averaged more than 150 basis points over money market funds. And, the Fund's current annualized distribution rate of 3.89% for Class A shares is approximately 125 basis points over money market funds yields. Of course, while the Fund's price per share will fluctuate with market conditions, money market funds seek to maintain a stable net asset value of \$1.00. The Fund's SEC yield was 3.78% for Class A shares as of November 30, 1993,

CONTINUED

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the end of the Fund's semi-annual period. Although past performance is no guarantee of future results, we are optimistic that the Fund will continue to meet its objective going forward.

THE FIXED INCOME MARKETS

During the past twelve months, the fixed income markets presented a tremendous challenge to mortgage-backed securities investors, with a combination of interest rate volatility and unprecedented levels of mortgage refinancing rates. Much of the market's volatility has been the result of conflicting economic data and the expectations regarding the economic recovery. Short-term Treasuries experienced a great deal of volatility which affects the coupons and prices of adjustable rate mortgages. In fact, the 1-year Treasury ranged in yield over the period from 3.17% to 3.86%, while the 2-year Treasury ranged in yield from 3.70% to 4.83%.

In addition, the rally in the U.S. Treasury market during most of the period, particularly in the 10-year Treasury, brought U.S. home mortgage interest rates to their lowest levels in 20 years. At these interest rates, more than 80% of the home mortgages in the United States become refinanceable from an economic perspective, with interest savings costs to borrowers far in excess of the costs associated with refinancing. The marketplace, therefore, has continued to exhibit fears of rapid prepayments on mortgage securities which kept the prices of mortgages from rallying along with the Treasury market. As a result, mortgage-backed securities underperformed their Treasury counterparts as the yield spreads of mortgage securities to Treasury benchmarks widened over the period.

ECONOMIC OUTLOOK

We believe that economic growth in the U.S. is constrained and that 1994 should see slow growth with low to moderate inflationary pressures. We continue to expect short duration securities, primarily adjustable rate mortgages and short CMOs, to perform well due to new regulations for financial institutions which favor investments in such products. While we may see a continued flattening of the yield curve with short term rates moving modestly upward while longer term rates decline somewhat, we believe the Fund's emphasis on adjustable rate securities positions it well to benefit from this environment.

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As we conclude this letter we would like to thank you for your investment in the Fund and look forward to serving your future investment needs.
Sincerely,

Heath B. McLendon
CHAIRMAN OF THE BOARD

Keith T. Anderson
VICE PRESIDENT AND
INVESTMENT OFFICER

January 5, 1994

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HISTORICAL PERFORMANCE (UNAUDITED)

<TABLE>

<CAPTION>

PERIOD COVERED <S>	NET ASSET VALUE						CAPITAL GAINS DISTRIBUTED			DIVIDENDS PAID			TOTAL RETURN**		
	CLASS A BEGIN <C>	CLASS A END <C>	CLASS B BEGIN <C>	CLASS B END <C>	CLASS D BEGIN <C>	CLASS D END <C>	CLASS A <C>	CLASS B <C>	CLASS D <C>	CLASS A <C>	CLASS B <C>	CLASS D <C>	CLASS A <C>	CLASS B <C>	CLASS D <C>
6/22/92* -															
5/31/93	\$10.00	\$9.96	\$9.96	\$9.96	--	--	--	--	--	\$0.43	\$0.25	--	3.89%	2.56%	--
6/1/93 -															
11/30/93	9.96	9.90	9.96	9.90	\$9.98	\$9.90	--	--	--	0.20	0.20	\$0.20	1.45	1.45	1.23%
TOTAL					--	--	--	--	--	\$0.63	\$0.45	\$0.20			
CUMULATIVE TOTAL RETURN - CLASS A SHARES (6/22/92 THROUGH 11/30/93)															5.40%
CUMULATIVE TOTAL RETURN - CLASS B SHARES (11/6/92 THROUGH 11/30/93)															4.04%
CUMULATIVE TOTAL RETURN - CLASS D SHARES (6/2/93 THROUGH 11/30/93)															1.23%

<FN>

*The Fund commenced operations on June 22, 1992 and on November 6, 1992 its existing shares were designated as Class A shares. On November 6, 1992 and June 2, 1993 the Fund commenced selling Class B shares and Class D shares, respectively.

**Figures assume reinvestment of all dividends and capital gains at net asset value and do not reflect deduction of the applicable contingent deferred sales charge (CDSC).

</TABLE>

IT IS THE FUND'S POLICY TO DISTRIBUTE DIVIDENDS MONTHLY AND CAPITAL GAINS, IF ANY, ANNUALLY.

AVERAGE ANNUAL TOTAL RETURN*** -- (UNAUDITED)

<TABLE>

<CAPTION>

<S>	WITH WAIVER <C>	WITHOUT WAIVER <C>
	Class A***	
Year Ended 11/30/93	3.67%	3.60%
Inception (6/22/92) through 11/30/93	3.72%	3.63%
Class B***		
Year Ended 11/30/93	3.67%	3.59%
Inception (11/6/92) through 11/30/93	3.81%	3.74%
Class D***		
Inception (6/2/93) through 11/30/93	2.44%	1.23%

<FN>

***All total return figures shown reflect the reinvestment of dividends and capital gains at net asset value. Class A shares are not subject to a sales charge. Class B shares may be acquired only through exchanges from Class B shares of other Smith Barney Shearson Funds and will assume the CDSC structure of the shares from which the exchange was made. Class D shares are sold at net asset value and are not subject to an initial sales charge or CDSC. A portion of the Fund's investment advisory, sub-investment advisory and administration fees

were waived from inception through November 30, 1993. A shareholder's actual return for a given class for the period during which fees were waived would be the higher of the two numbers shown. Please consult the Notes to Financial Statements for complete information on fees and expenses.

</TABLE>

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A line graph depicting the total growth (including reinvestment of dividends and capital gains) of a hypothetical investment of \$10,000 in Adjustable Rate Government Income Fund's Class A shares on June 22, 1992 and the growth of the original shares, through November 30, 1993. The line graph demonstrates that since inception, the hypothetical investment of \$10,000 would have grown to \$10,540 including the value of reinvested dividends and capital gains of approximately \$640. The plot points used to draw the line graph were as follows:

<TABLE>

<CAPTION>

DATE <S>	GROWTH OF INITIAL INVESTMENT <C>	VALUE OF REINVESTED DISTRIBUTIONS <C>	GROWTH OF INVESTMENT WITH DISTRIBUTIONS REINVESTED <C>
06/22/92	\$ 10,000	\$ 0	\$10,000
06/92	\$ 10,050	\$ 0	\$10,050
09/92	\$ 10,020	\$122	\$10,142
12/92	\$ 10,010	\$245	\$10,255
03/93	\$ 9,990	\$357	\$10,347
06/93	\$ 10,000	\$468	\$10,468
09/93	\$ 9,950	\$574	\$10,524
11/93	\$ 9,900	\$640	\$10,540

</TABLE>

+ Hypothetical illustration of \$10,000 invested in Class A shares on June 22, 1992 assuming reinvestment of dividends and capital gains at net asset value through November 30, 1993. The performance of the Fund's other classes of shares will be greater than or less than the line shown based on the difference in loads and fees paid by shareholders investing in the different classes of shares.

