

DWS STRATEGIC MUNICIPAL INCOME TRUST
Form N-CSR
February 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-05767

DWS Strategic Municipal Income Trust
(Exact Name of Registrant as Specified in Charter)

345 Park Avenue
New York, NY 10154-0004
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert
60 Wall Street
New York, NY 10005
(Name and Address of Agent for Service)

Date of fiscal year end: 11/30

Date of reporting period: 11/30/2011

ITEM 1. REPORT TO STOCKHOLDERS

NOVEMBER 30, 2011
Annual Report
to Shareholders

DWS Strategic Municipal Income Trust
Ticker Symbol: KSM

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The fund's investment objective is to provide a high level of current income exempt from federal income tax.

Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the fund's shares is determined by a number of factors, several of which are beyond the control of the fund. Therefore, the fund cannot predict whether its shares will trade at, below or above net asset value.

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Leverage results in additional risks and can magnify the effect of any losses. Although the fund seeks income that is federally tax-free, a portion of the fund's distributions may be subject to federal, state and local taxes, including the alternative minimum tax.

DWS Investments is part of Deutsche Bank's Asset Management division and, within the U.S., represents the retail asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE NOT A DEPOSIT NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Portfolio Management Review

Market Overview and Fund Performance

Performance is historical and does not guarantee future results. Investment return and principal fluctuate, so your shares may be worth more or less when sold. Current performance may differ from performance data shown. Please visit www.dws-investments.com for the fund's most recent month-end performance. Fund performance includes reinvestment of all distributions.

DWS Strategic Municipal Income Trust returned 9.32% at net asset value for the annual period ended November 30, 2011. The fund's benchmark, the unmanaged Barclays Capital Municipal Bond Index, returned 6.53% for the 12-month period ended November 30, 2011.¹ The fund ranked in the top 14% of the Morningstar Closed-End High-Yield Municipal Funds category during the one-year period (as of 11/30/11, total returns based on net asset value out of 16 funds). The average return of the funds in the Morningstar Closed-End High-Yield Municipal Funds category during the past 12 months ended November 30, 2011 was 8.27%.² The fund's return based on market value was 13.20%. Municipals overall outperformed the broad taxable bond market, as measured by the Barclays Capital Aggregate Bond Index, which returned 5.52% for the same period.³ Over the period, the fund's traded shares went from a slight premium of 3.06% to a premium of 6.73%. The fund maintained its dividend of 7.7 cents per share through the fiscal period.

As the period ended November 30, 2011 opened, negative news concerning budget struggles continued to surround the municipal market, with California, Illinois and Puerto Rico providing many of the headlines. In addition,

municipal market sentiment was impacted by speculation that the November 2010 congressional election results could mean reduced federal aid for states and localities. Adding to pressure on municipal prices, issuance spiked higher in late 2010, as the pending December 31, 2010 expiration of the Build America Bonds program created under the American Recovery and Reinvestment Act caused issuers to predict higher future tax-exempt supply and interest rates going forward.

As 2011 progressed, the municipal market rebounded, helped in large part by a sharp drop in supply. In addition, given very low U.S. Treasury bond rates, demand from institutional buyers crossing over from the taxable market contributed at times to support for municipal prices. These factors helped to counteract outflows from tax-free mutual funds for much of the period. Municipals also benefited as market interest rate levels led by U.S. Treasuries dropped on broader concerns over global growth and European sovereign debt.⁴

Given moderate inflation and concerns over growth and employment, the U.S. Federal Reserve (the Fed) kept the target for its benchmark short-term interest rate between 0% and 0.25% for the entire period. Municipal yields opened the period at relatively low levels by historical standards and declined across all maturities for the 12 months. With short rates anchored by the Fed, the municipal yield curve remained quite steep during the period. (When the yield curve is steep, it means that longer-term bonds provide a greater yield advantage versus short-term bonds).⁵ For the full 12 months, yields on two-year municipal issues fell by 18 basis points, from 0.60% to 0.42%, while bonds with 30-year maturities experienced a yield decline of 44 basis points, from 4.28% to 3.84%, resulting in a flattening of 26 basis points between 2 and 30 years. (100 basis points equal one percentage point. See the following graph for municipal bond yield changes from the beginning to the end of the period.)
Municipal Bond Yield Curve (as of 11/30/10 and 11/30/11)

Source: Thompson Reuters

This chart is for illustrative purposes only and is not intended to represent the yield of any DWS fund. Performance is historical and does not guarantee future results.

For the 12-month period, most municipal market credit spreads — the incremental yield offered by lower-quality issues versus AAA-rated issues — widened, reflecting broader credit market concerns.⁶ However, while there were a handful of prominent issuer bankruptcies, such as Jefferson County, Alabama and American Airlines, the impact on the overall market was negligible and earlier fears of widespread defaults did not materialize.

