

DWS STRATEGIC MUNICIPAL INCOME TRUST
Form N-CSRS
July 28, 2011

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

FORM N-CSRS

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: (201) 593-6408

Paul Schubert
100 Plaza One
Jersey City, NJ 07311
(Name and Address of Agent for Service)

Date of fiscal year end: 11/30

Date of reporting period:5/31/2011

ITEM 1. REPORT TO STOCKHOLDERS

MAY 31, 2011
Semiannual 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 US, 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

Performance Summary May 31, 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 5/31/11

DWS Strategic Municipal Income Trust	6-Month‡	1-Year	3-Year	5-Year	10-Year
Based on Net Asset Value(a)	1.34%	3.50%	9.19%	6.84%	7.44%
Based on Market Price(a)	0.87%	-0.25%	10.63%	6.88%	7.79%
Barclays Capital Municipal Bond Index(b)	2.04%	3.18%	5.06%	4.78%	5.02%
Lipper Closed-End High Yield Municipal Debt Funds Category(c)	1.38%	3.33%	3.85%	2.88%	4.77%

Sources: Lipper Inc. and Deutsche Investment Management Americas Inc.

‡ Total returns shown for periods less than one year are not annualized.

(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, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

(c) The Lipper Closed-End High Yield Municipal Debt Funds category includes funds that invest at least 50% of their assets in lower-rated municipal debt issues. Lipper figures represent the average of the total returns based on net asset value reported by all of the closed-end funds designated by Lipper Inc. as falling into the Closed-End High Yield Municipal Debt Funds category. Category returns assume reinvestment of all distributions. It is not possible to invest directly in a Lipper category.

Net Asset Value and Market Price

	As of 5/31/11	As of 11/30/10
Net Asset Value	\$12.02	\$12.40
Market Price	\$12.33	\$12.78

Prices and net asset value fluctuate and are not guaranteed.

Distribution Information

Six Months as of 5/31/11:

Income Dividends (common shareholders)	\$.46	
Capital Gain Distributions	\$.06	
May Income Dividend (common shareholders)	\$.0770	
Current Annualized Distribution Rate (Based on Net Asset Value) as of 5/31/11+	7.69	%
Current Annualized Distribution Rate (Based on Market Price) as of 5/31/11+	7.49	%
Tax Equivalent Distribution Rate (Based on Net Asset Value) as of 5/31/11+	11.83	%
Tax Equivalent Distribution Rate (Based on Market Price) as of 5/31/11+	11.52	%

+ Current annualized distribution rate is the latest monthly dividend shown as an annualized percentage of net asset value/market price on May 31, 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.

Lipper Rankings — Closed-End High Yield Municipal Debt Funds Category as of 5/31/11

Period	Rank		Number of Funds Tracked	Percentile Ranking (%)
1-Year	5	of	14	34
3-Year	1	of	14	7
5-Year	1	of	13	8
10-Year	1	of	10	10

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

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio)	5/31/11	11/30/10
Revenue Bonds	84%	83%
General Obligation Bonds	8%	8%
ETM/Prerefunded Bonds	6%	7%
Lease Obligations	2%	2%
	100%	100%

Quality	5/31/11	11/30/10
AAA	7%	8%
AA	11%	10%
A	24%	23%
BBB	27%	25%
BB	5%	7%
B	2%	2%
Below B	1%	1%
Not Rated	23%	24%
	100%	100%

Top Five State/Territory Allocations (As a % of Investment Portfolio)	5/31/11	11/30/10
California	11%	11%
New York	9%	10%
Texas	8%	8%
Florida	6%	6%
Illinois	5%	4%

Asset allocation, quality and top five state 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. Ratings are relative and subjective and are not absolute standards of quality. The Fund's credit quality does not remove market risk and is subject to change.

Interest Rate Sensitivity	5/31/11	11/30/10
Effective Maturity	11.0 years	9.7 years
Effective Duration	7.2 years	7.4 years

Effective maturity is the weighted average 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.

For more complete details about the Fund's investment portfolio, see page 8. 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.