This period was one in which Treasury bill prices and adjustable rate mortgage prices fluctuated and the results should not be considered as a representation of the dividend income or capital gain or loss which may be realized from an investment in the Fund today. No adjustment has been made for shareholder tax liability on dividends or capital gains.

NOTE: All figures cited here and on the following pages represent past performance and do not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares upon redemption may be worth more or less than original cost.

FOR A GLOSSARY OF TERMS, PLEASE TURN TO THE END OF THIS REPORT.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

PORTFOLIO HIGHLIGHTS

November 30, 1993

PORTFOLIO BREAKDOWN

Pie chart depicting the allocation of the Adjustable Rate Government Income Fund's investment securities held at November 30, 1993 by industry classification. The pie chart is broken into pieces representing industries in the following percentages:

<TABLE>

<CAPTION>

INDUSTRY <S>	PERCENTAGE <C>
Asset-Backed Securities	1.8%
Collateralized Mortgage Obligation Planned Amortization Class	
Interest Only Strips	1.1%
Principal-Only Strips	0.7%
Fixed Rate Collateralized Mortgage Obligations	14.2%
Interest-Only Strips	0.2%

</TABLE>

*Percentages are based on total investments

ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES (ARMS) are instruments that bear interest at rates that adjust at periodic intervals at a fixed amount over the market levels of interest rates as reflected in specified indexes. ARMs directly or indirectly represent an interest in, or are backed by and are payable from, mortgage loans secured by real property.

ASSET-BACKED SECURITIES are similar in structure to Mortgage-Backed Securities, except that the underlying asset pools consist of credit card, automobile or other types of receivables, or of commercial loans.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS) are Mortgage-Backed Securities collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by GNMA, FNMA or FHLMC certificates, but also may be collateralized by whole loans or private mortgage pass-through securities.

COLLATERALIZED MORTGAGE OBLIGATIONS PLANNED AMORTIZATION CLASS INTEREST ONLY (PAC IOS) are CMO IOs which have repayment schedules that are guaranteed if the actual speed of prepayments is within a designated range.

INTEREST-ONLY STRIPS (IOS) are a common type of Stripped Mortgage-Backed Securities which receive most of the interest and some of the principal from the underlying assets. In the most extreme case the IO Strips would receive all the interest and none of the principal from the underlying assets.

PRINCIPAL-ONLY STRIPS (POS) are a common type of Stripped Mortgage-Backed Securities which receive most of the principal and some of the interest from the underlying assets. In the most extreme case the PO Strips would receive all the principal and none of the interest from the underlying assets.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND-----
PORTFOLIO OF INVESTMENTS

November 30, 1993 (unaudited)

<TABLE>

<S> <C>

KEY TO ABBREVIATIONS

CMO -- Collateralized Mortgage Obligation
 CMT -- Constant Maturity Treasury
 COFI -- Cost of funds for member institutions for the
 Federal Home Loan Bank of San Francisco
 IO -- Interest Only
 LIBOR -- London Interbank Offered Rate
 PAC -- Planned Amortization Class
 PO -- Principal Only
 REMIC -- Real Estate Mortgage Investment Conduit
 TAC -- Targeted Amortization Class
 TBA -- To Be Announced

</TABLE>

<TABLE>

<CAPTION>

FACE VALUE	POOL #		MARKET VALUE
<C>	<C>	<S>	(NOTE 1)
			<C>

ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES -- 103.9%			
FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC) -- 21.5%			
FHLMC ONE YEAR+-4.4%			
\$ 6,932,183	350010	5.000%, 8/1/16	\$ 7,092,524
6,446,798	406400	5.806%, 3/1/22++	6,672,436
4,200,349	350195	5.750%, 8/1/22	4,389,365

			18,154,325

FHLMC THREE YEAR+-1.5%			
1,484,141	865002	8.549%, 2/1/18	1,565,769
4,338,927	865361	8.407%, 1/1/22	4,523,332

			6,089,101

FHLMC SIX MONTH LIBOR+-1.5%		
5,924,620	845341	4.611%, 4/1/23

FHLMC FLOATERS+-7.5%		
6,000,000	Multiclass 1040 Series H, 4.138%, 2/15/21	
9,000,000	Multiclass 1043 Series F, 4.187%, 2/15/21	
15,604,973	Multiclass 1333 Series FL, 6.500%, 7/15/22++	

31,110,966		

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED) November 30, 1993 (unaudited)

<TABLE>
<CAPTION>

FACE VALUE	POOL #		MARKET VALUE (NOTE 1)
<C>	<C>	<S>	<C>
ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES -- (CONTINUED)			
FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC) --			
(CONTINUED)			
FHLMC SUPER FLOATERS+-5.1%			
\$19,875,552		Multiclass 1584, Series FB, 2.875%, 9/15/23	\$ 21,167,462

FHLMC COFI+-1.5%			
6,386,778	395013	4.717%, 9/1/13++	6,410,728

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) -- 31.2%			
FNMA ONE YEAR+-8.8%			
7,703,975	124349	5.168%, 5/1/22	7,884,556
8,134,621	181274	5.064%, 8/1/22	8,312,606
8,247,647	181279	5.165%, 9/1/22	8,422,910
11,431,712	200357	4.875%, 2/1/23	11,748,570

36,368,642			

FNMA THREE YEAR+-5.1%			
11,158,363	122794	7.886%, 11/1/17	11,824,406
5,349,174	111643	7.394%, 9/1/20	5,482,904
3,732,015	173343	7.637%, 7/1/22	3,933,768

21,241,078			

FNMA SIX MONTH CERTIFICATE OF DEPOSIT+-6.8%			
8,393,357	170512	4.609%, 7/1/22++	8,561,224
19,502,578	124937	4.170%, 6/1/23++	19,857,922

28,419,146			

FNMA SIX MONTH LIBOR+-2.1%			
2,030,726	173152	5.292%, 7/1/22	2,111,955
1,606,173	172692	5.127%, 8/1/22	1,658,374
4,858,588	209970	4.804%, 4/1/23	4,970,967

8,741,296			

FNMA FLOATERS+-8.4%			
13,426,760	Guaranteed REMIC 92-123, Class F, 4.4375%, 3/25/21		13,556,865
10,817,000	Guaranteed REMIC 91 G-9, Class FA, 4.0875%, 4/25/21		10,999,591
10,000,000	Guaranteed REMIC G92-25, Class FA, 4.0875%, 5/25/22		10,162,500

34,718,956			

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
 ADJUSTABLE RATE GOVERNMENT INCOME FUND

 PORTFOLIO OF INVESTMENTS (CONTINUED) November 30, 1993 (unaudited)

<TABLE>
 <CAPTION>

FACE VALUE	POOL #		MARKET VALUE (NOTE 1)
<C>	<C>	<S>	<C>
ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES -- (CONTINUED)			
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) -- 39.4%			
GNMA ONE YEAR+-39.4%			
\$10,615,579	008822	4.875%, 8/20/21	\$ 10,778,104
13,604,513	008839	5.000%, 9/20/21	13,808,581
23,185,143	008915	4.750%, 2/20/22	23,540,108
7,638,266	008974	5.000%, 5/20/22	7,802,948
19,030,758	008006	5.000%, 7/20/22++	19,316,220
24,376,786	008052	5.000%, 9/20/22++	24,742,438
31,495,001	008121	5.500%, 1/20/23++	32,528,352
11,581,722	008191	5.000%, 5/20/23	11,787,993
18,828,203	008216	5.000%, 6/20/23++	19,163,534