Positive Contributors to Performance

The fund has the ability to leverage returns to shareholders through the issuance of preferred shares whose dividend rate is tied to short-term interest rates.⁷ With the Fed anchoring short-term rates near zero, the fund's cost of borrowing remained very low for the 12-month period, helping performance. In addition, the fund has achieved leverage through tender option bond programs under which high-quality municipal bonds are placed into a trust and serve as backing for the trust to issue short-term variable rate notes. The proceeds from these variable rate notes are then used to purchase additional bonds, increasing the fund's market exposure and income generation. This approach has also benefited from prevailing near-zero short-term rates.

Given a steep yield curve and Fed policy oriented toward keeping interest rates low, the fund maintained significant exposure to bonds with remaining maturities in the 20-to-30-year range. This helped performance as longer-term issues benefited the most from falling interest rates and rising bond prices.

While credit-oriented segments broadly underperformed, the story was mixed and the fund had exposure to such areas as BBB-rated hospital bonds and health-care-related issues that outperformed.

Negative Contributors to Performance

The fund had relatively low exposure to tobacco-related bonds, constraining returns to a degree as the sector was one of the top-performing areas of the municipal market over the period. In addition, the fund's modest position in airline-related issues was a constraint on returns vs. the benchmark, although our airline exposure was light relative to many of our peers.

Outlook and Positioning

At the end of November 2011, the 10-year municipal yield of 2.22% was 106% of the 2.09% yield on comparable-maturity U.S. Treasuries, as compared to 94% twelve months earlier. The municipal yield curve remains steep, and we are currently maintaining significant exposure to bonds in the 20-to-30-year maturity range. We view credit spreads as attractive, and the fund has approximately 60% of assets in issues rated BBB or lower.

The Fed has committed to maintaining its zero-interest-rate policy through at least the middle of 2013, which we believe is conducive to our current investment approach.

We will continue to take a prudent approach to investing in the municipal market, while seeking to provide a high level of current income exempt from federal income tax.

Investment Advisor

Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), which is part of Deutsche Asset Management, is the investment advisor for DWS Strategic Municipal Income Trust. DIMA and its predecessors have more than 80 years of experience managing mutual funds and DIMA provides a full range of investment advisory services to both institutional and retail clients.

DIMA is an indirect, wholly owned subsidiary of Deutsche Bank AG. Deutsche Bank AG is a major global banking institution engaged in a wide variety of financial services, including investment management, retail, private and commercial banking, investment banking and insurance.

DWS Investments is the retail brand name in the U.S. for the asset management activities of Deutsche Bank AG and DIMA. As such, DWS is committed to delivering the investing expertise, insight and resources of this global investment platform to American investors.

Portfolio Management Team

Philip G. Condon, Managing Director

Lead Portfolio Manager of the fund. Joined the fund in 1998.

- Head of U.S. Retail Fixed Income Funds.
- Joined Deutsche Asset Management in 1983.
- Over 35 years of investment industry experience.
- BA and MBA, University of Massachusetts at Amherst.

Rebecca L. Flinn, Director

Portfolio Manager of the fund. Joined the fund in 1998.

- Joined Deutsche Asset Management in 1986.
- Over 25 years of investment industry experience.
- BA, University of Redlands, California.

The views expressed reflect those of the portfolio management team only through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as a recommendation. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk.

1 The Barclays Capital Municipal Bond Index is an unmanaged, unleveraged, market-value-weighted measure of municipal bonds issued across the United States. Index issues have a credit rating of at least Baa and a maturity of at least two years. Index returns do not reflect any fees or expenses and it is not possible to invest directly into an index.

2 Source: Morningstar, Inc. Rankings are historical and do not guarantee future results. As of November 30, 2011, DWS Strategic Municipal Income Trust ranked as follows in the Morningstar Closed-End High-Yield Municipal Funds category: 1-year, 3/16; 3-year, 5/16; 5-year, 1/15; and 10-year, 1/11. Rankings represent a fund's total return based on net asset value.

3 The Barclays Capital Aggregate Bond Index is an unmanaged, unleveraged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities with average maturities of 1 year or more. Index returns do not reflect fees or expenses and it is not possible to invest directly into an index.

4 "Sovereign debt" refers to government bonds issued in a foreign currency.

5 The yield curve is a graphical representation of how yields on bonds of different maturities compare. Normally, yield curves slant up, as bonds with longer maturities typically offer higher yields than short-term bonds.

6 Credit quality measures a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA and so forth. The lower the rating, the higher the probability of default. Credit quality does not remove market risk and is subject to change.

7 Leverage is the use of various financial instruments or borrowed capital, such as margin, to increase an investment's potential return.

Performance Summary November 30, 2011

Performance is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-investments.com for the Fund's most recent month-end performance.

Fund specific data and performance are provided for informational purposes only and are not intended for trading purposes.