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Investment Portfolio as of May 31, 2011 (Unaudited)

	Principal Amount (\$)	Value (\$)
Municipal Bonds and Notes 146.1%		
Alabama 0.6%		
Sylacauga, AL, Health Care Authority Revenue, Coosa Valley Medical Center, Series A, 6.0%, 8/1/2035	1,000,000	829,780
Arizona 2.4%		
Arizona, Project Revenue, Health Facilities Authority, The New Foundation Project, 8.25%, 3/1/2019	1,405,000	1,405,366
Maricopa County, AZ, Pollution Control Corp. Revenue, El Paso Electric Co. Project, Series B, 7.25%, 4/1/2040	1,570,000	1,742,794
		3,148,160
California 14.8%		
California, Health Facilities Financing Authority Revenue, Catholic Healthcare West, Series A, 6.0%, 7/1/2034	1,000,000	1,033,540
California, M-S-R Energy Authority, Series B, 7.0%, 11/1/2034	1,310,000	1,478,924
California, Morongo Band of Mission Indians, Enterprise Casino Revenue, Series B, 144A, 6.5%, 3/1/2028	1,000,000	940,220
California, South Bayside Waste Management Authority, Solid Waste Enterprise, Shoreway Environmental, Series A, 6.25%, 9/1/2029	1,425,000	1,497,376
California, Special Assessment Revenue, Golden State Tobacco Securitization Corp., Series 2003-A-1, Prerefunded, 6.75%, 6/1/2039	4,000,000	4,485,600
California, State General Obligation:		
5.5%, 3/1/2040	1,000,000	1,027,510
5.75%, 4/1/2031	1,000,000	1,073,150
6.0%, 4/1/2038	1,000,000	1,067,080
6.5%, 4/1/2033	1,950,000	2,179,671
California, State Public Works Board Lease Revenue, Capital Projects, Series I-1, 6.375%, 11/1/2034	1,000,000	1,058,260
California, State Public Works Board Lease Revenue, Riverside Campus Project, Series B, 6.125%, 4/1/2028	2,000,000	2,114,320
Hayward, CA, Multi-Family Housing Revenue, Shorewood, Series A, 0.2%***, 7/15/2014, LIQ: Fannie Mae	1,000,000	1,000,000
Sacramento County, CA, Sales & Special Tax Revenue, Bradshaw Road Project, 7.2%, 9/2/2015	655,000	659,487
		19,615,138
Colorado 0.5%		
Colorado, Public Energy Authority, Natural Gas Purchased Revenue, 6.25%, 11/15/2028, GTY: Merrill Lynch & Co., Inc.	635,000	671,830
Connecticut 3.9%		
Connecticut, Harbor Point Infrastructure Improvement District, Special Obligation Revenue, Harbor Point Project, Series A, 7.875%, 4/1/2039	2,000,000	2,115,320
Greenwich, CT, Multi-Family Housing Revenue, 6.35%, 9/1/2027	2,000,000	2,031,560
Mashantucket, CT, Mashantucket Western Pequot Tribe, Special Revenue, Series A, 144A, 6.5%, 9/1/2031*	705,000	269,578
Mashantucket, CT, Sports Expo & Entertainment Revenue, Mashantucket Western Pequot Tribe:		

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Series B, 144A, Zero Coupon, 9/1/2017*	2,000,000	532,340
Series B, 144A, Zero Coupon, 9/1/2018*	1,000,000	249,860
		5,198,658
Florida 9.9%		
Florida, Capital Region Community Development District, Capital Improvement Revenue, Series A, 7.0%, 5/1/2039	490,000	402,653
Florida, Middle Village Community Development District, Special Assessment, Series A, 6.0%, 5/1/2035	1,000,000	888,850
Florida, Tolomato Community Development District, Special Assessment:		
5.4%, 5/1/2037	1,875,000	1,397,175
6.55%, 5/1/2027	850,000	555,892
Hillsborough County, FL, Industrial Development Authority Revenue, Health Facilities, University Community Hospital, Series A, Prerefunded, 5.625%, 8/15/2029	1,875,000	2,333,062
Miami Beach, FL, Health Facilities Authority Hospital Revenue, Mount Sinai Medical Center, 144A, 6.75%, 11/15/2029	1,600,000	1,601,184
Miami-Dade County, FL, Aviation Revenue, Series A, 5.5%, 10/1/2041	3,000,000	3,000,750
Orlando & Orange County, FL, Expressway Authority Revenue, Series C, 5.0%, 7/1/2035	1,080,000	1,062,860
Orlando, FL, Greater Aviation Authority, Airport Facilities Revenue, Jet Blue Airways Corp., AMT, 6.5%, 11/15/2036	1,000,000	922,930
Orlando, FL, Special Assessment Revenue, Conroy Road Interchange Project, Series A, 5.8%, 5/1/2026	960,000	895,507
		13,060,863
Georgia 5.7%		
Americus-Sumter County, GA, Hospital & Healthcare Revenue, Hospital Authority, South Georgia Methodist, Series A, 6.375%, 5/15/2029	1,250,000	1,074,963
Atlanta, GA, Tax Allocation, Beltline Project, Series B, 7.375%, 1/1/2031	1,000,000	1,018,160
Atlanta, GA, Water & Wastewater Revenue, Series A, 6.25%, 11/1/2034	2,000,000	2,152,160
Gainesville & Hall County, GA, Development Authority Retirement Community Revenue, ACTS Retirement, Life Community, Series A-2, 6.625%, 11/15/2039	1,000,000	1,028,260
Georgia, Main Street Natural Gas, Inc., Gas Project Revenue, Series A, 5.5%, 9/15/2024	1,220,000	1,218,865
Georgia, Medical Center Hospital Authority Revenue, Anticipation Certificates, Columbus Regional Healthcare System, 6.5%, 8/1/2038, INS: AGC	1,000,000	1,044,940
		7,537,348
Guam 2.2%		
Guam, Government General Obligation, Series A, 7.0%, 11/15/2039	1,000,000	1,032,220
Guam, Government Waterworks Authority, Water & Wastewater System Revenue, 6.0%, 7/1/2025	1,000,000	961,380
Guam, Power Authority Revenue, Series A, 5.5%, 10/1/2030	1,000,000	953,040
		2,946,640
Hawaii 0.4%		
Hawaii, State Department of Budget & Finance, Special Purpose Revenue, Hawaiian Electric Co., 6.5%, 7/1/2039, GTY: Hawaiian Electric Co.	500,000	503,115
Idaho 0.2%		