			163,468,278

NON-AGENCY CMOS -- 11.8%			
6,282,898		Bear Stearns, Series 1992-3B, 3 year CMT, Class A2, 7.770%, 5/25/23	6,502,799
830,397		Resolution Trust Corporation, Series 1992-M1, Class A4, 6.987%, 1/25/20+++	846,490
9,129,619		Resolution Trust Corporation, Series 1991-M6, Class A1, 5.591%, 6/25/21+++	9,198,091
4,334,271		Resolution Trust Corporation, Series 1992-M4, Class A2, 5.909%, 9/25/21****	4,328,854
7,709,503		Resolution Trust Corporation, 3 year CMT, Series 1992-4, Class A, 9.055%, 6/25/24+++	8,075,704
6,580,534		Resolution Trust Corporation, Series 1991-12, Class A1, 5.032%, 12/26/29+++	6,596,985
13,051,005		Sears Mortgage Corporation, 1 year CMT, 92-16, Class A2, 5.122%, 9/25/02	13,312,011

			48,860,934

TOTAL ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES (Cost \$431,253,208)			430,771,807

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
 ADJUSTABLE RATE GOVERNMENT INCOME FUND

 PORTFOLIO OF INVESTMENTS (CONTINUED) November 30, 1993 (unaudited)

<TABLE>
 <CAPTION>

FACE VALUE	POOL #		MARKET VALUE (NOTE 1)
<C>	<C>	<S>	<C>
FIXED RATE MORTGAGE PASS-THROUGH -- 12.7%			
FHLMC 15 YEAR -- 3.3%			
\$ 9,460,963	200055	8.500%, 10/1/01	\$ 9,882,071
3,428,501	850106	9.000%, 11/1/05	3,641,446

			13,523,517

FHLMC GOLD 30 YEAR -- 1.9%			
1,431,996	A00813	9.000%, 10/1/20	1,526,250

5,930,211	G00122	9.000%, 1/1/24	6,309,507
			7,835,757

FHLMC 30 YEAR -- 3.5%			
9,123,450	141845	7.500%, 7/1/07++	9,512,656
4,924,414	309714	9.000%, 9/1/09	5,255,482
			14,768,138

FNMA 30 YEAR -- 1.8%			
5,439,608	044174	6.500%, 11/1/03	5,596,595
1,915,146	190003	8.500%, 7/1/17	2,016,284
			7,612,879

GNMA 30 YEAR SEASONED -- 2.2%			
3,424,426		8.000%, 1/15/08	3,625,609
1,807,059		8.000%, 2/15/08	1,913,223
2,764,800		8.000%, 3/15/08	2,927,234
548,055		8.000%, 4/15/08	580,253
			9,046,319

TOTAL FIXED RATE MORTGAGE PASS-THROUGH (Cost \$52,900,137)			52,786,610

FIXED RATE CMOS -- 8.2%			
8,282,002		AGENCY-BACKED FIXED RATE CMO --2.3% Salomon Brothers Corporation, 83-1 Class Z, 12.000%, 12/1/13	9,400,073

IO -- 0.2%			
6,943,676	S10009	FHLMC Strip 133, 8.500%, 6/1/22	902,678

PAC IOS -- 1.4%			
32,051		FHLMC Multiclass 1439, Class GA, 1000.000%(1), 11/15/21	1,418,322

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED) November 30, 1993 (unaudited)

<TABLE>

<CAPTION>

FACE VALUE	POOL #		MARKET VALUE (NOTE 1)
<C>	<C>	<S>	<C>
FIXED RATE CMOS -- (CONTINUED)			
PAC IOS -- (CONTINUED)			
\$ 27,870		FNMA Guaranteed REMIC 91-132, Class J, 1018.775%(2), 12/25/18+++	\$ 742,940
69,154		FNMA Guaranteed REMIC 90-76, Class L, 960.75%(3), 7/25/20	1,424,745
32,113		FNMA Guaranteed REMIC 90-106, Class K, 928.95%(4), 9/25/20	584,237
21,053		FNMA Guaranteed REMIC 91-59, Class LC, 1006.022%(5), 6/25/21+++	1,578,956
			5,749,200

PAC & TAC CMOS -- 3.4%			
6,288,200		FNMA Guaranteed REMIC 92-16 Class C, 5.750%, 10/25/09	6,303,921
1,600,000		FNMA Guaranteed REMIC 90-117, Class C, 8.950%, 7/25/17	1,648,784
6,000,000		FNMA Guaranteed REMIC 92-49 Class H, 7.000%, 5/25/20	6,152,400
			14,105,105

POS -- 0.9%			
3,835,628		FNMA Guaranteed REMIC 92-115, Class A, Zero Coupon, 6/25/22	3,750,861

TOTAL FIXED RATE CMOS (Cost \$38,327,840)		33,907,917

PROJECT LOANS -- 1.9%		
1,978,642	Alliance, 7.350%, 4/1/19	2,041,369
2,319,349	Citi, Project 85-1, 6.875%, 3/1/16	2,367,579
3,394,567	Salomon, 7.350%, 12/1/19	3,496,404

TOTAL PROJECT LOANS (COST \$8,058,308)		7,905,352

TOTAL INVESTMENTS (Cost \$530,539,493*)	126.7%	525,371,686

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED) November 30, 1993 (unaudited)

<TABLE>

<CAPTION>

NUMBER OF CONTRACTS		MARKET VALE (NOTE 1)
<C>	<S>	<C>
FUTURES CONTRACTS -- SHORT POSITION		
195	March 5 year U.S. Treasury Note	\$ (21,587,110)
250	December 5 year U.S. Treasury Note	(11.9)% (27,910,156)

TOTAL FUTURES CONTRACTS -- SHORT POSITION (Contract Amount \$49,464,844)		(49,497,266)

OTHER ASSETS AND LIABILITIES (NET)		(14.8) (61,143,169)

NET ASSETS		100.0% \$414,731,251

<FN>

*Aggregate cost for Federal tax purposes.

**Securities pledged as collateral for futures contracts.

+Initial mortgage rates fixed for period indicated. Thereafter, interest rates are subject to periodic adjustment.

++A portion of the securities are held as collateral for reverse repurchase agreements.

(1) Annualized yield at date of purchase: 9.610%.

(2) Annualized yield at date of purchase: 23.221%.

(3) Annualized yield at date of purchase: 13.721%.

(4) Annualized yield at date of purchase: 18.505%.

(5) Annualized yield at date of purchase: 13.433%.

+++A portion of the security's coupon payment is received in additional securities.

