

SCUDDER MUNICIPAL INCOME TRUST  
Form N-CSR  
February 08, 2005

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

FORM N-CSR

Investment Company Act file number 811-05655

SCUDDER MUNICIPAL INCOME TRUST

-----  
(Exact Name of Registrant as Specified in Charter)

222 South Riverside Plaza, Chicago, IL 60606

-----  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (617) 295-2663  
-----

Salvatore Schiavone  
Two International Place  
Boston, Massachusetts 02110

-----  
(Name and Address of Agent for Service)

Date of fiscal year end: 11/30

Date of reporting period: 11/30/04

<b>Scudder Municipal Income Trust</b>	
	<b>Annual Report to Shareholders</b>
	<b>November 30, 2004</b>

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*Investments in funds involve risk. Certain investors' income may be subject to the federal Alternative Minimum Tax (AMT), and state and local taxes may also apply. 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*

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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. The fund invests individual bonds whose yields and market values fluctuate, so that your investment may be worth more or less than its original cost.

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Investment Management Americas Inc., Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Bank Trust Company Americas and Scudder Trust Company.

Fund shares are not FDIC-insured and are not deposits or other obligations of, or guaranteed by, any bank. Fund shares involve investment risk, including possible loss of principal.

### Performance Summary November 30, 2004

Performance is historical, assumes reinvestment of all dividends and capital gains, 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 [scudder.com](http://scudder.com) for the Fund's most recent performance.

#### Average Annual Total Returns as of 11/30/04

Scudder Municipal Income Trust	1-Year	3-Year	5-Year	10-Year
Based on Net Asset Value <sup>(a)</sup>	5.50%	8.44%	9.52%	8.27%
Based on Market Price	7.57%	8.87%	10.30%	8.04%
Lehman Brothers Municipal Bond Index <sup>+</sup>	4.07%	5.68%	6.78%	7.16%

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

#### Net Asset Value and Market Price

	As of 11/30/04	As of 11/30/03
Net Asset Value	\$ 12.42	\$ 12.59
Market Price	\$ 12.03	\$ 11.96

#### Distribution Information

Twelve Months:	
Income Dividends (common shareholders) as of 11/30/04	\$ .81
November Income Dividend (common shareholders)	\$ .0675
Current Annualized Distribution Rate (based on Net Asset Value) as of 11/30/04 <sup>++</sup>	6.52%
Current Annualized Distribution Rate (based on Market Price) as of 11/30/04 <sup>++</sup>	6.73%
Tax Equivalent Distribution Rate (based on Net Asset Value) as of 11/30/04 <sup>++</sup>	10.03%
Tax Equivalent Distribution Rate (based on Market Price) as of 11/30/04 <sup>++</sup>	10.35%

<sup>a</sup> Total investment returns reflect changes in net asset value per share during each period and assume that dividends and capital gains distributions, if any, were reinvested. These percentages are not an indication of the performance of a shareholder's investment in the Fund based on market price.

<sup>+</sup> The unmanaged Lehman Brothers Municipal Bond Index is a 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 assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

<sup>++</sup> Current annualized distribution rate is the latest monthly dividend shown as an annualized percentage of net asset value/market price on November 30, 2004. 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 and will fluctuate.

### Portfolio Management Review

#### Scudder Municipal Income Trust: A Team Approach to Investing

Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), which is part of Deutsche Asset Management, is the investment advisor for Scudder Municipal Income Trust. DeIM and its predecessors have more than 80 years of experience managing mutual funds and DeIM provides a full range of investment advisory services to institutional and retail clients. DeIM is also responsible for selecting brokers and dealers and for negotiating brokerage commissions and dealer charges.

Deutsche Asset Management is a global asset management organization that offers a wide range of investing expertise and resources. This well-resourced global investment platform brings together a wide variety of experience and investment insight across industries, regions, asset classes and investing styles.

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

## Portfolio Management Team

*Philip G. Condon*

Managing Director of Deutsche Asset Management and Co-Lead Portfolio Manager of the fund.

