

SCUDDER STRATEGIC 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 811-05767

SCUDDER STRATEGIC 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

Scudder Strategic Municipal Income Trust	
	Annual Report to Shareholders
	November 30, 2004

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Information

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 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 in 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 for the Fund's most recent performance.

Average Annual Total Returns as of 11/30/04				
Scudder Strategic Municipal Income Trust	1-Year	3-Year	5-Year	10-Year
Based on Net Asset Value ^(a)	7.98%	8.60%	9.08%	7.73%
Based on Market Price	5.58%	8.43%	11.32%	7.76%
Lehman Brothers Municipal Bond Index ⁺	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	\$ 12.26	\$ 12.23
Market Price	\$ 12.38	\$ 12.62

Distribution Information	
Twelve Months:	
Income Dividends (common shareholders) as of 11/30/04	\$.90
November Income Dividend (common shareholders)	\$.075
Current Annualized Distribution Rate (based on Net Asset Value) as of 11/30/04 ⁺⁺	7.34%
Current Annualized Distribution Rate (based on Market Price) as of 11/30/04 ⁺⁺	7.27%
Tax Equivalent Distribution Rate (based on Net Asset Value) as of 11/30/04 ⁺⁺	11.29%
Tax Equivalent Distribution Rate (based on Market Price) as of 11/30/04 ⁺⁺	11.18%

^a 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.

⁺ 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.

⁺⁺ 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 Strategic 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 Strategic 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-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.

Rebecca L. Wilson

Vice President of Deutsche Asset Management and Co-Manager of the fund.

Joined Deutsche Asset Management in 1986 and the fund team in 1998.

Over 18 years of investment industry experience.

Philip G. Condon and Rebecca L. Wilson serve as portfolio co-managers of Scudder Strategic Municipal Income Trust. In the following interview, Scudder's municipal bond team discusses the trust'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, 2004.¹ The broad bond market, as measured by the Lehman Brothers Aggregate Bond Index, returned 4.44% for the same period.²

¹ *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.*

² *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.

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.³ Generally, municipal bond yields with shorter maturities rose, while 15- and 20-year bonds declined slightly. 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.⁴ (See the graph on the following page for municipal bond yield changes from the beginning to the end of the period.)

³ 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.

⁴ 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 Strategic Municipal Income Trust perform for the 12-month period ended November 30, 2004?

A: Scudder Strategic Municipal Income Trust delivered strong absolute and relative results. The fund's total return based on net asset value was 7.98%. The fund posted a total return based on market value of 5.58%. 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: High-yield municipal bonds performed strongly for the annual period because interest rates remained historically low and investors continued to seek out higher-yielding investments. This heightened demand led high-yield securities to outperform higher-quality bonds in the period. In addition, the US economy continued to show signs of improvement throughout the period, and the outlook for entities issuing high-yield bonds improved. As a result, yield spreads for high-yield bonds also tightened during the period.⁵ This strong showing by high-yield bonds aided the fund's strong results for the period. Overall, we believe municipal bond valuations relative to Treasuries and agencies are attractive throughout the yield curve.

⁵ The yield spread is the difference between the yield of a municipal bond and the yield of a 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.

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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	71%	73%
ETM/Prerefunded Bonds	16%	12%
General Obligation Bonds	10%	12%
Lease Obligations	3%	3%
	100%	100%

Quality	11/30/04	11/30/03
AAA	34%	32%
AA	2%	3%
A	11%	8%
BBB	20%	27%
BB	2%	
B	2%	
Not Rated	29%	30%
	100%	100%

Interest Rate Sensitivity	11/30/04	11/30/03
Average Maturity	8.2 years	11.8 years
Duration	5.7 years	6.8 years

Top Five State Allocations	11/30/04	11/30/03
1. Texas	21%	15%
2. New York	12%	9%
3. Illinois	12%	8%
4. California	10%	6%
5. Massachusetts	8%	5%

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, 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 (\$)
Municipal Investments 150.1%		
Alabama 2.0%		
Alabama, Sales & Special Tax Revenue, Public School and College Authority, Series C, 5.625%, 7/1/2013	1,000,000	1,119,940
Huntsville, AL, Hospital & Healthcare Revenue, Health Care Authority, Series A, 5.75%, 6/1/2031	1,500,000	1,561,575
		2,681,515
Arizona 1.5%		