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES November 30, 1993 (unaudited)

<TABLE>

<S>	<C>	<C>
ASSETS:		
Investments, at value (Cost \$530,539,493) (Note 1) See accompanying schedule		\$525,371,686
Cash		376,476
Receivable for investment securities sold		164,585,444
Receivable for Fund shares sold		5,976,098
Interest receivable		2,876,913
Unamortized organization costs (Note 7)		110,902

TOTAL ASSETS		699,297,519

LIABILITIES:	
Payable for investment securities purchased	\$161,672,801
Securities sold under agreement of repurchase (Notes 1 and 5)	119,810,000
Payable for Fund shares redeemed	1,563,117
Dividends payable	886,375
Distribution fee payable (Note 3)	173,619
Investment management fee payable (Note 2)	119,048
Service fees payable (Note 3)	87,099
Administration fee payable (Note 2)	49,601
Net unrealized depreciation of forward foreign exchange contracts (Note 1) See accompanying schedule	32,422
Custodian fees payable (Note 2)	23,570
Transfer agent fees payable (Note 2)	13,953
Accrued Trustees' fees and expenses (Note 2)	3,500
Accrued expenses and other payables	131,163
TOTAL LIABILITIES	284,566,268
NET ASSETS	\$414,731,251

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) (CONTINUED)

NOVEMBER 30, 1993

<TABLE>	
<S>	<C>
NET ASSETS consist of:	
Distributions in excess of net investment income earned to date	\$ (96,389)
Accumulated net realized gain on securities transactions, written options and futures contracts during the period	922,157
Unrealized depreciation of securities and futures contracts during the period	(5,200,229)
Par value	41,909
Paid-in capital in excess of par value	419,063,803
TOTAL NET ASSETS	\$414,731,251
NET ASSET VALUE:	
CLASS A SHARES:	
NET ASSET VALUE and redemption price per share (\$410,361,643 DIVIDED BY 41,467,075 shares of beneficial interest outstanding)	\$9.90
CLASS B SHARES:	
NET ASSET VALUE, offering price per share+ (\$4,254,781 DIVIDED BY 429,993 shares of beneficial interest outstanding)	\$9.90
CLASS D SHARES:	
NET ASSET VALUE and offering price per share (\$114,827 DIVIDED BY 11,603 shares of beneficial interest outstanding)	\$9.90

<FN>
+Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.
</TABLE>

SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1993 (UNAUDITED)

<TABLE>	<C>	<C>
<S>		
INVESTMENT INCOME:		
Interest (Note 5)		\$ 11,652,752
TOTAL INVESTMENT INCOME		11,652,752
EXPENSES:		
Distribution fee (Note 3)	\$984,130	
Investment management fee (Note 2)	787,304	
Service fees (Note 3)	492,065	
Administration fee (Note 2)	393,652	
Transfer agent fees (Notes 2 and 4)	65,489	
Legal and audit fees	52,768	
Custodian fees (Note 2)	44,480	
Amortization of organization costs (Note 7)	15,846	
Trustees' fees and expenses (Note 2)	10,163	
Other	148,975	
Fees waived by investment manager, investment adviser and administrator (Note 2)	(39,694)	
Total Expenses before interest		2,955,178
Interest expense (Note 5)		1,056,636
TOTAL EXPENSES		4,011,814
NET INVESTMENT INCOME		7,640,938
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS (NOTES 1 AND 5):		
Net realized gain/(loss) on:		
Securities transactions		1,768,386
Written options		(56,400)
Futures contracts		(278,048)
Net realized gain on investments during the period		1,433,938
Net change in unrealized appreciation/(depreciation) of:		
Securities		(4,353,062)
Written options		63,600
Futures contracts		(32,422)
Net unrealized depreciation of investments during the period		(4,321,884)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS		(2,887,946)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$4,752,992

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1993

<TABLE>	<C>	<C>
<S>		
NET INCREASE IN CASH:		
Cash flows from operating activities:		
Interest received	\$ 12,824,653	
Fee income received	93,750	

Operating expenses paid	(2,830,595)	
Deferred organization costs	(110,902)	

Net cash provided by operating activities		\$ 9,976,906

Cash flows from investing activities:		
Purchase of long-term investment securities and purchased options	(1,364,360,524)	
Proceeds from disposition of investment securities and purchased options	1,181,579,310	
Net proceeds from futures transactions	(278,048)	

Net cash used in investing activities		(183,059,262)

NET CASH USED IN OPERATING AND INVESTING ACTIVITIES		(173,082,356)

Cash flows from financing activities:		
Proceeds from shares sold	290,913,785	
Payments on shares redeemed	(191,435,250)	
Cash dividend paid to shareholders*	(743,048)	
Increase in reverse repurchase agreements outstanding	75,665,000	
Interest expense	(925,230)	

NET CASH PROVIDED BY FINANCING ACTIVITIES		173,475,257

Net increase in cash		392,901
Cash -- beginning of period		(16,425)

Cash -- end of period		\$ 376,476

RECONCILIATION OF NET INCREASE IN NET ASSETS FROM OPERATIONS TO CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES:		
Net decrease in net assets resulting from operations		
		\$ 4,752,992
Increase in investments	\$ (175,671,395)	
Increase in short futures contracts and written options	49,322,449	
Increase in receivable for investment securities sold	(194,460,855)	
Increase in payable for investment securities purchased	142,146,415	
Increase in interest and fees receivable	(353,181)	
Decrease in other assets	15,846	
Increase in accrued expenses	108,737	
Interest expense	1,056,636	

Total adjustments		(177,835,348)

NET CASH USED IN OPERATING AND INVESTING ACTIVITIES		\$ (173,082,356)

<FN>
*Non-cash financing activities include reinvestment of dividends of \$6,828,594.
</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	SIX MONTHS ENDED 11/30/93 (UNAUDITED)	PERIOD ENDED 5/31/93*
<S>	<C>	<C>
Net investment income	\$ 7,640,938	\$ 7,608,601
Net realized gain/(loss) on securities transactions,		

written options and futures contracts during the period	1,433,938	(511,781)
Net unrealized depreciation of securities, written options and futures contracts during the period	(4,321,884)	(878,345)

Net increase in net assets resulting from operations	4,752,992	6,218,475
Distributions to shareholders from net investment income:		
Class A	(7,714,800)	(7,521,122)
Class B	(78,911)	(29,148)
Class D	(1,947)	--
Net increase in net assets from:		
Class A share transactions (Note 6)	100,194,653	314,407,594
Class B share transactions (Note 6)	710,650	3,577,056
Class D share transactions (Note 6)	115,749	10

Net increase in net assets	97,978,386	316,652,865
NET ASSETS:		
Beginning of period	316,752,865	100,000

End of period (including distributions in excess of net investment income earned to date and undistributed net investment income of \$96,389 and \$58,331, respectively)	\$414,731,251	\$316,752,865

<FN>

*The Fund commenced operations on June 22, 1992.

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

FINANCIAL HIGHLIGHTS

FOR A CLASS A SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

<TABLE>

<CAPTION>

	SIX MONTHS ENDED 11/30/93 (UNAUDITED)	PERIOD ENDED 5/31/93*
<S>	<C>	<C>
Net Asset Value, beginning of period	\$ 9.96	\$ 10.00

Income from investment operations:		
Net investment income#	0.20	0.44
Net realized and unrealized loss on investments	(0.06)	(0.05)

Total from investment operations	0.14	0.39
Dividends from net investment income	(0.20)	(0.43)

Net Asset Value, end of period	\$ 9.90	\$ 9.96

Total return++	1.45%	3.89%

Ratios/Supplemental Data (annualized):		
Net assets, end of period (in 000's)	\$410,361	\$313,184
Ratio of net investment income to average net assets	3.88%	4.36%
Ratio of operating expenses to average net assets+	1.50%	1.50%
Portfolio turnover rate	292%	236%

<FN>

*The Fund commenced operations on June 22, 1992. On November 6, 1992 the Fund commenced selling Class B shares. Those shares in existence prior to November 6, 1992 were designated as Class A shares.