Joined Deutsche Asset Management in 1983 and the fund team in 1998.

Over 28 years of investment industry experience.

MBA, University of Massachusetts at Amherst.

*Eleanor R. Brennan*

Director of Deutsche Asset Management and Co-Lead Portfolio Manager of the fund.

Joined Deutsche Asset Management in 1995 and the fund team in 1998.

Over 18 years of investment industry experience.

MS, Drexel University.

Philip G. Condon and Eleanor R. Brennan serve as Co-Lead Portfolio Managers of Scudder Municipal Income Trust. In the following interview, Scudder's municipal bond team discusses the fund's performance for the period and the market environment for municipal bonds.

### **Q: Will you describe the general market environment during the annual period ended November 30, 2004?**

**A:** Municipal bonds and the broad bond market, in general, delivered strong results for the 12-month period ended November 30, 2004. The municipal bond market, as measured by the Lehman Brothers Municipal Bond Index, returned 4.07% for the annual period ended November 30, 2004.<sup>1</sup> The broad bond market, as measured by the Lehman Brothers Aggregate Bond Index, returned 4.44% for the same period.<sup>2</sup>

<sup>1</sup> *The unmanaged Lehman Brothers Municipal Bond Index is a 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.*

<sup>2</sup> *The Lehman Brothers Aggregate Bond Index is an unmanaged 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 one year or more.*

*Index returns assume reinvestment of dividends and, unlike fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.*

Municipal bond new issue supply was lower for the 11-month (calendar year-to-date) period ended November 30, 2004, versus the same period in 2003. Because of concerns about rising interest rates, municipal bond demand was low among mutual fund investors. However, demand from institutional investors was strong. This combination of declining supply and solid demand helped municipal bonds outperform many taxable alternatives. Supply and demand factors are important because they are one way a bond's price can be driven higher or lower. High demand or low supply can cause a bond's price to rise, while lessened demand or a flood of supply can cause a bond's price to decline. A bond's yield moves in the opposite direction of its price.

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During the period, the Federal Reserve Board increased the federal funds rate, the benchmark for market interest rates, to 2.00% in four increments of 0.25 percentage points. However, slowing economic growth and rising oil prices helped keep yields in the bond market from rising as much as investors anticipated and caused yields to decline in some maturities. (A rise in interest rates causes the price of a bond in the market to fall, which would make bonds a less attractive security to own.)

Overall, the municipal bond yield curve flattened during the period.<sup>3</sup> Generally, municipal bond yields with shorter maturities rose, while yields of 15- and 20-year bonds declined slightly. Yields of bonds with maturities of 30 years rose slightly. A flattening curve means that the difference in yields between longer-term and shorter-term maturities is decreasing, and investors have less incentive to tie their money up in longer-maturity bonds, which can be more sensitive to interest rate changes. The fund's portfolio managers track the movements of the yield curve and position the fund's investments based upon their expectations for future yield curve fluctuations, while also working to keep the fund's duration similar to that of its benchmark, the Lehman Brothers Municipal Bond Index.<sup>4</sup> (See the graph on the following page for municipal bond yield changes from the beginning to the end of the period.)

<sup>3</sup> The yield curve is a graph with a left-to-right line that shows how high or low yields are, from the shortest to the longest maturities. Typically (and when the yield curve is characterized as "steep," this is especially true) the line rises from left to right as investors who are willing to tie up their money for a longer period are rewarded with higher yields.

<sup>4</sup> Duration is a measure of bond price volatility. Duration can be defined as the approximate percentage change in price for a 100-basis-point (one single percentage point) change in market interest rate levels. A duration of 1.25, for example, means that the price of a bond or bond portfolio should rise by approximately 1.25% for a one-percentage-point drop in interest rates. And, that it should fall by 1.25% for a one-percentage-point rise in interest rates.

### **AAA Municipal bond yield curve (as of 11/30/03 and 11/30/04)**

Source: Municipal Market Data

This chart is not intended to represent the yield of any Scudder fund.