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Arizona, Project Revenue, Health Facilities Authority, The New Foundation Project, 8.25%, 3/1/2019	2,050,000	1,952,604
California 9.8%		
California, Special Assessment Revenue, Golden State Tobacco Securitization Corp.:		
Series B, 5.625%, 6/1/2038	1,890,000	1,985,029
Series 2003-A-1, 6.75%, 6/1/2039	4,500,000	4,501,440
California, State Economic Recovery, Series C-6, 1.63%*, 7/1/2023, Citibank NA (c)	1,200,000	1,200,000
California, State Public Works Board, Lease Revenue, Department of Corrections, Series C, 5.5%, 6/1/2019	1,920,000	2,095,738
Sacramento County, CA, Sales & Special Tax Revenue, Bradshaw Road Project, 7.2%, 9/2/2015	1,190,000	1,209,837
Sacramento, CA, Project Revenue, City Financing Authority, Convention Center Hotel, Series A, 6.25%, 1/1/2030	2,000,000	2,074,120
		13,066,164
Colorado 6.5%		
Arapahoe County, CO, Highway Revenue, Capital Improvement Trust Fund, Series E-470, Prerefunded, Zero Coupon, 8/31/2010	5,000,000	3,516,100
Colorado, Educational & Cultural Facilities Authority Revenue, National Jewish Federal Bond Program, Series A1, 1.67%*, 9/1/2033, Bank of America NA (c)	900,000	900,000
Colorado, Hospital & Healthcare Revenue, PorterCare Adventist Health Project, 6.5%, 11/15/2031	1,000,000	1,095,850
Colorado, Transportation/Tolls Revenue, Northwest Parkway Public Highway Authority, Series D, 7.125%, 6/15/2041	1,150,000	1,219,288
Denver, CO, Sales & Special Tax Revenue, Urban Renewal Authority, AMT, 7.75%, 9/1/2016	1,760,000	1,853,403
		8,584,641
Connecticut 2.6%		
Greenwich, CT, Multi Family Housing Revenue, 6.35%, 9/1/2027	2,000,000	1,967,860
Mashantucket, CT, Sports, Expo & Entertainment Revenue, Mashantucket Western Pequot Tribe:		
Series B, Zero Coupon, 9/1/2017	2,000,000	1,001,220
Series B, Zero Coupon, 9/1/2018	1,000,000	470,630
		3,439,710
District of Columbia 0.8%		
District Columbia, Core City General Obligation, Series A, 5.0%, 6/1/2018 (b)	1,000,000	1,048,950
Florida 7.9%		
Alachua County, FL, Health Facilities Authority, Health Facilities Revenue, Shands Teaching Hospital, Series A, 1.69%*, 12/1/2032, SunTrust Bank (c)	800,000	800,000
Florida, Industrial Development Revenue, Capital Travel Agency, Seminole Tribe Convention, Series A, 10.0%, 10/1/2033	2,000,000	2,452,040
Hillsborough County, FL, Industrial Development Revenue, University Community Hospital Project, Series A, 5.625%, 8/15/2023	2,000,000	2,006,960
Miami Beach, FL, Health Facilities Authority Hospital Revenue, Mount Sinai Medical Center, 6.75%, 11/15/2029	1,600,000	1,685,504
Nassau County, FL, Senior Care Revenue, Amelia Island Care Center Project, Series A, 9.75%, 1/1/2023	1,875,000	1,915,687
Orlando, FL, Special Assessment Revenue, Conroy Road Interchange Project, Series A, 5.8%, 5/1/2026	1,000,000	1,002,480
Pinellas County, FL, Health Facilities Authority Revenue, Pooled Hospital Loan Program, 1.67%*, 12/1/2015 (b)	700,000	700,000
		10,562,671
Georgia 1.5%		
Americus-Sumter County, GA, Hospital & Healthcare Revenue, Hospital Authority, South Georgia Methodist, Series A, 6.375%, 5/15/2029	1,250,000	1,240,013
Brunswick & Glynn County, GA, Development Authority First Mortgage Revenue, Coastal Community Retirement, Series A, 7.25%, 1/1/2035	740,000	730,920
		1,970,933
Hawaii 1.1%		
Hawaii, State General Obligation, Lease, Series CU, 5.75%, 10/1/2011 (b)	1,250,000	1,412,012
Illinois 12.0%		
Chicago, IL, Central Station Project, Series A, Prerefunded, 8.9%, 1/1/2011	1,360,000	1,364,978
Chicago, IL, Core City General Obligation, Board of Education, Series A, 5.75%, 12/1/2017 (b)	1,380,000	1,564,768
Illinois, Core City General Obligation, 5.0%, 6/1/2019 (b)	3,000,000	3,171,210
Illinois, Finance Authority Revenue, Northwestern Memorial Hospital, Series B-1, 1.67%*, 8/15/2038	600,000	600,000
Illinois, Hospital & Healthcare Revenue, 6.75%, 2/15/2016	2,180,000	2,417,773
Illinois, State General Obligation, Prerefunded, 6.0%, 1/1/2013 (b)	3,315,000	3,771,575
Illinois, Upper River Valley Development Authority, Solid Waste Disposal Revenue, Waste Recovery Project, AMT, 5.9%, 2/1/2014	1,750,000	1,765,767
University Park, IL, Sales & Special Tax Revenue, Governors Gateway Industrial Park, 8.5%, 12/1/2011	1,240,000	1,267,057
		15,923,128
Indiana 2.2%		
Indiana, Senior Care Revenue, Health Facilities Finance Authority, Franciscan Eldercare Community Services, 5.875%, 5/15/2029	3,000,000	2,867,070
Iowa 0.9%		