Average Annual Total Returns as of 11/30/11

DWS Strategic Municipal Income Trust	1-Year	3-Year	5-Year	10-Year
Based on Net Asset Value(a)	9.32%	17.97%	7.43%	7.83%
Based on Market Price(a)	13.20%	29.47%	9.23%	8.38%

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Barclays Capital Municipal Bond Index(b)	6.53%	8.41%	4.75%	5.08%
Morningstar Closed-End High-Yield Municipal Funds Category(c)	8.27%	15.64%	3.08%	5.41%

(a) Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market price reflects changes in market price. Each figure assumes that dividend and capital gain distributions, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

(b) The Barclays Capital Municipal Bond Index is an unmanaged, unleveraged market-value-weighted measure of municipal bonds issued across the United States. Index issues have a credit rating of at least Baa and a maturity of at least two years. Index returns do not reflect any fees or expenses and it is not possible to invest directly into an index.

(c) Morningstar's Closed-End High-Yield Municipal Funds category represents high-yield muni portfolios that invest at least 50% of assets in high-income municipal securities that are not rated or that are rated by a major agency such as Standard & Poor's or Moody's at the level of BBB (considered part of the high-yield universe within the municipal industry). Morningstar figures represent the average of the total returns based on net asset value reported by all of the closed-end funds designated by Morningstar, Inc. as falling into the Closed-End High-Yield Municipal Funds category. Category returns assume reinvestment of all distributions. It is not possible to invest directly in a Morningstar category.

Net Asset Value and Market Price

	As of	As of
	11/30/11	11/30/10
Net Asset Value	\$12.49	\$12.40
Market Price	\$13.33	\$12.78

Prices and net asset value fluctuate and are not guaranteed.

Distribution Information

Twelve Months as of 11/30/11:

Income Dividends (common shareholders)	\$.92	
Capital Gain Distributions	\$.06	
November Income Dividend (common shareholders)	\$.0770	
Current Annualized Distribution Rate (Based on Net Asset Value) as of 11/30/11+	7.40	%
Current Annualized Distribution Rate (Based on Market Price) as of 11/30/11+	6.93	%
Tax Equivalent Distribution Rate (Based on Net Asset Value) as of 11/30/11+	11.38	%
Tax Equivalent Distribution Rate (Based on Market Price) as of 11/30/11+	10.66	%

+ Current annualized distribution rate is the latest monthly dividend shown as an annualized percentage of net asset value/market price on November 30, 2011. Distribution rate simply measures the level of dividends and is not a complete measure of performance. Tax equivalent distribution rate is based on the Fund's distribution rate and a marginal income tax rate of 35%. Distribution rates are historical, not guaranteed and will fluctuate.

Morningstar Rankings — Closed-End High-Yield Municipal Funds Category as of 11/30/11

Period	Rank		Number of Funds Tracked	Percentile Ranking (%)
1-Year	3	of	16	14
3-Year	5	of	16	27
5-Year	1	of	15	1
10-Year	1	of	11	1

Source: Morningstar, Inc. Rankings are historical and do not guarantee future results. Rankings are based on net asset value total return with distributions reinvested.

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Portfolio Summary

Asset Allocation (As a % of Investment Portfolio)	11/30/11	11/30/10
Revenue Bonds	83%	83%
General Obligation Bonds	8%	8%
ETM/Prerefunded Bonds	6%	7%
Lease Obligations	3%	2%
	100%	100%

Quality	11/30/11	11/30/10
AAA	7%	8%
AA	11%	10%
A	23%	23%
BBB	30%	25%
BB	3%	7%
B	3%	2%
Below B	1%	1%
Not Rated	22%	24%
	100%	100%

Top Five State/Territory Allocations (As a % of Investment Portfolio)	11/30/11	11/30/10
California	11%	11%
New York	10%	10%
Texas	9%	8%
Illinois	7%	4%
Florida	6%	6%

Asset allocation, quality and top five state/territory allocations are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Credit quality measures a bond issuer's ability to repay interest and principal in a timely manner. Ratings are relative and subjective and are not absolute standards of quality. Credit quality does not remove market risk and is subject to change.

Interest Rate Sensitivity	11/30/11	11/30/10
Effective Maturity	8.9 years	9.7 years
Effective Duration	6.9 years	7.4 years

Effective maturity is the weighted average of the maturity date of the bonds held by the Fund taking into consideration any available maturity shortening features.

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

Interest rate sensitivity is subject to change.

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For more complete details about the Fund's investment portfolio, see page 13. A Fact Sheet is available upon request. Please see the Additional Information section for contact information.