#### **Q: How did Scudder Municipal Income Trust perform for the 12-month period ended November 30, 2004?**

**A:** Scudder Municipal Income Trust delivered strong absolute and relative results. The fund's total return based on net asset value was 5.50% for the annual period. The fund posted a total return based on market value of 7.57%. The fund's benchmark, the unmanaged Lehman Brothers Municipal Bond Index, returned 4.07%. (Past performance is no guarantee of future results. Please see page 3 for more complete performance information.)

#### **Q: How was the fund positioned, and how did this positioning contribute to its performance for the annual period ended November 30, 2004?**

**A:** Strong individual credit selection helped deliver the fund's strong returns. During the period, we added to our California Bond holdings, which were positive contributors, as their spreads tightened.<sup>5</sup>

<sup>5</sup> The yield spread is the difference between the yield of a municipal bond and the yield of an AAA-rated municipal credit. A large spread indicates that investors require yields substantially above those of Treasuries in order to invest in high-yield bonds. This is generally indicative of a higher-risk environment. A smaller spread generally indicates a more positive environment, since investors are less concerned about risk and therefore willing to accept lower yields. A tightening in the yield spread is a positive.

The fund's returns were held back somewhat by more defensive positioning in terms of the coupon, duration and credit quality of the bonds we chose. Generally, we held bonds with higher relative credit quality. The fund's results benefited from some of our holdings in longer-maturity bonds. We are comfortable with this positioning and believe it will help the fund deliver attractive overall longer-term results.

Overall, we believe municipal bond valuations relative to Treasuries and agencies remain attractive.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

**Portfolio Summary** November 30, 2004

Portfolio Composition	11/30/04	11/30/03
Revenue Bonds	62%	67%
ETM/Prerefunded Bonds	16%	12%
US Government Secured	15%	15%
Lease Obligations	7%	6%
	100%	100%

Quality	11/30/04	11/30/03
AAA	70%	72%
AA	5%	4%
A	14%	9%
BBB	9%	12%
BB	1%	1%
Not Rated	1%	2%
	100%	100%

Interest Rate Sensitivity	11/30/04	11/30/03
Average Maturity	6.8 years	8.3 years
Duration	5.4 years	5.6 years

Top Five State Allocations (Percentage of Investment Portfolio)	11/30/04	11/30/03
Texas	13%	13%
California	11%	6%
New York	9%	7%
New Jersey	7%	7%
Illinois	6%	7%

Portfolio composition, quality, interest rate sensitivity and top five state allocations are subject to change.

The quality ratings represent the lower of Moody's Investors Services, 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.

For more complete details about the Fund's investment portfolio, see page 10. A quarterly 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](http://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.

**Investment Portfolio** as of November 30, 2004

	Principal Amount (\$)	Value (\$)
<b>Municipal Investments 152.7%</b>		
<b>Alabama 5.2%</b>		
Alabama, Port Authority Revenue, Docks Department, AMT, 6.3%, 10/1/2021 (b)	8,250,000	8,906,452
Camden, AL, Industrial Development Board Revenue, AMT, Series B, 6.375%, 12/1/2024	1,000,000	1,075,810
Huntsville, AL, Hospital & Healthcare Revenue, Health Care Authority, Series A, 5.75%, 6/1/2031	5,500,000	5,725,775
Huntsville, AL, Water & Sewer Revenue, AMT, 5.75%, 10/1/2011 (b)	8,560,000	9,428,241
		<b>25,136,278</b>
<b>Arizona 1.6%</b>		
Arizona, Hospital & Healthcare Revenue, Health Facilities Authority, Catholic Healthcare West, Series A, 6.625%, 7/1/2020	7,000,000	<b>7,772,590</b>