+The annualized operating expense ratios exclude interest expense. The ratios including interest expense for the six months ended November 30, 1993 and the period ended May 31, 1993 were 2.04% and 1.92%, respectively. Annualized expense ratios before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator (including interest expense) for the six months ended November 30, 1993 and the period ended May 31, 1993 were 2.06% and 2.03%, respectively.

++Total return represents the aggregate total return for the period indicated and does not reflect any applicable sales charges.

#Net investment income before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator for the six months ended November 30, 1993 and the period ended May 31, 1993 were \$0.20 and \$0.43, respectively.

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

FINANCIAL HIGHLIGHTS

FOR A CLASS B SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

<TABLE>

<CAPTION>

	SIX MONTHS ENDED 11/30/93 (UNAUDITED) <C>	PERIOD ENDED 5/31/93* <C>
<S>		
Net Asset Value, beginning of period	\$ 9.96	\$ 9.96

Income from investment operations:		
Net investment income#	0.19	0.25
Net realized and unrealized loss on investments	(0.05)	--

Total from investment operations	0.14	0.25
Dividends from net investment income	(0.20)	(0.25)

Net Asset Value, end of period	\$ 9.90	\$ 9.96

Total return++	1.45%	2.56%

Ratios/Supplemental Data (annualized):		
Net assets, end of period (in 000's)	\$4,255	\$3,569
Ratio of net investment income to average net assets	3.84%	4.36%
Ratio of operating expenses to average net assets+	1.55%	1.50%
Portfolio turnover rate	292%	236%

<FN>

*The Fund commenced operations on June 22, 1992. The Fund's Class B shares commenced operations on November 6, 1992.

+The annualized operating expense ratios exclude interest expense. The ratios including interest expense for the six months ended November 30, 1993 and the period ended May 31, 1993 were 2.08% and 1.92%, respectively. Annualized expense ratios before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator (including interest expense) for the six months ended November 30, 1993 and the period ended May 31, 1993 were 2.10% and 2.03%, respectively.

++Total return represents the aggregate total return for the period indicated and does not reflect any applicable sales charges.

#Net investment income before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator for the six months ended November 30, 1993 and the period ended May 31, 1993 were \$0.19 and \$0.24, respectively.

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

FINANCIAL HIGHLIGHTS

FOR A CLASS D SHARE OUTSTANDING THROUGHOUT THE PERIOD.

<TABLE>

<CAPTION>

	PERIOD ENDED 11/30/93* (UNAUDITED) <C>
<S>	

Net Asset Value, beginning of period	\$9.98

Income from investment operations:	
Net investment income#	0.37
Net realized and unrealized loss on investments	(0.25)

Total from investment operations	0.12
Dividends from net investment income	(0.20)

Net Asset Value, end of period	\$9.90

Total return++	1.23%

Ratios/Supplemental Data (annualized):	
Net assets, end of period (in 000's)	\$ 115
Ratio of net investment income to average net assets	3.91%
Ratio of operating expenses to average net assets+	1.57%
Portfolio turnover rate	292%

<FN>
*The Fund commenced selling Class D shares on June 2, 1993.
+The annualized operating expense ratio excludes interest expense. The ratio including interest expense for the period ended November 30, 1993 was 2.01%. Annualized expense ratio before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator (including interest expense) for the period ended November 30, 1993 was 2.03%.
++Total return represents the aggregate total return for the period indicated and does not reflect any applicable sales charges.
#Net investment income before voluntary waiver of fees by investment adviser, sub-investment adviser and administrator for the period ended November 30, 1993 was \$0.37.
</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

Smith Barney Shearson Adjustable Rate Government Income Fund (the "Fund") was organized as a "Massachusetts business trust" under the laws of the Commonwealth of Massachusetts on May 7, 1992. The Fund is a diversified, open-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act"). As of November 6, 1992, the Fund offered two classes of shares: Class A shares available for direct purchases and Class B shares available only through exchanges. Class A shares are sold without a sales charge. Class B shares may be subject to a contingent deferred sales charge ("CDSC") upon redemption. Class B shares will convert automatically to Class A shares eight years after the date of original purchase beginning on September 30, 1994. On January 29, 1993, the Fund began offering Class D shares to investors that are eligible to participate in the Smith Barney Shearson 401(k) Program. Class D shares are offered without a front-end sales load or a CDSC. All classes of shares have identical rights and privileges except with respect to the effect of the respective sales charges to each class, if any, expenses allocable exclusively to each class, voting rights on matters affecting a single class, and the conversion feature of Class B shares. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

PORTFOLIO VALUATION: Generally, the Fund's investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value as determined by or under the direction of the Fund's Board of Trustees. An option generally is valued at the last sale price or, in the absence of the last sales price, the last offer price. Investments in U.S. government securities (other than short-term securities) are valued at the quoted bid price in the over-the-counter market. Corporate debt securities, mortgage-backed securities and asset-backed securities are valued on the basis of valuations provided by dealers in those instruments or by an independent pricing service, approved by the Fund's Board of Trustees. The value of a futures contract equals the unrealized gain or loss on the contract, which is determined by marking the contract to the current settlement price for a like contract acquired on the day on which the futures contract is being valued. Short-term investments that mature in 60 days or less are valued at amortized

SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

REPURCHASE AGREEMENTS: The Fund may engage in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the Fund's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is potential loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. The Fund's investment adviser or administrator, acting under the supervision of the Board of Trustees, reviews on an ongoing basis the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

OPTIONS: Upon the purchase of a put option or a call option by the Fund, the premium paid is recorded as an investment, the value of which is marked-to-market daily. When a purchased option expires, the Fund will realize a loss in the amount of the cost of the option. When the Fund enters into a closing sale transaction, the Fund will realize a gain or loss depending on whether the sales proceeds from the closing sale transaction are greater or less than the cost of the option. When the Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security and the proceeds from such sale will be decreased by the premium originally paid. When the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid. When purchased index options are exercised, settlement is made in cash.

When the Fund writes a call option or a put option an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily. When a written option expires, the Fund realizes a gain equal to the amount of the premium received. When the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of the closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security or index, and the liability related to such option is eliminated. When a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the premium originally

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise. When written index options are exercised, settlement is made in cash. The risk associated with purchasing options is limited to the premium originally paid. The risk in writing a call option is that the Fund may forego the opportunity of profit if the market value of the underlying security or index increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market value of the underlying security or index decreases and the option is exercised. In addition, there is the risk the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

FUTURES CONTRACTS: Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by the

Fund each day, depending on the daily fluctuation of the value of the contract. For financial statement purposes, an amount equal to the settlement amount of the contract is included in its Statement of Assets and Liabilities as an asset and as an equivalent liability. For long futures positions, the asset is marked-to-market daily; for short futures positions, the liability is marked-to-market daily. The daily changes in the contract are recorded as unrealized gains or losses. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks associated with the use of futures contracts as a hedging device. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

REVERSE REPURCHASE AGREEMENTS: The Fund may enter into reverse repurchase agreement transactions with member banks on the Federal Reserve Bank of New York's list of reporting dealers for leverage purposes. A reverse repurchase agreement involves a sale by the Fund of securities that it holds with an agreement by the Fund to repurchase the same securities at an agreed upon price and date. A reverse repurchase agreement involves the risk that the market value of the securities sold by the Fund may decline below the repurchase price of the securities. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. The Fund will establish a segregated account with its custodian, Boston Safe Deposit and Trust Company ("Boston Safe"), in which the Fund will maintain cash, U.S. government securities or other liquid high grade debt obligations equal in value to its obligations with respect to reverse repurchase agreements.