Following the Fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330. The Fund's portfolio holdings as of the month-end are posted on www.dws-investments.com on or after the last day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Investment Portfolio as of November 30, 2011

	Principal Amount (\$)	Value (\$)
Municipal Bonds and Notes 143.4%		
Arizona 2.3%		
Arizona, Project Revenue, Health Facilities Authority, The New Foundation Project, 8.25%, 3/1/2019	1,405,000	1,404,775
Maricopa County, AZ, Pollution Control Corp. Revenue, El Paso Electric Co. Project, Series B, 7.25%, 4/1/2040	1,570,000	1,794,400
		3,199,175
California 14.0%		
California, Health Facilities Financing Authority Revenue, Catholic Healthcare West, Series A, 6.0%, 7/1/2034	1,000,000	1,079,790
California, M-S-R Energy Authority, Series B, 7.0%, 11/1/2034	1,310,000	1,519,129
California, Morongo Band of Mission Indians, Enterprise Casino Revenue, Series B, 144A, 6.5%, 3/1/2028	1,000,000	937,520
California, South Bayside Waste Management Authority, Solid Waste Enterprise, Shoreway Environmental, Series A, 6.25%, 9/1/2029	1,425,000	1,527,315
California, Special Assessment Revenue, Golden State Tobacco Securitization Corp., Series 2003-A-1, Prerefunded, 6.75%, 6/1/2039	4,000,000	4,371,360
California, State General Obligation:		
5.5%, 3/1/2040	1,000,000	1,046,120
5.75%, 4/1/2031	1,000,000	1,101,240
6.0%, 4/1/2038	1,000,000	1,106,920
6.5%, 4/1/2033	1,950,000	2,275,377
California, State Public Works Board Lease Revenue, Capital Projects, Series I-1, 6.375%, 11/1/2034	1,000,000	1,088,280
California, State Public Works Board Lease Revenue, Riverside Campus Project, Series B, 6.125%, 4/1/2028	2,000,000	2,182,100
Sacramento County, CA, Sales & Special Tax Revenue, Bradshaw Road Project, 7.2%, 9/2/2015	545,000	549,158
San Buenaventura, CA, Community Memorial Health Systems, 7.5%, 12/1/2041	500,000	525,100
		19,309,409
Colorado 0.5%		
Colorado, Public Energy Authority, Natural Gas Purchased Revenue, 6.25%, 11/15/2028, GTY: Merrill Lynch & Co., Inc.	635,000	666,553
Connecticut 3.6%		

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Connecticut, Harbor Point Infrastructure Improvement District, Special Obligation Revenue, Harbor Point Project, Series A, 7.875%, 4/1/2039	2,000,000	2,109,200
Greenwich, CT, Multi-Family Housing Revenue, 6.35%, 9/1/2027	2,000,000	1,906,860
Mashantucket, CT, Mashantucket Western Pequot Tribe, Special Revenue, Series A, 144A, 6.5%, 9/1/2031*	705,000	258,841
Mashantucket, CT, Sports Expo & Entertainment Revenue, Mashantucket Western Pequot Tribe: Series B, 144A, Zero Coupon, 9/1/2017*	2,000,000	502,620
Series B, 144A, Zero Coupon, 9/1/2018*	1,000,000	235,260
		5,012,781
Florida 9.7%		
Florida, Capital Region Community Development District, Capital Improvement Revenue, Series A, 7.0%, 5/1/2039	490,000	419,602
Florida, Middle Village Community Development District, Special Assessment, Series A, 6.0%, 5/1/2035	1,000,000	890,840
Florida, Tolomato Community Development District, Special Assessment: 5.4%, 5/1/2037	1,860,000	1,452,232
6.55%, 5/1/2027	850,000	485,648
Hillsborough County, FL, Industrial Development Authority Revenue, Health Facilities, University Community Hospital, Series A, Prerefunded, 5.625%, 8/15/2029	1,875,000	2,346,000
Miami Beach, FL, Health Facilities Authority Hospital Revenue, Mount Sinai Medical Center, 144A, 6.75%, 11/15/2029	1,600,000	1,641,600
Miami-Dade County, FL, Aviation Revenue, Series A, 5.5%, 10/1/2041	3,000,000	3,100,950
Orlando & Orange County, FL, Expressway Authority Revenue, Series C, 5.0%, 7/1/2035	1,080,000	1,118,459
Orlando, FL, Greater Aviation Authority, Airport Facilities Revenue, Jet Blue Airways Corp., AMT, 6.5%, 11/15/2036	1,000,000	953,790
Orlando, FL, Special Assessment Revenue, Conroy Road Interchange Project, Series A, 5.8%, 5/1/2026	960,000	954,854
		13,363,975
Georgia 5.6%		
Americus-Sumter County, GA, Hospital & Healthcare Revenue, Hospital Authority, South Georgia Methodist, Series A, 6.375%, 5/15/2029	1,250,000	1,136,738
Atlanta, GA, Tax Allocation, Beltline Project, Series B, 7.375%, 1/1/2031	1,000,000	1,053,030
Atlanta, GA, Water & Wastewater Revenue, Series A, 6.25%, 11/1/2034	2,000,000	2,218,980
Gainesville & Hall County, GA, Development Authority Retirement Community Revenue, ACTS Retirement, Life Community, Series A-2, 6.625%, 11/15/2039	1,000,000	1,052,290
Georgia, Main Street Natural Gas, Inc., Gas Project Revenue, Series A, 5.5%, 9/15/2024	1,220,000	1,216,181
Georgia, Medical Center Hospital Authority Revenue, Anticipation Certificates, Columbus Regional Healthcare System, 6.5%, 8/1/2038, INS: AGC	1,000,000	1,090,900
		7,768,119
Guam 2.2%		
Guam, Government General Obligation, Series A, 7.0%, 11/15/2039	1,000,000	1,033,150
Guam, Government Waterworks Authority, Water & Wastewater System Revenue, 6.0%, 7/1/2025	1,000,000	1,014,390