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<b>California 16.1%</b>		
California, Electric Revenue, Department of Water Resources and Power Supply, Series A, 5.375%, 5/1/2022	7,350,000	7,820,106
California, General Obligation, 5.125%, 4/1/2024	4,400,000	4,554,880
California, General Obligation, Economic Recovery, Series A, 5.0%, 7/1/2015 (b)	8,500,000	9,294,920
California, Hospital & Healthcare Revenue, Health Facilities Funding Authority, Adventist Health Systems, Series A, 5.0%, 3/1/2028	1,000,000	993,530
California, Special Assessment Revenue, Golden State Tobacco Securitization Corp.:		
Series B, 5.625%, 6/1/2038	7,080,000	7,435,982
Series 2003-A-1, 6.75%, 6/1/2039	11,730,000	11,733,754
California, State General Obligation:		
5.0%, 12/1/2020	4,600,000	4,821,582
5.25%, 2/1/2021	1,000,000	1,061,020
5.25%, 12/1/2021	10,215,000	10,887,453
5.25%, 4/1/2030	6,250,000	6,392,688
California, State Revenue Lease, Public Works Board, Department of Corrections, Series C, 5.5%, 6/1/2021	2,500,000	2,705,500
California, State Revenue Lease, Public Works Board, University of California Projects, Series F, 5.0%, 11/1/2025	1,000,000	1,022,330
Palmdale, CA, Water District Revenue, Certificates of Participation, 5.0%, 10/1/2034 (b)	3,570,000	3,609,877
Sacramento County, CA, Airport Revenue, AMT, Series A, 5.9%, 7/1/2024 (b)	5,000,000	5,294,000
		<b>77,627,622</b>
<b>Colorado 8.3%</b>		
Adams County, CO, Multi-Family Housing Revenue, Oasis Park Apartments Project, Series A, 6.15%, 1/1/2026	6,000,000	6,189,720
Colorado, Hospital & Healthcare Revenue, Portercare Adventist Health Project, 6.5%, 11/15/2031	1,000,000	1,095,850
Colorado, Hospital & Healthcare Revenue, Poudre Valley Health Facilities:		
Series A, 5.5%, 12/1/2017 (b)	6,145,000	6,708,005
Series A, 6.0%, 12/1/2015 (b)	5,705,000	6,422,460
Series A, 6.0%, 12/1/2016 (b)	2,000,000	2,251,520
Colorado, Single Family Housing Revenue, AMT, Series B2, 7.25%, 10/1/2031	375,000	386,584
Colorado, Transportation/Tolls Revenue, Anticipation Note, Prerefunded, 6.0%, 6/15/2011 (b)	10,000,000	11,502,200