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Idaho, Health Facilities Authority Revenue, St. Luke's Regional Medical Center, 6.75%, 11/1/2037	305,000	331,813
Illinois 8.6%		
Chicago, IL, O'Hare International Airport Revenue, Series B, 6.0%, 1/1/2041	2,000,000	2,095,620
Illinois, Finance Authority Revenue, Elmhurst Memorial Healthcare, Series A, 5.625%, 1/1/2037	3,000,000	2,684,850
Illinois, Finance Authority Revenue, Friendship Village of Schaumburg, Series A, 5.625%, 2/15/2037	2,000,000	1,563,840
Illinois, Finance Authority Revenue, Park Place of Elmhurst, Series A, 8.0%, 5/15/2030	1,000,000	979,920
Illinois, Finance Authority Revenue, Roosevelt University Project, 6.5%, 4/1/2044	1,000,000	1,017,890
Illinois, Finance Authority Revenue, The Admiral at Lake Project, Series A, 8.0%, 5/15/2040	1,000,000	965,100
Illinois, Finance Authority Revenue, Three Crowns Park Plaza, Series A, 5.875%, 2/15/2038	1,000,000	866,910
Illinois, Railsplitter Tobacco Settlement Authority, 6.0%, 6/1/2028	365,000	367,179
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	631,159
University Park, IL, Sales & Special Tax Revenue, Governors Gateway Industrial Park, 8.5%, 12/1/2011	225,000	225,961
		11,398,429
Indiana 1.0%		
Indiana, Finance Authority Hospital Revenue, Deaconess Hospital Obligation, Series A, 6.75%, 3/1/2039	525,000	565,898
Vigo County, IN, Hospital Authority Revenue, Union Hospital, Inc., 144A, 5.7%, 9/1/2037	1,000,000	806,000
		1,371,898
Iowa 1.5%		
Cedar Rapids, IA, First Mortgage Revenue, Cottage Grove Place, Series A, 5.875%, 7/1/2028	1,670,000	1,110,016
Iowa, Finance Authority Retirement Community Revenue, Edgewater LLC Project, 6.5%, 11/15/2027	1,000,000	924,040
		2,034,056
Kansas 1.1%		
Lenexa, KS, Health Care Facility Revenue, Lakeview Village, Inc. Project, 7.25%, 5/15/2039	300,000	273,144
Wyandotte County, KS, Unified Government Special Obligation Revenue, Sales Tax, Series B, 5.0%, 12/1/2020	1,160,000	1,186,715
		1,459,859
Kentucky 4.3%		
Kentucky, Economic Development Finance Authority, Health System Revenue, Norton Healthcare, Series A, 6.625%, 10/1/2028	215,000	215,714
Kentucky, Economic Development Finance Authority, Hospital Facilities Revenue, Owensboro Medical Health Systems, Series A, 6.5%, 3/1/2045	2,000,000	1,997,020
Kentucky, Economic Development Finance Authority, Louisville Arena Project Revenue, Series A-1, 6.0%, 12/1/2033, INS: AGC	365,000	379,673
	3,425,000	3,097,638