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Guam, Power Authority Revenue, Series A, 5.5%, 10/1/2030	1,000,000	988,480 3,036,020
Hawaii 0.4%		
Hawaii, State Department of Budget & Finance, Special Purpose Revenue, Hawaiian Electric Co., Inc., 6.5%, 7/1/2039, GTY: Hawaiian Electric Co., Inc.	500,000	541,265
Idaho 0.2%		
Idaho, Health Facilities Authority Revenue, St. Luke's Regional Medical Center, 6.75%, 11/1/2037	305,000	338,422
Illinois 10.6%		
Channahon, IL, Morris Hospital, Series D, 0.15%** , 12/1/2032, LOC: US Bank NA	510,000	510,000
Chicago, IL, General Obligation, Series A, 5.25%, 1/1/2035	1,000,000	1,028,700
Chicago, IL, O'Hare International Airport Revenue, Series B, 6.0%, 1/1/2041	2,000,000	2,209,840
Illinois, Finance Authority Revenue, Elmhurst Memorial Healthcare, Series A, 5.625%, 1/1/2037	3,000,000	3,002,880
Illinois, Finance Authority Revenue, Friendship Village of Schaumburg, Series A, 5.625%, 2/15/2037	2,000,000	1,638,800
Illinois, Finance Authority Revenue, Park Place of Elmhurst, Series A, 8.0%, 5/15/2030	1,000,000	989,500
Illinois, Finance Authority Revenue, Roosevelt University Project, 6.5%, 4/1/2044	1,000,000	1,042,840
Illinois, Finance Authority Revenue, The Admiral at Lake Project, Series A, 8.0%, 5/15/2040	1,000,000	1,018,340
Illinois, Finance Authority Revenue, Three Crowns Park Plaza, Series A, 5.875%, 2/15/2038	1,000,000	895,820
Illinois, Railsplitter Tobacco Settlement Authority, 6.0%, 6/1/2028	365,000	384,856
Illinois, State Finance Authority Revenue, Trinity Health Corp., Series L, 5.0%, 12/1/2030	1,000,000	1,003,510
Illinois, Upper River Valley Development Authority, Solid Waste Disposal Revenue, Waste Recovery Project, AMT, 5.9%, 2/1/2014, GTY: GreenGold Ray Energies, Inc.	630,000	633,849
University Park, IL, Sales & Special Tax Revenue, Governors Gateway Industrial Park, 8.5%, 12/1/2011	225,000	225,036 14,583,971
Indiana 1.0%		
Indiana, Finance Authority Hospital Revenue, Deaconess Hospital Obligation, Series A, 6.75%, 3/1/2039	525,000	579,427
Vigo County, IN, Hospital Authority Revenue, Union Hospital, Inc., 144A, 5.7%, 9/1/2037	1,000,000	858,200 1,437,627
Iowa 1.4%		
Cedar Rapids, IA, First Mortgage Revenue, Cottage Grove Place, Series A, 5.875%, 7/1/2028	1,670,000	1,044,034
Iowa, Finance Authority Retirement Community Revenue, Edgewater LLC Project, 6.5%, 11/15/2027	1,000,000	888,270 1,932,304
Kansas 0.8%		
Lenexa, KS, Health Care Facility Revenue, Lakeview Village, Inc. Project, 7.25%, 5/15/2039	300,000	301,182