Denver, CO, Airport Revenue, AMT, Series A, 6.0%, 11/15/2014 (b)	5,000,000	5,554,200
		<b>40,110,539</b>
<b>District of Columbia 7.5%</b>		
District of Columbia, Core City General Obligation, Series B, 5.5%, 6/1/2011 (b)	20,000,000	22,435,600
District of Columbia, ETM, Series A, Prerefunded, 5.5%, 6/1/2014 (b)	640,000	706,432
District of Columbia, State General Obligation:		
Series A, 5.25%, 6/1/2027 (b)	10,830,000	11,185,657
Series A, 5.5%, 6/1/2014 (b)	1,860,000	2,052,622
		<b>36,380,311</b>
<b>Florida 6.4%</b>		
Dade County, FL, Airport Revenue, AMT, Series A, 5.75%, 10/1/2026 (b)	13,000,000	13,762,710
Dade County, FL, Special Assessment Revenue:		
Series B, Prerefunded, Zero Coupon, 10/1/2022 (b)	7,735,000	2,992,749
Series B, Prerefunded, Zero Coupon, 10/1/2024 (b)	16,955,000	5,777,755
Hillsborough County, FL, Industrial Development Revenue, University Community Hospital Project, Series A, 5.625%, 8/15/2023	1,000,000	1,003,480
Miami-Dade County, FL, Transportation/Tolls Revenue, Expressway Authority:		
6.0%, 7/1/2013 (b)	1,665,000	1,899,582
6.0%, 7/1/2014 (b)	1,000,000	1,140,890
Orange County, FL, Hospital & Healthcare Revenue, Health Facilities Authority, Orlando Regional Healthcare, 5.75%, 12/1/2032	1,000,000	1,053,410
Palm Beach County, FL, School District Revenue Lease, Series A, Prerefunded, 5.75%, 8/1/2017 (b)	2,850,000	3,261,312
		<b>30,891,888</b>
<b>Georgia 1.1%</b>		
Atlanta, GA, Water & Wastewater Revenue, Water Utilities Improvements, 5.0%, 11/1/2024 (b)	4,000,000	4,156,840
Burke County, GA, Development Authority Pollution Control Revenue, Oglethorpe Power Corp., 1.69%, 1/1/2021 (b) (c)	785,000	785,000
Monroe County, GA, Development Authority Pollution Control Revenue, Oglethorpe Power, Series B, 1.69%, 1/1/2020 (b) (c)	200,000	200,000
		<b>5,141,840</b>
<b>Hawaii 7.4%</b>		
Hawaii, Airports System Revenue, AMT, Series B, 6.5%, 7/1/2013 (b)	8,800,000	10,049,512
Hawaii, Electric Revenue, Department of Budget & Finance, AMT:		
Series D, 6.15%, 1/1/2020 (b)	2,195,000	2,425,080