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Louisville & Jefferson County, KY, Metropolitan Government Health Systems Revenue, Norton Healthcare, Inc., 5.0%, 10/1/2030		5,690,045
Louisiana 4.3%		
Louisiana, Local Government Environmental Facilities, Community Development Authority Revenue, 6.75%, 11/1/2032	1,000,000	1,030,600
Louisiana, St. John Baptist Parish Revenue, Marathon Oil Corp., Series A, 5.125%, 6/1/2037	1,500,000	1,448,205
Morehouse Parish, LA, Pollution Control Revenue, International Paper Co. Project, Series A, 5.25%, 11/15/2013	3,000,000	3,217,230
		5,696,035
Maryland 4.4%		
Maryland, Economic Development Corp., Pollution Control Revenue, Potomac Electric Power Co., 6.2%, 9/1/2022	1,500,000	1,753,095
Maryland, State Economic Development Corp. Revenue, Senior Lien Project, Chesapeake Bay:		
Series A, 5.0%, 12/1/2031	1,000,000	615,830
Series B, 5.25%, 12/1/2031	1,000,000	636,030
Maryland, State Health & Higher Educational Facilities Authority Revenue, Anne Arundel Health Systems, Series A, 6.75%, 7/1/2039	500,000	551,630
Maryland, State Health & Higher Educational Facilities Authority Revenue, Washington County Hospital:		
5.75%, 1/1/2033	1,000,000	950,210
6.0%, 1/1/2028	1,385,000	1,390,886
		5,897,681
Massachusetts 7.5%		
Massachusetts, Development Finance Agency, Senior Living Facility Revenue, Groves-Lincoln:		
Series A, 7.75%, 6/1/2039	250,000	249,008
Series A, 7.875%, 6/1/2044	250,000	250,630
Massachusetts, Hospital & Healthcare Revenue, Health & Educational Facilities Authority, Civic Investments, Series A, Prerefunded, 9.0%, 12/15/2015, GTY: Harvard Pilgrim Health Care, Inc.	1,400,000	1,566,348
Massachusetts, Industrial Development Revenue, Development Finance Agency, Series A, 7.1%, 7/1/2032	1,800,000	1,602,720
Massachusetts, Project Revenue, Health & Educational Facilities Authority, Jordan Hospital, Series E, 6.75%, 10/1/2033	1,790,000	1,657,146
Massachusetts, State Development Finance Agency Revenue, Linden Ponds, Inc. Facility, Series A, 5.75%, 11/15/2035	2,700,000	1,518,075
Massachusetts, State Development Finance Agency Revenue, YMCA of Greater Worcester, 0.16%**, 9/1/2041, LOC: TD Bank NA	1,500,000	1,500,000
Massachusetts, State Health & Educational Facilities Authority Revenue, Amherst College, Series J-1, 0.11%**, 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	780,130
Massachusetts, State Health & Educational Facilities Authority Revenue, Partners Healthcare Systems, Series C, 5.75%, 7/1/2032	35,000	35,320
Massachusetts, State Industrial Finance Agency Revenue, JHC Assisted Living Corp., Series A, 144A, 0.18%**, 12/1/2029, LOC: TD Bank NA	350,000	350,000
		9,904,377
Michigan 3.7%		