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Wyandotte County, KS, Unified Government Special Obligation Revenue, Sales Tax, Series B, 5.0%, 12/1/2020	815,000	843,957 1,145,139
Kentucky 4.3%		
Kentucky, Economic Development Finance Authority, Hospital Facilities Revenue, Owensboro Medical Health Systems, Series A, 6.5%, 3/1/2045	2,000,000	2,111,460
Kentucky, Economic Development Finance Authority, Louisville Arena Project Revenue, Series A-1, 6.0%, 12/1/2033, INS: AGC	365,000	388,068
Louisville & Jefferson County, KY, Metropolitan Government Health Systems Revenue, Norton Healthcare, Inc., 5.0%, 10/1/2030	3,425,000	3,369,378 5,868,906
Louisiana 4.1%		
Louisiana, Local Government Environmental Facilities, Community Development Authority Revenue, 6.75%, 11/1/2032	1,000,000	1,044,470
Louisiana, St. John Baptist Parish Revenue, Marathon Oil Corp., Series A, 5.125%, 6/1/2037	1,500,000	1,477,950
Morehouse Parish, LA, Pollution Control Revenue, International Paper Co. Project, Series A, 5.25%, 11/15/2013	3,000,000	3,165,360 5,687,780
Maine 0.8%		
Maine, Health & Higher Educational Facilities Authority Revenue, Maine General Medical Center, 6.75%, 7/1/2036	1,000,000	1,034,120
Maryland 4.4%		
Maryland, Economic Development Corp., Pollution Control Revenue, Potomac Electric Power Co., 6.2%, 9/1/2022	1,500,000	1,775,805
Maryland, State Economic Development Corp. Revenue, Senior Lien Project, Chesapeake Bay:		
Series A, 5.0%, 12/1/2031	1,000,000	622,520
Series B, 5.25%, 12/1/2031	1,000,000	650,060
Maryland, State Health & Higher Educational Facilities Authority Revenue, Anne Arundel Health Systems, Series A, 6.75%, 7/1/2039	500,000	563,895
Maryland, State Health & Higher Educational Facilities Authority Revenue, Washington County Hospital:		
5.75%, 1/1/2033	1,000,000	1,010,410
6.0%, 1/1/2028	1,385,000	1,432,256 6,054,946
Massachusetts 5.7%		
Massachusetts, Development Finance Agency, Senior Living Facility Revenue, Groves-Lincoln:		
Series A, 7.75%, 6/1/2039	250,000	251,052
Series A, 7.875%, 6/1/2044	250,000	252,287
Massachusetts, Hospital & Healthcare Revenue, Health & Educational Facilities Authority, Civic Investments, Series A, Prerefunded, 9.0%, 12/15/2015, GTY: Harvard Pilgrim Health Care	1,200,000	1,303,404
Massachusetts, Industrial Development Revenue, Development Finance Agency, Series A, 7.1%, 7/1/2032	1,760,000	1,535,952
Massachusetts, Project Revenue, Health & Educational Facilities Authority, Jordan Hospital, Series E, 6.75%, 10/1/2033	1,790,000	1,796,963
Massachusetts, State Development Finance Agency Revenue, Linden Ponds, Inc. Facility:		

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Series B, 11/15/2056*	505,485	2,477
Series A-2, 5.5%, 11/15/2046	101,629	61,492
Series A-1, 6.25%, 11/15/2039	1,903,948	1,379,144
Massachusetts, State Health & Educational Facilities Authority Revenue, Amherst College, Series J-1, 0.07%** , 11/1/2035	395,000	395,000
Massachusetts, State Health & Educational Facilities Authority Revenue, Milford Regional Medical Center, Series E, 5.0%, 7/15/2037	950,000	819,204
Massachusetts, State Health & Educational Facilities Authority Revenue, Partners Healthcare Systems, Series C, 5.75%, 7/1/2032	35,000	35,268
		7,832,243
Michigan 5.2%		
Kalamazoo, MI, Economic Development Corp. Revenue, Limited Obligation, Heritage Community, 5.5%, 5/15/2036	1,000,000	793,220
Kentwood, MI, Economic Development, Limited Obligation, Holland Home, Series A, 5.375%, 11/15/2036	2,000,000	1,601,540
Michigan, State Building Authority Revenue, Facilities Program, Series I-A, 5.5%, 10/15/2045	2,000,000	2,145,560
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital, 8.25%, 9/1/2039	1,000,000	1,188,930
Tawas City, MI, Hospital Finance Authority, St. Joseph Health Services: Series A, ETM, 5.6%, 2/15/2013	100,000	102,067
Series A, ETM, 5.75%, 2/15/2023	1,300,000	1,305,434
		7,136,751
Minnesota 0.8%		
Minneapolis, MN, Health Care Systems Revenue, Fairview Health Services, Series A, 6.75%, 11/15/2032	1,000,000	1,109,500
Mississippi 1.3%		
Lowndes County, MS, Solid Waste Disposal & Pollution Control Revenue, Weyerhaeuser Co. Project, Series A, 6.8%, 4/1/2022	250,000	266,363
Mississippi, Business Finance Corp., Pollution Control Revenue, Systems Energy Resources, Inc. Project, 5.875%, 4/1/2022	1,000,000	1,004,800
Warren County, MS, Gulf Opportunity Zone, International Paper Co., Series A, 6.5%, 9/1/2032	435,000	466,224
		1,737,387
Missouri 2.2%		
Kirkwood, MO, Industrial Development Authority, Retirement Community Revenue, Aberdeen Heights, Series C-3, 6.5%, 5/15/2015	825,000	825,412
Missouri, State Health & Educational Facilities Authority Revenue, Lutheran Senior Services, Series C, 5.0%, 2/1/2042	2,000,000	1,738,720
St. Louis, MO, Lambert-St. Louis International Airport Revenue, Series A-1, 6.625%, 7/1/2034	415,000	448,823
		3,012,955
Nevada 5.6%		
Clark County, NV, School District, Series A, 5.0%, 6/15/2022, INS: FGIC, NATL	5,140,000	5,696,405
Henderson, NV, Health Care Facility Revenue, Catholic Healthcare West, Series B, 5.25%, 7/1/2031	2,000,000	2,010,960
Nevada, Director State Department of Business & Industry, Las Vegas Monorail Project, Second Tier, 7.375%, 1/1/2030*	2,000,000	2,800
		7,710,165
New Hampshire 2.3%		