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Series A, 6.2%, 5/1/2026 (b)	13,200,000	13,916,628
Hawaii, Port Authority Revenue, AMT:		
Series A, 6.0%, 7/1/2011 (b)	2,950,000	3,320,667
Series A, 6.0%, 7/1/2012 (b)	3,135,000	3,468,282
Hawaii, State General Obligation, Series CT, Prerefunded, 5.75%, 9/1/2014 (b)	2,310,000	2,622,012
		<b>35,802,181</b>
<b>Idaho 0.1%</b>		
Idaho, Single Family Housing Revenue, AMT, Series C2, 6.9%, 7/1/2025	410,000	<b>410,504</b>
<b>Illinois 8.9%</b>		
Chicago, IL, Airport Revenue, O'Hare International Airport, AMT, 5.5%, 1/1/2014 (b)	10,000,000	10,804,900
Chicago, IL, Core City General Obligation:		
Series A, Prerefunded, 6.0%, 1/1/2014 (b)	2,085,000	2,407,550
Series A, Prerefunded, 6.125%, 1/1/2015 (b)	2,000,000	2,322,120
Series A, 6.125%, 1/1/2016 (b)	2,000,000	2,288,900
Chicago, IL, Other General Obligation, Neighborhoods Alive 21 Project:		
Series A, Prerefunded, 6.0%, 1/1/2015 (b)	1,000,000	1,154,700
Series A, 6.0%, 1/1/2017 (b)	1,000,000	1,135,960
Illinois, Higher Education Revenue, DePaul University, Educational Facilities Authority:		
Prerefunded, 5.625%, 10/1/2013 (b)	2,695,000	3,071,168
Prerefunded, 5.625%, 10/1/2015 (b)	1,710,000	1,948,682
Illinois, Hospital & Healthcare Revenue, Adventist Health System, 5.5%, 11/15/2020	2,500,000	2,620,675
Illinois, Hospital & Healthcare Revenue, Children's Memorial Hospital, Series A, Prerefunded, 5.625%, 8/15/2019 (b)	4,000,000	4,498,040
Illinois, Pollution Control Revenue, Commonwealth Edison Co. Project, Series D, 6.75%, 3/1/2015	4,220,000	4,348,878
Illinois, Sales & Special Tax Revenue, Metropolitan Pier & Exposition Authority:		
Series A, ETM, 5.5%, 6/15/2017 (b)	1,955,000	2,251,359
Series A, 5.5%, 6/15/2017 (b)	1,555,000	1,769,232
Will County, IL, Industrial Development Revenue, Mobil Oil Refining Corp. Project, AMT, 6.0%, 2/1/2027	2,000,000	2,074,860
		<b>42,697,024</b>
<b>Indiana 1.1%</b>		
Indiana, Hospital & Healthcare Revenue, Health Facilities Authority, 5.5%, 11/1/2031	5,000,000	<b>5,136,950</b>
<b>Kansas 0.6%</b>		
Overland Park, KS, Industrial Development Revenue, Development Corp., Series A, 7.375%, 1/1/2032	3,000,000	<b>3,055,890</b>
<b>Kentucky 1.5%</b>		
Breckinridge County, KY, Lease Program Revenue, Kentucky Association Counties Leasing Trust, Series A, 1.68%, 2/1/2032, US Bank NA (c) (d)	585,000	585,000
Kentucky, Hospital & Healthcare Revenue, Economic Development Finance Authority, Norton Healthcare, Inc.:		
Series A, 6.5%, 10/1/2020	2,000,000	2,166,120
Series A, 6.625%, 10/1/2028	4,000,000	4,287,400
		<b>7,038,520</b>
<b>Louisiana 0.5%</b>		
Louisiana, Electric Revenue, 5.75%, 1/1/2013 (b)	2,000,000	<b>2,294,000</b>
<b>Maine 1.7%</b>		
Maine, Hospital & Healthcare Revenue, Series D, 5.7%, 7/1/2013 (b)	1,550,000	1,585,402
Maine, Transportation/Tolls Revenue, 5.0%, 7/1/2017 (b)	6,165,000	6,543,161
		<b>8,128,563</b>
<b>Maryland 0.5%</b>		
Maryland, Hospital & Healthcare Revenue, University of Maryland Medical System, 6.75%, 7/1/2030	2,500,000	<b>2,814,250</b>
<b>Massachusetts 3.5%</b>		
Massachusetts, Airport Revenue, AMT, Series B, 5.5%, 7/1/2009 (b)	8,000,000	8,773,440
Massachusetts, Airport Revenue, U.S. Airways, Inc. Project, AMT, Series A, 5.875%, 9/1/2023 (b)	5,000,000	5,152,750
Massachusetts, Port Authority Revenue, AMT, Series B, 5.5%, 7/1/2015 (b)	3,000,000	3,221,010
		<b>17,147,200</b>
<b>Michigan 2.2%</b>		
Chippewa County, MI, Hospital & Healthcare Revenue, Chippewa County War Memorial, Series B, 5.625%, 11/1/2014	1,500,000	1,504,830
Michigan, Industrial Development Revenue:		
5.5%, 6/1/2018 (b)	3,425,000	3,749,930
5.75%, 6/1/2016 (b)	4,640,000	5,171,976
		<b>10,426,736</b>
<b>Minnesota 1.6%</b>		