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Kalamazoo, MI, Economic Development Corp. Revenue, Limited Obligation, Heritage Community, 5.5%, 5/15/2036	1,000,000	754,940
Kentwood, MI, Economic Development, Limited Obligation, Holland Home, Series A, 5.375%, 11/15/2036	2,000,000	1,572,860
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital, 8.25%, 9/1/2039	1,000,000	1,150,860
Tawas City, MI, Hospital Finance Authority, St. Joseph Health Services: Series A, ETM, 5.6%, 2/15/2013	100,000	103,136
Series A, ETM, 5.75%, 2/15/2023	1,300,000	1,305,473
		4,887,269
Minnesota 0.8%		
Minneapolis, MN, Health Care Systems Revenue, Fairview Health Services, Series A, 6.75%, 11/15/2032	1,000,000	1,087,030
Mississippi 1.3%		
Lowndes County, MS, Solid Waste Disposal & Pollution Control Revenue, Weyerhaeuser Co. Project, Series A, 6.8%, 4/1/2022	250,000	263,617
Mississippi, Business Finance Corp., Pollution Control Revenue, Systems Energy Resources, Inc. Project, 5.875%, 4/1/2022	1,000,000	995,320
Warren County, MS, Gulf Opportunity Zone, International Paper Co., Series A, 6.5%, 9/1/2032	435,000	453,340
		1,712,277
Missouri 2.3%		
Branson, MO, Regional Airport Transportation Development District, Airport Revenue, Series B, AMT, 6.0%, 7/1/2037	250,000	108,050
Kirkwood, MO, Industrial Development Authority, Retirement Community Revenue, Aberdeen Heights, Series C-3, 6.5%, 5/15/2015	825,000	825,561
Missouri, State Health & Educational Facilities Authority Revenue, Lutheran Senior Services, Series C, 5.0%, 2/1/2042	2,000,000	1,637,140
St. Louis, MO, Lambert-St. Louis International Airport Revenue, Series A-1, 6.625%, 7/1/2034	415,000	432,878
		3,003,629
Nevada 6.5%		
Clark County, NV, School District, Series A, 5.0%, 6/15/2022, INS: FGIC, NATL	6,140,000	6,727,905
Henderson, NV, Health Care Facility Revenue, Catholic Healthcare West, Series B, 5.25%, 7/1/2031	2,000,000	1,937,200
Nevada, Director State Department of Business & Industry, Las Vegas Monorail Project, Second Tier, 7.375%, 1/1/2030*	2,000,000	3,500
		8,668,605
New Hampshire 2.2%		
New Hampshire, Hospital & Healthcare Revenue, Rivermead at Peterborough Retirement Community, 5.75%, 7/1/2028	1,500,000	1,264,650
New Hampshire, State Business Finance Authority, Solid Waste Disposal Revenue, Waste Management, Inc. Project, AMT, 5.2%, 5/1/2027	1,750,000	1,702,838
		2,967,488
New Jersey 1.3%		
New Jersey, Economic Development Authority Revenue, Cigarette Tax, 5.75%, 6/15/2034	290,000	263,874
New Jersey, Health Care Facilities Financing Authority Revenue, St. Joseph's Health Care System, 6.625%, 7/1/2038	1,430,000	1,439,910

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		1,703,784
New York 10.1%		
Nassau County, NY, Project Revenue, North Shore Healthcare Systems Project, Series B, 5.875%, 11/1/2011	130,000	131,754
New York & New Jersey Port Authority, One Hundred Forty-Seventh, AMT, 5.0%, 10/15/2023, INS: FGIC, NATL	8,260,000	8,450,475
New York & New Jersey Port Authority, Special Obligation Revenue, JFK International Air Terminal LLC, 6.0%, 12/1/2042	680,000	679,619
New York City, NY, Industrial Development Agency Revenue, Liberty-7, World Trade Center, Series A, 6.25%, 3/1/2015	2,000,000	2,008,760
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	2,069,560
		13,340,168
North Carolina 1.6%		
North Carolina, Electric Revenue, Municipal Power Agency, Series C, 5.375%, 1/1/2017	1,000,000	1,050,080
North Carolina, Medical Care Commission, Health Care Facilities Revenue, University Health Systems, Series D, 6.25%, 12/1/2033	1,000,000	1,079,980
		2,130,060
Ohio 2.4%		
Buckeye, OH, Tobacco Settlement Financing Authority, Series A-2, 5.875%, 6/1/2030	4,350,000	3,185,635
Pennsylvania 3.1%		
Butler County, PA, Hospital Authority Revenue, Butler Health Systems Project, 7.25%, 7/1/2039	2,000,000	2,156,820
Montgomery County, PA, Industrial Development Authority Revenue, Whitmarsh Continuing Care, 6.25%, 2/1/2035	600,000	490,800
Philadelphia, Redevelopment Authority Revenue, First Lien Mortgage, Series A, 6.5%, 1/1/2029	566,100	566,581
Westmoreland County, PA, Industrial Development Authority Revenue, Retirement Community-Redstone, Series A, 5.875%, 1/1/2032	1,000,000	846,070
		4,060,271
Puerto Rico 8.2%		
Commonwealth of Puerto Rico, Aqueduct & Sewer Authority Revenue, Series A, 6.0%, 7/1/2038	4,000,000	4,012,320
Commonwealth of Puerto Rico, Highway & Transportation Authority Revenue, Series L, 5.25%, 7/1/2038, INS: AMBAC	1,300,000	1,189,643
Puerto Rico, Public Buildings Authority Revenue, Series Q, 5.625%, 7/1/2039	1,000,000	965,090
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue: Series A, 5.375%, 8/1/2039	1,000,000	976,520
Series A, 6.5%, 8/1/2044	2,000,000	2,132,680
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	1,630,460
		10,906,713
South Carolina 1.9%		
Hardeeville, SC, Assessment Revenue, Anderson Tract Municipal Improvement District, Series A, 7.75%, 11/1/2039	983,000	802,629
	1,585,000	1,563,761