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New Hampshire, Hospital & Healthcare Revenue, Rivermead at Peterborough Retirement Community, 5.75%, 7/1/2028	1,500,000	1,386,735
New Hampshire, State Business Finance Authority, Solid Waste Disposal Revenue, Waste Management, Inc. Project, AMT, 5.2%, 5/1/2027	1,750,000	1,779,995 3,166,730
New Jersey 2.8%		
New Jersey, Economic Development Authority Revenue, Cigarette Tax, 5.75%, 6/15/2034	290,000	279,879
New Jersey, Health Care Facilities Financing Authority Revenue, St. Joseph's Health Care System, 6.625%, 7/1/2038	715,000	717,774
New Jersey, Tobacco Settlement Financing Corp., Series 1A, 4.75%, 6/1/2034	4,280,000	2,931,115 3,928,768
New York 10.8%		
New York, State Urban Development Corp. Revenue, Series A3C, 0.09%** , 3/15/2033, SPA: JPMorgan Chase & Co.	1,500,000	1,500,000
New York & New Jersey Port Authority, One Hundred Forty-Seventh, AMT, 5.0%, 10/15/2023, INS: FGIC, NATL	8,260,000	8,911,466
New York & New Jersey Port Authority, Special Obligation Revenue, JFK International Air Terminal LLC, 6.0%, 12/1/2042	680,000	712,640
New York City, NY, Industrial Development Agency Revenue, Liberty-7, World Trade Center, Series A, 6.25%, 3/1/2015	2,000,000	2,004,280
New York City, NY, Industrial Development Agency, Special Facility Revenue, American Airlines, JFK International Airport, AMT, 8.0%, 8/1/2028, GTY: AMR Corp.	2,000,000	1,725,880 14,854,266
North Carolina 1.6%		
North Carolina, Electric Revenue, Municipal Power Agency, Series C, 5.375%, 1/1/2017	1,000,000	1,043,410
North Carolina, Medical Care Commission, Health Care Facilities Revenue, University Health Systems, Series D, 6.25%, 12/1/2033	1,000,000	1,110,140 2,153,550
Pennsylvania 3.0%		
Butler County, PA, Hospital Authority Revenue, Butler Health Systems Project, 7.25%, 7/1/2039	2,000,000	2,199,620
Montgomery County, PA, Industrial Development Authority Revenue, Whitmarsh Continuing Care, 6.25%, 2/1/2035	600,000	506,556
Philadelphia, Redevelopment Authority Revenue, First Lien Mortgage, Series A, 6.5%, 1/1/2029	557,900	558,547
Westmoreland County, PA, Industrial Development Authority Revenue, Retirement Community-Redstone, Series A, 5.875%, 1/1/2032	1,000,000	883,970 4,148,693
Puerto Rico 7.4%		
Commonwealth of Puerto Rico, Aqueduct & Sewer Authority Revenue, Series A, 6.0%, 7/1/2038	4,000,000	4,150,360
Puerto Rico, Public Buildings Authority Revenue, Series Q, 5.625%, 7/1/2039	1,000,000	1,018,470
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue: Series A, 5.375%, 8/1/2039	1,000,000	1,031,250
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue: Series A, 6.5%, 8/1/2044	2,000,000	2,263,100