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Minneapolis and St. Paul, MN, Airport Revenue, AMT, Series B, 6.0%, 1/1/2012 (b)	4,395,000	4,849,795
Minneapolis and St. Paul, MN, Port Authority Revenue, AMT, Series B, 5.625%, 1/1/2015 (b)	2,500,000	2,704,850
		<b>7,554,645</b>
<b>Missouri 1.2%</b>		
Missouri, Hospital & Healthcare Revenue, Lake of the Ozarks General Hospital:		
Prerefunded, 6.5%, 2/15/2021	760,000	811,718
6.5%, 2/15/2021	365,000	377,290
St. Louis, MO, Industrial Development Authority Revenue, St. Louis Convention Center:		
AMT, Series A, 6.875%, 12/15/2020	1,500,000	1,199,145
AMT, Series A, 7.2%, 12/15/2028	4,000,000	3,218,600
		<b>5,606,753</b>
<b>Nevada 2.5%</b>		
Las Vegas, NV, Core City General Obligation, Water & Sewer Revenue, 5.375%, 4/1/2014 (b)	2,705,000	2,989,241
Nevada, State General Obligation, Capital Improvement and Cultural Affairs Project, Series A, 5.5%, 2/1/2014	2,575,000	2,837,727
Washoe County, NV, School District General Obligation, Prerefunded, 5.75%, 6/1/2014 (b)	5,450,000	6,164,441
		<b>11,991,409</b>
<b>New Jersey 11.1%</b>		
New Jersey, Casino Reinvestment Development Authority, Hotel Room Fee Revenue, 5.0%, 1/1/2025 (b)	4,000,000	4,130,040
New Jersey, Economic Development Authority Revenue, Cigarette Tax, 5.75%, 6/15/2034	1,090,000	1,113,479
New Jersey, Hospital & Healthcare Revenue, General Hospital Center at Passaic, ETM, 6.75%, 7/1/2019 (b)	5,000,000	6,312,550
New Jersey, Industrial Development Revenue, American Water Co., Inc. Project, AMT, Series A, 6.875%, 11/1/2034 (b)	10,775,000	11,029,936
New Jersey, Industrial Development Revenue, Economic Development Authority, Harrogate, Inc., Series A, 5.875%, 12/1/2026	1,400,000	1,411,494
New Jersey, Resource Recovery Revenue, Tobacco Settlement Financing Corp., 5.75%, 6/1/2032	2,465,000	2,341,232
New Jersey, State Agency General Obligation Lease, Transportation Trust Fund Authority, Series A, Prerefunded, 5.75%, 6/15/2017	10,000,000	11,339,100
New Jersey, Transportation/Tolls Revenue, Economic Development Authority, Series A, Prerefunded, 5.75%, 5/1/2013 (b)	6,000,000	6,717,060
New Jersey, Transportation/Tolls Revenue, Garden State Parkway Project, Prerefunded, 5.6%, 1/1/2017 (b)	8,000,000	9,028,800
		<b>53,423,691</b>
<b>New York 13.8%</b>		
Nassau County, NY, Hospital & Healthcare, 6.0%, 8/1/2015 (b)	3,390,000	3,918,704
New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, Bronx-Lebanon Hospital Center, Series E, 5.2%, 2/15/2016	1,770,000	1,846,216
New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, City University, Series A, 5.625%, 7/1/2016	1,500,000	1,702,560
New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, Jamaica Hospital, Series F, 5.2%, 2/15/2016	1,000,000	1,043,060
New York, State General Obligation, Tobacco Settlement Financing Corp.:		
Series A-1, 5.25%, 6/1/2022	10,000,000	10,619,400
Series A-1, 5.5%, 6/1/2019	7,400,000	8,112,717
New York, Transportation/Tolls Revenue:		
Prerefunded, 5.625%, 4/1/2013 (b)	5,000,000	5,622,550
Prerefunded, 5.75%, 4/1/2014 (b)	2,000,000	2,259,160
New York, NY, Core City General Obligation:		
Series F, 5.25%, 8/1/2015 (b)	10,380,000	11,160,368
Series F, 5.25%, 8/1/2015	5,000,000	5,347,850
New York, NY, General Obligation, Series D, 5.0%, 11/1/2024	7,500,000	7,691,400
New York, NY, Sales & Special Tax Revenue, Transitional Finance Authority:		
Series B, Prerefunded, 6.125%, 11/15/2014	1,645,000	1,911,951
Series B, 6.125%, 11/15/2014	355,000	405,921
Series B, Prerefunded, 6.125%, 11/15/2015	3,000,000	3,486,840
Niagara Falls, NY, School District General Obligation, 5.6%, 6/15/2014 (b)	1,180,000	1,302,862
		<b>66,431,559</b>
<b>North Carolina 1.7%</b>		
Charlotte, NC, Airport Revenue, AMT:		
Series B, 5.75%, 7/1/2013 (b)	2,480,000	2,729,166
Series B, 5.875%, 7/1/2014 (b)	1,140,000	1,257,112
North Carolina, Electric Revenue, Municipal Power Agency:		
Series C, 5.375%, 1/1/2017	1,000,000	1,056,290
Series B, 6.375%, 1/1/2013	3,000,000	3,360,390