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South Carolina, Jobs Economic Development Authority Revenue, Bon Secours Health System, Series B, 5.625%, 11/15/2030		
South Carolina, Jobs Economic Development Authority, Hospital Facilities Revenue, Palmetto Health Alliance, Series C, Prerefunded, 7.0%, 8/1/2030	170,000	193,193
		2,559,583
South Dakota 1.6%		
South Dakota, Hospital & Healthcare Revenue, Sioux Valley Hospital, Series E, 5.375%, 11/1/2024	2,000,000	2,078,180
Tennessee 3.6%		
Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue: 5.0%, 12/15/2017	500,000	519,585
5.0%, 12/15/2018	540,000	552,031
Jackson, TN, Energy Authority, Water Systems Revenue, 0.18%**, 12/1/2023, LOC: US Bank NA	500,000	500,000
Johnson City, TN, Health & Educational Facilities Board Hospital Revenue, Mountain States Health Alliance, Series A, 7.75%, 7/1/2038	1,000,000	1,085,030
Johnson City, TN, Hospital & Healthcare Revenue, Health & Educational Facilities Board Hospital, Series A, Prerefunded, 7.5%, 7/1/2033	2,000,000	2,180,680
		4,837,326
Texas 13.1%		
Abilene, TX, Senior Care Revenue, Health Facilities Development, Sears Methodist Retirement Facilities, Series A, 5.9%, 11/15/2025	2,500,000	1,964,025
Austin, TX, Austin-Bergstrom Landhost Enterprises, Inc., Airport Hotel Project, Series A, 3.375%, 4/1/2027 (a)	1,960,000	1,109,046
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	900,340
Series A-3, AMT, 5.125%, 5/15/2033	1,000,000	933,200
Houston, TX, Transportation/Tolls Revenue, Special Facilities, Continental Airlines, Inc., Series E, AMT, 6.75%, 7/1/2029	2,000,000	1,957,000
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	2,070,720
North Texas, Tollway Authority Revenue, Toll Second Tier, Series F, 5.75%, 1/1/2033	2,000,000	2,015,120
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	847,570
Tarrant County, TX, Cultural Education Facilities Finance Corp., Retirement Facility, Mirador Project, Series A, 8.25%, 11/15/2044	1,000,000	991,510
Texas, Industrial Development Revenue, Waste Disposal Authority, Series A, AMT, 6.1%, 8/1/2024	1,000,000	1,006,110
Texas, Love Field Airport Modernization Corp., Special Facilities Revenue, Southwest Airlines Co. Project, 5.25%, 11/1/2040	1,055,000	954,163
Texas, SA Energy Acquisition Public Facility Corp., Gas Supply Revenue, 5.5%, 8/1/2020	2,000,000	2,053,140
Travis County, TX, Health Facilities Development Corp. Revenue, Westminster Manor Health, 7.125%, 11/1/2040	510,000	503,467
		17,305,411