DOLLAR ROLL TRANSACTIONS: The Fund may enter into dollar roll transactions with financial institutions to take advantage of opportunities in the mortgage market. A dollar roll transaction involves a sale by the Fund of securities that it holds with an agreement by the Fund to repurchase similar securities at an agreed upon price and date. The securities repurchased will bear the same interest as those sold, but generally will be collateralized at time of delivery if delivery is taken by different pools of mortgages with different prepayment histories than those securities sold. During the period between the sale and repurchase, the Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in additional instruments for the Fund, and the income from these investments, together with any additional income received on the sale, will generate income for the Fund exceeding the yield on the securities sold. Dollar roll transactions involve the risk that the market value of the securities sold by the Fund may decline in value.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded as of the trade date. Interest income is recorded on the accrual basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains or losses from securities sold are recorded on the identified cost basis. Investment income and realized and unrealized gains and losses are allocated based upon the relative net assets of each class.

MORTGAGE-BACKED SECURITIES: Income is accrued on the security using the effective yield method. The effective yield is calculated monthly based on the current estimate of future cash flows. This effective yield is then used to accrue income on the investment balance in the subsequent month.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: Dividends from net investment income, if any, are determined on a class level and declared daily and distributed monthly. Distributions from any remaining short-term and long-term capital gains are determined on a Fund level and are declared and paid annually with the final distribution of each calendar year. To the extent net realized capital gains can be offset by capital loss carryovers, it is the policy of the Fund not to

SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

distribute such gains. Additional distributions of net investment income and capital gains may be made at the discretion of the Fund's Board of Trustees to avoid the application of a nondeductible 4% excise tax on certain undistributed amounts of ordinary income and capital gains. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund as a whole.

FEDERAL INCOME TAXES: It is the Fund's policy to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and by distributing substantially all of its earnings to its shareholders. Therefore, no Federal income tax provision is required.

CASH FLOW INFORMATION: Cash, as used in the Statement of Cash Flows, is the amount reported in the Statement of Assets and Liabilities. The Fund issues and redeems its shares, invests in securities, and distributes dividends from net investment income and net realized gains (which are either paid in cash or reinvested at the discretion of shareholders). These activities are reported in the Statement of Changes in Net Assets. Information on cash payments is presented in the Statement of Cash Flows. Accounting practices that do not affect reporting activities on a cash basis include unrealized gain or loss on investment securities, accretion income recognized on investment securities and amortization of deferred organization costs.

2. INVESTMENT ADVISORY FEE, ADMINISTRATION FEE AND OTHER RELATED PARTY TRANSACTIONS

Up to the close of business on July 30, 1993, the Fund was party to an investment management agreement with Shearson Lehman Investment Strategy Advisors Inc. ("Strategy Advisors"), a wholly owned subsidiary of Shearson Lehman Brothers Inc. ("Shearson Lehman Brothers"). The Fund and Strategy Advisors entered into an investment advisory agreement with BlackRock Financial Management, L.P. ("BlackRock"). Under the investment management agreement, the Fund paid a monthly fee at the annual rate of 0.40% of the value of its average daily net assets from which BlackRock was compensated with a monthly fee at the annual rate of 0.20% of the value of the Fund's

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

average daily net assets. For the six months ended November 30, 1993, Strategy Advisors and BlackRock voluntarily waived fees of \$13,231 and \$13,231, respectively.

As of the close of business on July 30, 1993, The Travelers Inc. (which at the time was known as Primerica Corporation) ("Travelers") and Smith Barney, Harris Upham & Co. Incorporated completed the acquisition of substantially all of the domestic retail brokerage and asset management businesses of Shearson Lehman Brothers and Smith Barney, Harris Upham & Co. Incorporated was renamed Smith Barney Shearson Inc. ("Smith Barney Shearson").

As of the close of business on July 30, 1993, Smith Barney Shearson Strategy Advisors Inc. ("SBSSA"), a division of Smith, Barney Advisors, Inc. ("SBA"), succeeded Strategy Advisors as the Fund's investment adviser. SBA is a wholly owned subsidiary of Smith Barney Shearson Holdings Inc., which in turn is a wholly owned subsidiary of Travelers. The new investment advisory agreement with SBSSA (the "Advisory Agreement") contains terms and conditions substantially similar to the investment management agreement with Strategy Advisors and provides for the payment of fees at the same rate as was paid to such

predecessor investment adviser.

As of July 30, 1993, BlackRock, formerly investment adviser to the Fund, became the sub-adviser to the Fund. Under the terms of the sub-advisory agreement, BlackRock provides investment advisory assistance and portfolio management advice with respect to the Fund's holdings.

The Fund has also entered into an administration agreement (the "Administration Agreement") dated May 21, 1993, with The Boston Company Advisors, Inc. ("Boston Advisors"), an indirect wholly owned subsidiary of Mellon Bank Corporation ("Mellon"). Under the Administration Agreement, the Fund pays a monthly fee at the annual rate of 0.20% of the value of its average daily net assets. Prior to the close of business on May 21, 1993, Boston Advisors served as the Fund's sub-investment adviser and administrator. For the six months ended November 30, 1993, Boston Advisors voluntarily waived fees of \$13,232.

For the six months ended November 30, 1993, the Fund incurred total brokerage commissions of \$50,474 on futures transactions, none of which was paid to Smith Barney Shearson.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

A CDSC is generally payable by a shareholder in connection with the redemption of Class B shares within five years (eight years in the case of purchases in certain 401(k) Plans) after the date of purchase. In circumstances in which the charge is imposed, the amount of the charge ranges between 5% and 1% of net asset value depending on the number of years since the date of purchase (except in the case of purchases by certain 401(k) plans in which case a 3% charge is imposed for the eight-year period after the date of purchase). For the period since commencement of operations through November 30, 1993, Smith Barney Shearson received from investors \$10,283 in CDSC on the redemption of Class B shares.

No officer, director or employee of Smith Barney Shearson, SBSSA, BlackRock, or Boston Advisors or of any parent or subsidiary of those corporations receives any compensation from the Fund for serving as a Trustee or officer of the Fund. The Fund pays each Trustee who is not an officer, director, or employee of Smith Barney Shearson, SBSSA, BlackRock, or Boston Advisors, or any of their affiliates \$2,500 per annum plus \$250 per meeting attended and reimburses each such Trustee for travel and out-of-pocket expenses.

Boston Safe, an indirect wholly owned subsidiary of Mellon, serves as the Fund's custodian. The Shareholder Services Group, Inc., a subsidiary of First Data Corporation, serves as the Fund's transfer agent.

3. SERVICES AND DISTRIBUTION PLAN

Smith Barney Shearson acts as exclusive distributor of the Fund's shares pursuant to a distribution agreement with the Fund, and sells shares of the Fund through Smith Barney Shearson or its affiliates.