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		<b>8,402,958</b>
<b>North Dakota 0.8%</b>		
Grand Forks, ND, Hospital & Healthcare Revenue, Altru Health Care System, 7.125%, 8/15/2024	3,400,000	<b>3,705,150</b>
<b>Ohio 2.4%</b>		
Cuyahoga County, OH, Hospital Revenue, Meridia Health Systems, Prerefunded, 6.25%, 8/15/2024	2,350,000	2,465,832
Green Springs, OH, Senior Care Revenue, St. Francis Health Care Center Project, Series A, 7.125%, 5/15/2025	6,000,000	5,221,440
<b>Ohio, Higher Education Revenue, University of Findlay Project:</b>		
6.125%, 9/1/2016	2,000,000	2,021,920
6.15%, 9/1/2011	1,635,000	1,680,943
		<b>11,390,135</b>
<b>Oregon 3.3%</b>		
<b>Oregon, Other Revenue Lease, Department of Administrative Services:</b>		
Series A, 5.5%, 5/1/2010 (b)	2,245,000	2,419,504
Series A, 5.6%, 5/1/2011 (b)	2,120,000	2,289,324
Oregon, State General Obligation Lease, Department of Administrative Services, Series A, Prerefunded, 6.25%, 5/1/2017 (b)	1,000,000	1,164,360
Oregon, State Revenue Lease, Department of Administrative Services, Series A, Prerefunded, 6.25%, 5/1/2018 (b)	1,000,000	1,164,360
<b>Portland, OR, Special Assessment Revenue, Downtown Waterfront:</b>		
Series A, 5.625%, 6/15/2015 (b)	3,100,000	3,459,414
Series A, 5.75%, 6/15/2018 (b)	2,225,000	2,499,031
Series A, 5.75%, 6/15/2019 (b)	2,820,000	3,167,311
		<b>16,163,304</b>
<b>Pennsylvania 2.2%</b>		
Pennsylvania, Hospital & Healthcare Revenue, Economic Development Financing Authority, UPMC Health System, Series A, 6.0%, 1/15/2031	2,570,000	2,734,866
Philadelphia, PA, Gas Works Revenue, Series A-1, 5.0%, 9/1/2029 (b)	5,000,000	5,028,400
Philadelphia, PA, Municipal Authority Revenue, Series B, 5.25%, 11/15/2018 (b)	2,500,000	2,677,875
		<b>10,441,141</b>
<b>Rhode Island 0.8%</b>		
Rhode Island, Special Assessment Revenue, Series A, 6.125%, 6/1/2032	4,000,000	<b>3,741,200</b>
<b>South Carolina 2.5%</b>		
Greenwood County, SC, Hospital & Healthcare Revenue, South Carolina Memorial Hospital, 5.5%, 10/1/2031	1,500,000	1,538,070
<b>South Carolina, Hospital &amp; Healthcare Revenue, Jobs Economic Development Authority, Palmetto Health Alliance:</b>		
Series C, 7.0%, 8/1/2030	5,420,000	6,031,376
Series A, Prerefunded, 7.375%, 12/15/2021	2,000,000	2,460,400
South Carolina, Tobacco Settlement Revenue Management Authority, Series B, 6.0%, 5/15/2022	2,000,000	1,964,940
		<b>11,994,786</b>
<b>Tennessee 2.9%</b>		
Clarksville, TN, Public Building Authority Revenue, Pooled Financing Program, 1.68%, 7/1/2031, Bank of America NA (c) (d)	500,000	500,000
Memphis-Shelby County, TN, Airport Revenue, AMT, Series D, 6.25%, 3/1/2017 (b)	4,690,000	5,246,140
<b>Shelby County, TN, Health Educational &amp; Housing Facility Board, Hospital Revenue, Methodist Health Care:</b>		
6.5%, 9/1/2026	2,615,000	3,100,527
Prerefunded, 6.5%, 9/1/2026	4,385,000	5,253,055
		<b>14,099,722</b>
<b>Texas 19.2%</b>		
Austin, TX, Sales & Special Tax Revenue, Hotel Occupancy Tax:		