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Virgin Islands 2.3%		
Virgin Islands, Sales & Special Tax Revenue, Public Finance Authority, Series A, 6.375%, 10/1/2019	3,000,000	3,021,810
Virginia 1.2%		
Washington County, VA, Industrial Development Authority, Hospital Facility Revenue, Mountain States Health Alliance, Series C, 7.75%, 7/1/2038	1,370,000	1,530,167
Washington 1.9%		
Washington, State Health Care Facilities Authority Revenue, Series C, 5.375%, 8/15/2028, INS: Radian	595,000	556,587
Washington, State Health Care Facilities Authority Revenue, Virginia Mason Medical Center, Series A, 6.125%, 8/15/2037	2,000,000	1,925,400
		2,481,987
Wisconsin 3.7%		
Wisconsin, Hospital & Healthcare Revenue, Health & Educational Facilities Authority, Aurora Health Care, Inc., 6.875%, 4/15/2030	1,000,000	1,026,210
Wisconsin, State Health & Educational Facilities Authority Revenue, Aurora Health Care, Inc., Series A, 5.6%, 2/15/2029	1,000,000	999,980
Wisconsin, State Health & Educational Facilities Authority Revenue, Prohealth Care, Inc. Obligation Group, 6.625%, 2/15/2039	1,110,000	1,174,602
Wisconsin, State Health & Educational Facilities Authority Revenue, Thedacare, Inc., Series A, 5.5%, 12/15/2038	1,765,000	1,755,045
		4,955,837
Total Municipal Bonds and Notes (Cost \$187,589,678)		193,718,955
Municipal Inverse Floating Rate Notes (b) 12.7%		
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	2,225,741
San Diego County, CA, Water Authority Revenue, Certificates of Participation, Series 2008-A, 5.0%, 5/1/2028, INS: AGMC (c)	1,930,312	2,025,302
Trust: San Diego County, CA, Water Utility Improvements, Certificates of Participation, Series 2008-1104, 144A, 9.203%, 5/1/2027, Leverage Factor at purchase date: 2 to 1		4,251,043
New York 4.6%		
New York, State Dormitory Authority, State Personal Income Tax Revenue, Series A, 5.0%, 3/15/2023 (c)	5,535,000	6,045,747
Trust: New York, State Dormitory Authority Revenue, Secondary Issues, Series 1955-2, 144A, 17.854%, 3/15/2023, Leverage Factor at purchase date: 4 to 1		
Tennessee 4.9%		
Nashville & Davidson County, TN, Metropolitan Government, 5.0%, 1/1/2024 (c)	5,918,585	6,507,743
Trust: Nashville & Davidson County, TN, Metropolitan Government, Series 2631-1, 144A, 17.866%, 1/1/2024, Leverage Factor at purchase date: 4 to 1		
Total Municipal Inverse Floating Rate Notes (Cost \$15,915,392)		16,804,533

Value (\$)

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	% of Net Assets	
Total Investment Portfolio (Cost \$203,505,070)+	158.8	210,523,488
Other Assets and Liabilities, Net	(6.0)	(7,970,972)
Preferred Shares, at Redemption Value	(52.8)	(70,000,000)
Net Assets Applicable to Common Shareholders	100.0	132,552,516

The following table represents bonds that are in default:

Security	Coupon		Maturity Date	Principal Amount (\$)	Acquisition Cost (\$)	Value (\$)
Mashantucket, CT, Mashantucket Western Pequot Tribe, Special Revenue, Series A, 144A*	6.5	%	9/1/2031	705,000	735,378	269,578
Mashantucket, CT, Sports Expo & Entertainment Revenue, Mashantucket Western Pequot Tribe, Series B, 144A*	0.0	%	9/1/2017	2,000,000	930,679	532,340
Mashantucket, CT, Sports Expo & Entertainment Revenue, Mashantucket Western Pequot Tribe, Series B, 144A*	0.0	%	9/1/2018	1,000,000	436,601	249,860
Nevada, Director State Department of Business & Industry, Las Vegas Monorail Project, Second Tier*	7.375	%	1/1/2030	2,000,000	1,933,273	3,500
Austin, TX, Austin-Bergstrom Landhost Enterprises, Inc., Airport Hotel Project, Series A (a)	3.375	%	4/1/2027	1,960,000	1,960,000 5,995,931	1,109,046 2,164,324

* Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest.

** Variable rate demand notes are securities whose interest rates are reset periodically at market levels. These securities are often payable on demand and are shown at their current rates as of May 31, 2011.

+ The cost for federal income tax purposes was \$202,679,654. At May 31, 2011, net unrealized appreciation for all securities based on tax cost was \$7,843,834. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$15,652,549 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,808,715.

(a) Partial interest paying security. The rate shown represents 50% of the original coupon rate.

(b) Securities represent the underlying municipal obligations of inverse floating rate obligations held by the Fund.

(c) Security forms part of the below tender option bond trust. Principal Amount and Value shown take into account the leverage factor.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

AGC: Assured Guaranty Corp.

AGMC: Assured Guaranty Municipal Corp.

AMBAC: Ambac Financial Group, Inc.

AMT: Subject to alternative minimum tax.

ETM: Bonds bearing the description ETM (escrow to maturity) are collateralized usually by US Treasury securities which are held in escrow and used to pay principal and interest on bonds so designated.

FGIC: Financial Guaranty Insurance Co.

GTY: Guaranty Agreement

INS: Insured

LIQ: Liquidity Facility

LOC: Letter of Credit

NATL: National Public Finance Guarantee Corp.