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Lake City, IA, Senior Care Revenue, Health Care Facility, Opportunity Living Project, 6.45%, 5/1/2011	1,225,000	1,255,196
Kansas 1.9%		
Manhattan, KS, Senior Care Revenue, Meadowlark Hills Retirement, Series A, 6.5%, 5/15/2028	500,000	501,730
Overland Park, KS, Industrial Development Revenue, Development Corp., Series A, 7.375%, 1/1/2032	2,000,000	2,037,260
		2,538,990
Kentucky 0.8%		
Kentucky, Hospital & Healthcare Revenue, Economic Development Finance Authority, Norton Healthcare, Inc., Series A, 6.625%, 10/1/2028	1,000,000	1,071,850
Louisiana 2.4%		
Morehouse Parish, LA, Pollution Control Revenue, International Paper Co. Project, Series A, 5.25%, 11/15/2013	3,000,000	3,218,040
Maryland 7.8%		
Anne Arundel County, MD, County General Obligation, National Business Park Project, Prerefunded, 7.375%, 7/1/2028	1,000,000	1,225,890
Anne Arundel County, MD, County Revenue Lease, Arundel Mills Project, Prerefunded, 7.1%, 7/1/2029	1,500,000	1,791,150
Maryland, Higher Education Revenue, Collegiate Housing Foundation:		
Series A, 5.75%, 6/1/2019	1,000,000	1,042,040
Series A, 5.75%, 6/1/2031	1,000,000	1,012,690
Maryland, Hospital & Healthcare Revenue, University of Maryland Medical System, 6.75%, 7/1/2030	1,000,000	1,125,700
Maryland, Project Revenue, Economic Development Corp., Chesapeake Bay, Series B, 7.625%, 12/1/2022	4,000,000	4,188,160
		10,385,630
Massachusetts 8.0%		
Massachusetts, Hospital & Healthcare Revenue, Health & Educational Facilities Authority, Civic Investments, Series A, 9.0%, 12/15/2015	2,000,000	2,312,640
Massachusetts, Hospital & Healthcare Revenue, Partners Healthcare System, Series C, 5.75%, 7/1/2032	1,000,000	1,079,760
Massachusetts, Industrial Development Revenue, Development Finance Agency, Series A, 7.1%, 7/1/2032	1,980,000	1,919,392
Massachusetts, Project Revenue, Health & Educational Facilities Authority, Jordan Hospital, Series E, 6.75%, 10/1/2033	1,790,000	1,880,216
Massachusetts, State General Obligation, Consolidated Loan:		
Series B, Prerefunded, 5.0%, 4/1/2016 (b)	915,000	990,506
Series B, 5.0%, 4/1/2016 (b)	2,260,000	2,446,495
		10,629,009
Michigan 4.2%		
Kalamazoo, MI, Industrial Development Revenue, Economic Development Corp., Series A, 7.5%, 5/15/2029	2,000,000	2,072,480
Michigan, Hospital Finance Authority Revenue, Crittenton Hospital Medical Center, Series B, 1.7%*, 3/1/2014, Comerica Bank (c)	600,000	600,000
Saginaw, MI, Hospital & Healthcare Revenue, Hospital Finance Authority, Covenant Medical Center, Series F, 6.5%, 7/1/2030	1,000,000	1,097,780
Tawas City, MI, Hospital Finance Authority, St. Joseph Health Services:		
Series A, ETM, 5.6%, 2/15/2013	380,000	408,603
Series A, ETM, 5.75%, 2/15/2023	1,300,000	1,422,343
		5,601,206
Missouri 3.0%		
St. Louis, MO, Industrial Development Authority Revenue, St. Louis Convention Center:		
AMT, Series A, 6.875%, 12/15/2020	1,000,000	799,430
AMT, Series A, 7.2%, 12/15/2028	2,000,000	1,609,300
St. Louis, MO, Special Assessment Revenue, Scullin Redevelopment Area, Series A, 10.0%, 8/1/2010	1,350,000	1,570,036
		3,978,766
Nebraska 0.2%		
Nebraska, Single Family Housing Revenue, Investment Finance Authority, AMT, Series A, 6.7%, 9/1/2026	295,000	302,393
Nevada 1.6%		
Las Vegas, NV, Transportation/Tolls Revenue, Las Vegas Monorail Project, 7.375%, 1/1/2030	2,000,000	2,029,360
Nevada, Single Family Housing Revenue, AMT, Series C, 6.5%, 4/1/2028	140,000	144,137
		2,173,497
New Hampshire 3.4%		
New Hampshire, Higher Education Revenue, Health & Educational Facilities Authority, New Hampshire College Issue, 7.4%, 1/1/2023	1,000,000	1,085,650
New Hampshire, Hospital & Healthcare Revenue, Rivermead at Peterborough Retirement Community, 5.75%, 7/1/2028	1,500,000	1,380,840
New Hampshire, Senior Care Revenue, Higher Education Revenue, Havenwood Heritage Heights, 7.45%, 1/1/2025	2,000,000	2,063,360
		4,529,850
New Jersey 5.4%		
Gloucester County, NJ, Industrial Pollution Control, Financing Authority Revenue, ExxonMobil, 1.5%*, 1/1/2022	800,000	800,000
New Jersey, Economic Development Authority Revenue, Cigarette Tax, 5.75%, 6/15/2034	290,000	296,247