Pursuant to 12b-1 under the 1940 Act, the Fund has adopted a Services and Distribution Plan (the "Plan"). Under this Plan, the Fund compensates Smith Barney Shearson for servicing shareholder accounts for Class A, Class B and Class D shareholders, and covers expenses incurred in distributing Class A, Class B and Class D shares. Smith Barney Shearson is paid an annual service fee with respect to Class A, Class B and Class D shares of the Fund at the rate of 0.25% of the value of the average daily net assets of each respective class of shares. Smith Barney Shearson is also paid an annual distribution fee with respect to Class A, Class B and Class D shares at the rate of 0.50% of the value of the average daily net assets attributable to each respective class of shares. For

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

the six months ended November 30, 1993, the Fund incurred service fees of \$487,139, \$4,806 and \$120, for Class A, Class B and Class D shares, respectively. For the six months ended November 30, 1993, the Fund incurred distribution fees of \$974,278, \$9,612 and \$240, for Class A, Class B and Class D shares, respectively.

4. EXPENSE ALLOCATION

Expenses of the Fund not directly attributable to the operations of any class of shares are prorated among the classes based upon the relative net assets of each class of shares. Operating expenses directly attributable to a class of shares are charged to that class of shares' operations. In addition to the above servicing and distribution fees, class specific operating expenses include transfer agent fees of \$63,928, \$1,514 and \$47 for Class A, Class B and Class D shares, respectively.

5. SECURITIES TRANSACTIONS

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments and U.S. government securities for the period since commencement of operations through November 30, 1993, aggregated \$19,349,569 and \$52,003,117, respectively. Costs of purchases and proceeds from sales of long-term U.S. government securities aggregated \$1,486,991,397 and \$1,274,147,582, respectively, for the six months ended November 30, 1993.

At November 30, 1993, aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost amounted to \$1,255,005, and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value amounted to \$6,422,812.

SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Information regarding borrowing by the Fund under reverse repurchase agreements is as follows:

Reverse repurchase agreements outstanding at November 30, 1993:

<TABLE>	
<CAPTION>	
FACE VALUE	MARKET VALUE
<C>	<C>

\$26,410,000	Reverse CD Agreement with J.P. Morgan Securities Inc., dated 11/29/93 bearing 3.170% to be repurchased as \$26,426,279 on 12/6/93, collateralized by: \$7,150,000 FNMA Pool 170512, 4.499% due 7/1/22 \$19,260,000 FNMA Pool 124937, 4.157% due 6/1/23
67,250,000	Reverse CMO/CMT One Year Agreement with Prudential Securities Inc., dated 11/15/93 bearing 3.270% to be repurchased at \$67,421,039 on 12/13/93, collateralized by: \$15,210,000 FHLMC Multiclass 1333FL, 6.500% due 7/15/22; \$20,880,000 GNMA II Pool 008052, 5.000% due 9/20/22; and \$31,160,000 GNMA II Pool 008121, 5.500% due 1/20/23
19,550,000	Reverse CMT One Year Agreement with Prudential Securities Inc., dated 11/15/93 bearing 3.270% to be repurchased at \$19,599,722 on 12/13/93, collateralized by:
	\$ 26,410,000
	67,250,000

	\$19,424,000 GNMA II Pool 008006, 5.000% due 7/20/22; and \$1,126,000 GNMA II Pool 008216, 5.000% due 6/20/23	19,550,000
6,600,000	Reverse Pool Agreement with J.P. Morgan Securities Inc., dated 11/30/93 bearing 3.300% to be repurchased at \$6,600,605 on 12/1/93, collateralized by \$6,600,000 FHLMC Pool 141845, 7.500% due 7/1/07	6,600,000

	TOTAL REVERSE REPURCHASE AGREEMENTS	\$119,810,000

REVERSE REPURCHASE AGREEMENTS--		

	Maximum amount outstanding during the period	\$133,670,000
	Average amount outstanding during the period	\$ 64,500,008

</TABLE>

Interest rates ranged from 2.98% to 4.39% during the period. The average amount outstanding during the period was calculated by adding the borrowings at the end of each day and dividing the sum by the number of days in the six months ended November 30, 1993.

Interest paid for the six months ended November 30, 1993 on borrowings by the Fund under reverse repurchase agreements aggregated \$1,056,636.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Information regarding transactions by the Fund under dollar roll transactions is as follows:

<S>	<C>

DOLLAR ROLL TRANSACTIONS--	

Maximum amount outstanding during the period	\$28,000,000
Average amount outstanding during the period	\$ 7,519,126

</TABLE>

The average amount outstanding during the period was calculated by adding the borrowings at the end of each day and dividing the sum by the number of days in the six months ended November 30, 1993.

Interest income earned for the six months ended November 30, 1993 by the Fund under dollar roll transactions aggregated \$104,741.

Written option activity for the six months ended November 30, 1993 was as follows:

<S>	Premiums <C>	Number of Contracts <C>

Options outstanding at May 31, 1993	\$46,400	400
Options closed	(46,400)	(400)

Options outstanding at November 30, 1993	\$0	0

</TABLE>

 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

6. SHARES OF BENEFICIAL INTEREST

At November 30, 1993, an unlimited number of shares of beneficial interest divided into three classes, Class A, Class B and Class D shares, with a par value of \$.001 per share, were authorized. Changes in the Fund's shares of beneficial interest for each class were as follows:

<TABLE>

<CAPTION>

CLASS A SHARES: <S>	SIX MONTHS ENDED 11/30/93		PERIOD ENDED 5/31/93*	
	Shares <C>	Amount <C>	Shares <C>	Amount <C>
Sold	27,825,860	\$ 277,481,406	50,155,149	\$ 501,502,604
Issued as reinvestment of dividends	679,793	6,773,432	616,364	6,157,760
Redeemed	(18,481,997)	(184,060,185)	(19,338,094)	(193,252,770)
Net increase	10,023,656	\$ 100,194,653	31,433,419	\$ 314,407,594

<CAPTION>

CLASS B SHARES: <S>	SIX MONTHS ENDED 1/30/93		PERIOD ENDED 5/31/93**	
	Shares <C>	Amount <C>	Shares <C>	Amount <C>
Sold	820,268	\$ 8,149,959	383,519	\$ 3,829,121
Issued as reinvestment of dividends	5,368	53,463	1,561	15,579
Redeemed	(753,945)	(7,492,772)	(26,778)	(267,644)
Net increase	71,691	\$ 710,650	358,302	\$ 3,577,056

<CAPTION>

CLASS D SHARES: <S>	PERIOD ENDED 11/30/93***		<C>	<C>
	Shares <C>	Amount <C>		
Sold	11,432	\$ 114,050		
Issued as reinvestment of dividends	170	1,699		
Net increase	11,602	\$ 115,749		

<FN>

*The Fund commenced operations on June 22, 1992.

**The Fund commenced selling Class B shares on November 6, 1992. Any shares outstanding prior to November 6, 1992 were designated as Class A shares.

***The Fund commenced selling Class D shares on June 2, 1993.

</TABLE>

At May 31, 1993, the Fund had one Class D share issued in the amount of \$9.96 to Smith Barney Shearson.