Prerefunded: Bonds which are prerefunded are collateralized usually by US Treasury securities which are held in escrow and used to pay principal and interest on tax-exempt issues and to retire the bonds in full at the earliest refunding date.

Radian: Radian Asset Assurance, Inc.

Fair Value Measurements

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of May 31, 2011 in valuing the Fund's investments. For information on the Fund's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Municipal Investments (d)	\$—	\$210,523,488	\$—	\$210,523,488
Total	\$—	\$210,523,488	\$—	\$210,523,488

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended May 31, 2011.

(d) See Investment Portfolio for additional detailed categorizations.

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The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities
as of May 31, 2011 (Unaudited)

Assets	
Investments in non-affiliated securities, at value (cost \$203,505,070)	\$210,523,488
Receivable for investments sold	215,000
Interest receivable	3,261,752
Other assets	1,321
Total assets	214,001,561
Liabilities	
Cash overdraft	617,813
Payable for floating rate notes issued	10,615,039
Distributions payable	4,088
Accrued management fee	103,338
Other accrued expenses and payables	108,767
Total liabilities	11,449,045
Preferred shares, at redemption value	70,000,000
Net assets applicable to common shareholders, at value	\$132,552,516
Net Assets Applicable to Common Shareholders Consist of	
Undistributed net investment income	3,268,213
Net unrealized appreciation (depreciation) on investments	7,018,418
Accumulated net realized gain (loss)	(175,046)
Paid-in capital	122,440,931
Net assets applicable to common shareholders, at value	\$132,552,516
Net Asset Value	
Net Asset Value per common share (\$132,552,516 ÷ 11,029,858 outstanding shares of beneficial interest, \$.01 par value, unlimited number of common shares authorized)	\$12.02

The accompanying notes are an integral part of the financial statements.

Statement of Operations
for the six months ended May 31, 2011 (Unaudited)

Investment Income	
Income:	
Interest	\$6,468,384
Expenses:	
Management fee	595,760
Services to shareholders	16,717
Custodian fee	4,240
Professional fees	37,082
Reports to shareholders	29,778
Trustees' fees and expenses	3,335
Interest expense and fees on floating rate notes issued	44,106
Auction service fee	88,816
Stock exchange listing fees	13,463
Other	24,645
Total expenses	857,942
Net investment income	5,610,442
Realized and Unrealized Gain (Loss)	

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Net realized gain (loss) from investments	(733,902)
Change in net unrealized appreciation (depreciation) on investments	(3,170,304)
Net gain (loss)	(3,904,206)
Net increase (decrease) in net assets resulting from operations	1,706,236
Distributions to Preferred Shareholders	(145,740)
Net increase (decrease) in net assets applicable to common shareholders	\$1,560,496

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

for the six months ended May 31, 2011 (Unaudited)

Increase (Decrease) in Cash:

Cash Flows from Operating Activities

Net increase (decrease) in net assets resulting from operations (excluding distributions to Preferred Shareholders)		\$1,706,236
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided (used) by operating activities:		
Purchases of long-term investments	(21,349,495)	
Net amortization/accretion of premium (discount)	(185,520)	
Proceeds from sales and maturities of long-term investments	20,081,132	
(Increase) decrease in interest receivable	50,615	
(Increase) decrease in other assets	43,428	
(Increase) decrease in receivable for investments sold	390,821	
Increase (decrease) in other accrued expenses and payables	(31,976)	
Change in net unrealized (appreciation) depreciation on investments	3,170,304	
Net realized (gain) loss from investments	733,902	
Cash provided (used) by operating activities	4,609,447	
Cash Flows from Financing Activities		
Net increase (decrease) in cash overdraft	617,813	
Distributions paid (net of reinvestment of distributions)	(5,588,589)	
Cash provided (used) by financing activities	(4,970,776)	
Increase (decrease) in cash	(361,329)	
Cash at beginning of period	361,329	
Cash at end of period	\$—	
Supplemental Disclosure of Non-Cash Financing Activities:		
Reinvestment of distributions	\$294,781	
Interest expense and fees paid on floating rate notes	\$(44,106)	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

	Six Months Ended May 31, 2011 (Unaudited)	Year Ended November 30, 2010
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 5,610,442	\$ 11,034,311
Net realized gain (loss)	(733,902)	943,002
Change in net unrealized appreciation (depreciation)	(3,170,304)	2,750,310
Net increase (decrease) in net assets resulting from operations	1,706,236	