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New Jersey, Economic Development Authority Revenue, Motor Vehicle Surplus Revenue:		
Series A, 5.0%, 7/1/2022 (b)	1,430,000	1,499,312
Series A, 5.0%, 7/1/2023 (b)	1,770,000	1,847,331
New Jersey, Higher Education Revenue, Education Facilities Authority, Caldwell College, Series A, 7.25%, 7/1/2025	1,020,000	1,045,908
New Jersey, Resource Recovery Revenue, Tobacco Settlement Financing Corp., 5.75%, 6/1/2032	1,745,000	1,657,384
		7,146,182
New Mexico 2.1%		
Farmington, NM, Pollution Control Revenue, 5.8%, 4/1/2022	2,750,000	2,772,110
New York 12.1%		
Nassau County, NY, Hospital & Healthcare Revenue, 6.0%, 8/1/2016 (b)	2,825,000	3,265,587
Nassau County, NY, Project Revenue, North Shore Healthcare Systems Project, Series B, 5.875%, 11/1/2011	760,000	833,431
New York, NY, Core City General Obligation, Series C, 7.0%, 2/1/2010	315,000	317,413
New York, NY, Sales & Special Tax Revenue, Metropolitan Transportation Authority, Series A, Prerefunded, 5.125%, 4/1/2019 (b)	1,450,000	1,624,711
New York, NY, Sales & Special Tax Revenue, Transitional Finance Authority, Series B, 6.0%, 11/15/2013	490,000	557,130
New York, NY, State General Obligation Lease, Higher Education Revenue, Dormitory Authority, State University, Prerefunded, 5.125%, 5/15/2021 (b)	1,880,000	2,003,140
New York, NY, Transitional Finance Authority, Series B, Prerefunded, 6.0%, 11/15/2013	1,510,000	1,745,605
New York, NY, Transportation/Tolls Revenue, Triborough Bridge and Tunnel Authority Systems, ETM, Series Y, 6.0%, 1/1/2012	5,000,000	5,693,550
		16,040,567
North Carolina 1.9%		
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	1,300,000	1,456,169
		2,512,459
North Dakota 0.8%		
Grand Forks, ND, Hospital & Healthcare Revenue, Altru Health Care System, 7.125%, 8/15/2024	1,000,000	1,089,750
Pennsylvania 4.6%		
Montgomery County, PA, Senior Care Revenue, Higher Education & Health Authority, Philadelphia Geriatric Center, Series A, 7.25%, 12/1/2027	2,000,000	2,096,460
Pennsylvania, Higher Education Revenue, Higher Educational Facilities Authority, Philadelphia College of Textiles and Science, 6.7%, 4/1/2014	2,000,000	2,090,260
Pennsylvania, Hospital & Healthcare Revenue, Economic Development Financing Authority, UPMC Health System, Series A, 6.0%, 1/15/2031	750,000	798,112
Westmoreland County, PA, Senior Care Revenue, Industrial Development Authority, Health Care Facilities-Redstone, Series B, 8.125%, 11/15/2030	1,000,000	1,074,750
		6,059,582
Rhode Island 1.4%		
Rhode Island, Special Assessment Revenue, Series A, 6.125%, 6/1/2032	2,000,000	1,870,600
South Carolina 7.1%		
South Carolina, Hospital & Healthcare Revenue, Jobs Economic Development Authority, Bon Secours Health Systems, Inc., Series A, 5.625%, 11/15/2030	2,000,000	2,047,580
South Carolina, Hospital & Healthcare Revenue, Jobs Economic Development Authority, Palmetto Health Alliance:		
Series C, 7.0%, 8/1/2030	1,545,000	1,719,276
Series A, Prerefunded, 7.375%, 12/15/2021	1,000,000	1,230,200
South Carolina, Transportation/Tolls Revenue, Series A, 5.375%, 10/1/2024 (b)	4,150,000	4,445,563
		9,442,619
South Dakota 1.6%		
South Dakota, Hospital & Healthcare Revenue, Sioux Valley Hospital, Series E, 5.375%, 11/1/2024	2,000,000	2,065,700
Tennessee 1.8%		
Johnson City, TN, Hospital & Healthcare Revenue, Health & Educational Facilities Board Hospital, Series A, 7.5%, 7/1/2033	2,000,000	2,349,400
Texas 21.3%		
Abilene, TX, Senior Care Revenue, Health Facilities Development, Sears Methodist Retirement Facilities, Series A, 5.9%, 11/15/2025	2,500,000	2,365,025
Austin, TX, Project Revenue, Bergstrom Landhost Enterprises, Inc. Airport Hotel Project, Series A, 6.75%, 4/1/2027	1,995,000	961,151
Crowley, TX, School District General Obligation, 5.125%, 8/1/2025	4,000,000	4,069,760
Hidalgo County, TX, Hospital & Healthcare Revenue, Mission Hospital, Inc. Project, 6.75%, 8/15/2016	2,000,000	2,051,180
Houston, TX, General Obligation:		
Prerefunded, Series A, 5.0%, 3/1/2016	1,365,000	1,467,471