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Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue, Convertible Capital Appreciation, Series A, Step-up Coupon, 0% to 8/1/2016, 6.75% to 8/1/2032	2,000,000	1,811,060 10,274,240
South Carolina 1.9%		
Hardeeville, SC, Assessment Revenue, Anderson Tract Municipal Improvement District, Series A, 7.75%, 11/1/2039	983,000	834,537
South Carolina, Jobs Economic Development Authority Revenue, Bon Secours Health System, Series B, 5.625%, 11/15/2030	1,585,000	1,585,396
South Carolina, Jobs Economic Development Authority, Hospital Facilities Revenue, Palmetto Health Alliance, Series C, Prerefunded, 7.0%, 8/1/2030	170,000	188,340 2,608,273
South Dakota 1.5%		
South Dakota, Hospital & Healthcare Revenue, Sioux Valley Hospital, Series E, 5.375%, 11/1/2024	2,000,000	2,083,700
Tennessee 3.1%		
Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue: 5.0%, 12/15/2017	500,000	509,780
5.0%, 12/15/2018	540,000	545,459
Johnson City, TN, Health & Educational Facilities Board Hospital Revenue, Mountain States Health Alliance, Series A, 7.75%, 7/1/2038	1,000,000	1,137,730
Johnson City, TN, Hospital & Healthcare Revenue, Health & Educational Facilities Board Hospital, Series A, Prerefunded, 7.5%, 7/1/2033	2,000,000	2,125,060 4,318,029
Texas 13.7%		
Abilene, TX, Senior Care Revenue, Health Facilities Development, Sears Methodist Retirement Facilities, Series A, 5.9%, 11/15/2025	2,500,000	2,051,550
Austin, TX, Austin-Bergstrom Landhost Enterprises, Inc., Airport Hotel Project, Series A, 3.375%, 4/1/2027 (a)	1,960,000	1,086,683
Brazos River, TX, Harbor Navigation District, Brazoria County Environmental Health, Dow Chemical Co. Project: Series B-2, 4.95%, 5/15/2033	1,000,000	947,460
Series A-3, AMT, 5.125%, 5/15/2033	1,000,000	921,170
Central Texas, Regional Mobility Authority Revenue, Senior Lien, 6.0%, 1/1/2041	545,000	549,518
Harris County, TX, Cultural Educational Facilities Finance Corp. Revenue, YMCA of Greater Houston, Series C, 0.12%** , 6/1/2038, LOC: Bank of America NA	690,000	690,000
Houston, TX, Transportation/Tolls Revenue, Special Facilities, Continental Airlines, Inc., Series E, AMT, 6.75%, 7/1/2029	2,000,000	1,987,040
Matagorda County, TX, Navigation District No. 1, Pollution Control Revenue, AEP Texas Central Co. Project, Series A, 4.4%, 5/1/2030, INS: AMBAC	2,250,000	2,094,030
North Texas, Tollway Authority Revenue, Toll Second Tier, Series F, 5.75%, 1/1/2033	2,000,000	2,095,400
San Antonio, TX, Convention Center Hotel Finance Corp., Contract Revenue, Empowerment Zone, Series A, AMT, 5.0%, 7/15/2039, INS: AMBAC	1,000,000 1,000,000	876,150 993,770

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Tarrant County, TX, Cultural Education Facilities Finance Corp., Retirement Facility, Mirador Project, Series A, 8.25%, 11/15/2044		
Texas, Industrial Development Revenue, Waste Disposal Authority, Series A, AMT, 6.1%, 8/1/2024	1,000,000	1,025,110
Texas, Love Field Airport Modernization Corp., Special Facilities Revenue, Southwest Airlines Co. Project, 5.25%, 11/1/2040	1,055,000	1,021,430
Texas, SA Energy Acquisition Public Facility Corp., Gas Supply Revenue, 5.5%, 8/1/2020	2,000,000	2,050,820
Travis County, TX, Health Facilities Development Corp. Revenue, Westminster Manor Health, 7.125%, 11/1/2040	510,000	531,634
		18,921,765
Virgin Islands 2.0%		
Virgin Islands, Sales & Special Tax Revenue, Public Finance Authority, Series A, 6.375%, 10/1/2019	2,740,000	2,745,781
Virginia 1.1%		
Washington County, VA, Industrial Development Authority, Hospital Facility Revenue, Mountain States Health Alliance, Series C, 7.75%, 7/1/2038	1,370,000	1,555,238
Washington 1.9%		
Washington, State Health Care Facilities Authority Revenue, Series C, 5.375%, 8/15/2028, INS: Radian	595,000	582,749
Washington, State Health Care Facilities Authority Revenue, Virginia Mason Medical Center, Series A, 6.125%, 8/15/2037	2,000,000	2,028,580
		2,611,329
Wisconsin 3.6%		
Wisconsin, Hospital & Healthcare Revenue, Health & Educational Facilities Authority, Aurora Health Care, Inc., 6.875%, 4/15/2030	1,000,000	1,028,090
Wisconsin, State Health & Educational Facilities Authority Revenue, Aurora Health Care, Inc., Series A, 5.6%, 2/15/2029	1,000,000	1,000,250
Wisconsin, State Health & Educational Facilities Authority Revenue, Prohealth Care, Inc. Obligation Group, 6.625%, 2/15/2039	1,110,000	1,199,466
Wisconsin, State Health & Educational Facilities Authority Revenue, Thedacare, Inc., Series A, 5.5%, 12/15/2038	1,765,000	1,808,137
		5,035,943
Total Municipal Bonds and Notes (Cost \$187,812,399)		197,925,818
Municipal Inverse Floating Rate Notes (b) 12.5%		
California 3.2%		
San Diego County, CA, Water Authority Revenue, Certificates of Participation, Series 2008-A, 5.0%, 5/1/2027, INS: AGMC (c)	2,121,349	2,277,184
San Diego County, CA, Water Authority Revenue, Certificates of Participation, Series 2008-A, 5.0%, 5/1/2028, INS: AGMC (c)	1,930,312	2,072,112
Trust: San Diego County, CA, Water Utility Improvements, Certificates of Participation, Series 2008-1104, 144A, 9.223%, 5/1/2027, Leverage Factor at purchase date: 2 to 1		4,349,296
New York 4.5%		
New York, State Dormitory Authority, State Personal Income Tax Revenue, Series A, 5.0%, 3/15/2023 (c)	5,535,000	