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 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

7. CAPITAL LOSS CARRYFORWARD AND POST OCTOBER LOSSES

At May 31, 1993, the Fund had available for Federal income tax purposes unused capital losses of \$165,372 expiring in the year 2001. Under current tax law, capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended May 31, 1993, the Fund has elected to defer \$253,583 of losses occurring between June 22, 1992 (commencement of operations) and May 31, 1993 under these rules. Such deferred losses will be treated as arising on the first day of the

8. ORGANIZATION COSTS

The Fund bears all costs in connection with its organization including the fees and expenses of registering and qualifying its shares for distribution under Federal and state securities regulations. All such costs are being amortized on the straight-line method over a period of five years from June 22, 1992, the date that the Fund commenced operations. In the event that any of the initial shares of the Fund are redeemed during such amortization period, the Fund will be reimbursed for any unamortized costs in the same proportion as the number of shares redeemed bears to the number of initial shares outstanding at the time of redemption.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

GLOSSARY OF COMMONLY USED MUTUAL FUND TERMS

CAPITAL GAIN (OR LOSS): This is the increase (or decrease) in the market value (price) of a security in your portfolio. If a stock or bond appreciates in price, there is a capital gain; if it depreciates there is a capital loss. A capital gain or loss is "realized" upon the sale of a security; if net capital gains exceed net capital losses, there may be a capital gain distribution to shareholders.

CONTINGENT DEFERRED SALES CHARGE (CDSC): One kind of back-end load, a CDSC is imposed if shares are redeemed during the first few years of ownership. The CDSC may be expressed as a percentage of either the original purchase price or the redemption proceeds. Most CDSCs decline over time, and some will not be charged if shares are redeemed after a certain period of time.

DISTRIBUTION RATE: This is the rate at which a mutual fund pays out (or distributes) interest, dividends and realized capital gains to shareholders. A fund's distribution rate is usually expressed as an annualized percent of the fund's offering price.

DIVIDEND: This is income generated by securities in a portfolio and distributed after expenses to shareholders.

NET ASSET VALUE (NAV): Net asset value is the total market value of all securities held by a fund, minus any liabilities, divided by the number of shares outstanding. It is the value of a single share of a mutual fund on a given day. The total value of your investment would be the NAV multiplied by the number of shares you own.

SEC YIELD: This standardized calculation of a mutual fund's yield is based on a formula developed by the Securities and Exchange Commission (SEC) to allow funds to be compared on an equal basis. It is an annualized yield based on the portfolio's potential earnings from dividends, interest and yield to maturity of its holdings, and it reflects the payments of all portfolio expenses for the most recent 30-day period. Mutual funds are required to use this figure when stating yield.

TOTAL RETURN: Total return measures a fund's performance, taking into account the combination of dividends paid and the gain or loss in the value of the securities held in the portfolio. It may be expressed on an AVERAGE ANNUAL basis or CUMULATIVE basis (total change over a given period). In addition, total return may be expressed with or without the effects of sales charges or the reinvestment of dividends and capital gains.

Whenever a fund reports any type of performance, it must also report the average annual total return according to the standardized calculation developed by the SEC. The SEC AVERAGE ANNUAL TOTAL RETURN calculation includes the effects of all fees and sales charges and assumes the reinvestment of all dividends and capital gains.

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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

TRUSTEES

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Allan J. Bloostein
Martin Brody
Dwight B. Crane
Heath B. McLendon

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CHAIRMAN OF THE BOARD

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Robert S. Kapito
VICE PRESIDENT AND
INVESTMENT OFFICER

Vincent Nave
TREASURER

Francis J. McNamara, III
SECRETARY

DISTRIBUTOR

Smith Barney Shearson Inc.
388 Greenwich Street
New York, New York 10013

INVESTMENT ADVISER

Smith Barney Shearson
Strategy Advisers Inc.
Two World Trade Center
New York, New York 10048

SUB-INVESTMENT ADVISER

BlackRock Financial
Management L.P.
345 Park Avenue
New York, New York 10154

ADMINISTRATOR

The Boston Company Advisors, Inc.
One Boston Place
Boston, Massachusetts 02108

AUDITORS AND COUNSEL

Coopers & Lybrand
One Post Office Square
Boston, Massachusetts 02109

Willkie Farr & Gallagher
153 East 53rd Street
New York, New York 10022

TRANSFER AGENT

The Shareholder Services Group, Inc.
Exchange Place
Boston, Massachusetts 02109

CUSTODIAN

Boston Safe Deposit and

THE SMITH BARNEY
SHEARSON
APPROACH TO
MUTUAL FUND
INVESTING

1. PERSONAL SERVICE The Smith Barney Shearson Financial Consultant (FC) is highly trained and deeply committed to client service. Your FC works with you to establish a relationship based on one-to-one communication and the highest standards of quality.

2. ANALYZING YOUR NEEDS Defining your needs and establishing specific goals is the first step toward any successful investment program. The Smith Barney Shearson Strategic Asset Allocator -- a sophisticated financial planning tool -- can help you and your FC evaluate your resources and objectives. This groundwork then becomes the basis for a strategy designed specifically for you. Your FC can use the Strategic Asset Allocator on a periodic basis to ensure that your investment strategy is keeping pace with your changing needs and goals.

3. A UNIQUE MUTUAL FUND INVESTMENT PROGRAM Your Smith Barney Shearson FC offers a number of mutual fund assessment tools that are unmatched in the financial services industry. Smith Barney Shearson FCs have access to a proprietary mutual fund research database that provides information at their fingertips on more than 2,100 funds. In addition, working with another proprietary system known as the Mutual Fund Evaluation Service, your FC can help guide you through the complex mutual fund maze.

4. LOOKING AHEAD Selecting a mutual fund should not be a one-event process that ends with the purchase of shares. You can count on the expertise of your FC as he or she continues to monitor and evaluate your funds, to suggest new strategies and to listen. That, in our opinion, is how to use mutual funds to help achieve your financial goals.

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INVESTOR BENEFITS

MONTHLY DISTRIBUTIONS It's your fund's policy to distribute dividend income monthly.

AUTOMATIC REINVESTMENT You may reinvest your dividends and/or capital gains automatically in additional shares of your fund at the current net asset value.

UNLIMITED EXCHANGES If your investment goals change, you may exchange into another Smith Barney Shearson mutual fund with the same sales charge structure without incurring a sales charge.*

SYSTEMATIC INVESTMENT PLAN This program allows you to invest equal dollar amounts automatically on a regular basis, monthly or quarterly.

AUTOMATIC CASH WITHDRAWAL PLAN With this plan, you may withdraw money on a regular basis while maintaining your investment.

MUTUAL FUND EVALUATION SERVICE Through your Financial Consultant, you may obtain a free

personalized analysis of how your fund has performed for you, taking into account the effect of every transaction. The analysis is based upon month-end data from CDA Investment Technologies, Inc., a widely recognized mutual fund information service. An evaluation also gives you other important facts and figures about your investment.

FOR MORE INFORMATION ABOUT THESE BENEFITS, OR IF YOU HAVE ANY OTHER QUESTIONS, PLEASE CALL YOUR FINANCIAL CONSULTANT OR WRITE:

MUTUAL FUND POLICY GROUP
SMITH BARNEY SHEARSON
388 GREENWICH STREET 37TH FLOOR
NEW YORK, NY 10013

*AFTER WRITTEN NOTIFICATION, EXCHANGE PRIVILEGE MAY BE MODIFIED OR TERMINATED AT ANY TIME.

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PERFORMANCE CITED IS THROUGH NOVEMBER 30, 1993. PLEASE CONSULT SMITH BARNEY SHEARSON MUTUAL FUNDS QUARTERLY PERFORMANCE UPDATE FOR FIGURES THROUGH THE MOST RECENT CALENDAR QUARTER.

SMITH BARNEY SHEARSON
ADJUSTABLE RATE
GOVERNMENT
INCOME FUND

Two World Trade Center
New York, New York 10048

Fund 167, 226, 240
FD0301 A4