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5.0%, 3/1/2016	1,635,000	1,716,635
Houston, TX, School District General Obligation, Series A, 5.0%, 2/15/2024	2,000,000	2,036,120
Houston, TX, Transportation/Tolls Revenue, Special Facilities, Continental Airlines, Inc., AMT, Series E, 6.75%, 7/1/2029	2,000,000	1,622,800
Tarrant County, TX, Hospital & Healthcare Revenue, Health Facilities Development Corp., 6.7%, 11/15/2030	1,000,000	1,090,370
Texas, Electric Revenue, Lower Colorado River Authority, Series B, 6.0%, 5/15/2013 (b)	5,000,000	5,629,800
Texas, Industrial Development Revenue, Waste Disposal Authority, AMT, Series A, 6.1%, 8/1/2024	1,000,000	1,050,180
Travis County, TX, Hospital & Healthcare Revenue, Ascension Health Credit, Series A, 6.0%, 11/15/2012 (b)	3,860,000	4,324,474
		28,384,966
Utah 0.1%		
Utah, Single Family Housing Revenue, Housing Finance Agency, AMT, Series B2, 6.65%, 7/1/2026	70,000	70,535
Virgin Islands 2.6%		
Virgin Islands, Sales & Special Tax Revenue, Public Finance Authority, Series A, 6.375%, 10/1/2019	3,000,000	3,436,200
Virginia 1.6%		
Fairfax County, VA, Hospital & Healthcare Revenue, Economic Development Authority, Greenspring Retirement Community, Series A, 7.25%, 10/1/2019	2,000,000	2,101,720
West Virginia 1.8%		
West Virginia, Hospital & Healthcare Revenue, Hospital Finance Authority, Charleston Medical Center, Series A, 6.75%, 9/1/2022	390,000	432,319
West Virginia, Hospital Finance Authority, Charleston Medical Center, Prerefunded, 6.75%, 9/1/2022	1,610,000	1,919,104
		2,351,423
Wisconsin 2.0%		
Wisconsin, Hospital & Healthcare Revenue, Health & Education Facilities Authority, Aurora Health Care, Inc.: Series A, 5.6%, 2/15/2029	1,000,000	1,008,930
6.875%, 4/15/2030	1,000,000	1,097,540
Wisconsin, Hospital & Healthcare Revenue, Memorial Hospital Oconomowoc Project, Prerefunded, 6.35%, 7/1/2017	600,000	613,572
		2,720,042

	% of Net Assets	Value (\$)
Total Investment Portfolio (Cost \$185,698,447) (a)	150.1	199,607,680
Other Assets and Liabilities	2.5	3,417,171
Preferred Shares, at Redemption Value	(52.6)	(70,000,000)
Net Assets Applicable to Common Shareholders	100.0	133,024,851

* 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 rate as of November 30, 2004.

(a) The cost for federal income tax purposes was \$185,325,195. At November 30, 2004, net unrealized appreciation for all securities based on tax cost was \$14,282,485. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$16,384,152 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,101,667.

(b) Bond is insured by one of these companies:

Insurance Coverage	As a % of Total Investment Portfolio
AMBAC AMBAC Assurance Corp.	2.6
FGIC Financial Guaranty Insurance Company	2.9
FSA Financial Security Assurance	5.3
MBIA Municipal Bond Investors Assurance	9.2

(c) Security incorporates a letter of credit from a major bank.

AMT: Subject to alternative minimum tax

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

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

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

Financial Statements

Statement of Assets and Liabilities as of November 30, 2004	
Assets	
Investments in securities, at value (cost \$185,698,447)	\$ 199,607,680
Cash	68,895
Receivable for investments sold	125,000
Interest receivable	3,449,499
Other assets	29,596
Total assets	203,280,670
Liabilities	
Dividends payable	20,808
Accrued management fee	104,808
Other accrued expenses and payables	130,203
Total liabilities	255,819
Preferred shares, at redemption value	70,000,000
Net assets applicable to common shareholders	\$ 133,024,851
Net Assets	
Net assets applicable to common shareholders consist of:	
Undistributed net investment income	2,334,063
Net unrealized appreciation (depreciation) on investments	13,909,233
Accumulated net realized gain (loss)	(3,439,819)
Paid-in capital	120,221,374
Net assets applicable to common shareholders	\$ 133,024,851
Net Asset Value	
Net Ass	