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DWS MUNICIPAL INCOME TRUST

Form N-CSR

February 06, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number 811-05655

DWS 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: (212) 454-7190

Paul Schubert

345 Park Avenue

New York, NY 10154

(Name and Address of Agent for Service)

Date of fiscal year end: 11/30

Date of reporting period: 11/30/07

ITEM 1. REPORT TO STOCKHOLDERS

NOVEMBER 30, 2007

# Annual Report to Shareholders

**DWS Municipal Income Trust**

Ticker Symbol: KTF

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Investments in funds involve risk. Certain investors' income may be subject to the federal Alternative Minimum Tax (AMT), and federal, state and local taxes may apply. 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. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Leverage results in additional risks and can magnify the effect of any losses. All of these factors may result in greater share price volatility. Closed-end funds, unlike open-end funds, are not continuously offered. There is an initial 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

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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.

*DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the 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 November 30, 2007

**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.cef.dws-scudder.com](http://www.cef.dws-scudder.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.**

Returns and rankings based on net asset value during all periods shown reflect fee reductions. Without these fee reductions, returns and rankings would have been lower.

| Average Annual Total Returns as of 11/30/07  |        |        |        |         |
|--|--------|--------|--------|---------|
| DWS Municipal Income Trust   | 1-Year | 3-Year | 5-Year | 10-Year |
| Based on Net Asset Value <sup>(a)</sup>  | 2.04%  | 4.11%  | 5.64%  | 6.18%   |
| Based on Market Price <sup>(a)</sup>   | .06%   | 1.01%  | 5.09%  | 3.47%   |
| Lehman Brothers Municipal Bond Index <sup>(b)</sup>                                | 2.71%  | 4.23%  | 4.68%  | 5.30%   |
| Lipper General Closed-End Municipal Debt Funds (Leveraged) Category <sup>(c)</sup> | -.78%  | 4.97%  | 6.28%  | 5.67%   |

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

| Net Asset Value and Market Price |                |                |
|----------------------------------|----------------|----------------|
|                                  | As of 11/30/07 | As of 11/30/06 |
| Net Asset Value                  | \$ 11.79       | \$ 12.17       |
| Market Price                     | \$ 10.43       | \$ 10.98       |

Prices and net asset value fluctuate and are not guaranteed.

<sup>(a)</sup> 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 value. 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.

<sup>(b)</sup> The Lehman Brothers 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.

<sup>(c)</sup> The Lipper General Closed-End Municipal Debt Funds (Leveraged) Category includes closed-end funds that invest in general municipal debt issues in the top-four credit grades. 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 General Closed-End Municipal Debt Funds (Leveraged) Category. Category returns assume reinvestment of all distributions. It is not possible to invest directly into a Lipper category.

| Distribution Information   |          |
|--|----------|
| Twelve Months as of 11/30/07:  |          |
| Income Dividends (common shareholders)   | \$ .58   |
| November Income Dividends (common shareholders)  | \$ .0480 |
| Current Annualized Distribution Rate (based on Net Asset Value) as of 11/30/07 <sup>++</sup> | 4.89%    |
| Current Annualized Distribution Rate (based on Market Price) as of 11/30/07 <sup>++</sup>    | 5.52%    |
| Tax Equivalent Distribution Rate (based on Net Asset Value) as of 11/30/07 <sup>++</sup>     | 7.52%    |
| Tax Equivalent Distribution Rate (based on Market Price) as of 11/30/07 <sup>++</sup>        | 8.49%    |

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<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, 2007. 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 — General Closed-End Municipal Debt Funds<br>(Leveraged) Category as of 11/30/07 |      |    |                         |                        |
|--|------|----|-------------------------|------------------------|
| Period   | Rank |    | Number of Funds Tracked | Percentile Ranking (%) |
| 1-Year   | 5    | of | 54                      | 10                     |
| 3-Year   | 46   | of | 54                      | 84                     |
| 5-Year   | 42   | of | 52                      | 80                     |
| 10-Year  | 9    | of | 38                      | 24                     |

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 Management Review

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

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

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.

DIMA 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 30 years of investment industry experience.

BA and MBA, University of Massachusetts at Amherst.

*Eleanor R. Lynch, CFA*

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 20 years of investment industry experience.

BS, Ursinus College; MS, Drexel University.

Philip G. Condon and Eleanor R. Lynch serve as co-lead portfolio managers of DWS Municipal Income Trust. In the

following interview, the DWS municipal bond team discusses the fund's performance for the period and the market environment for municipal bonds.

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

**Q: Will you describe the general market environment during the annual period ended November 30, 2007?**

**A:** Municipal bonds delivered modest positive results over the 12 months. The municipal bond market, as measured by the Lehman Brothers Municipal Bond Index, delivered a total return of 2.71% for the 12 months ended November 30, 2007.<sup>1</sup> The broad taxable bond market, as measured by the Lehman Brothers US Aggregate Index, delivered a total return of 6.05% for the same period.<sup>2</sup>

<sup>1</sup> *The Lehman Brothers 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.*

<sup>2</sup> *The Lehman Brothers US Aggregate Index is an unmanaged, unleveraged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities with average maturities of one year or more. Index returns, unlike fund returns, do not include fees or expenses. It is not possible to invest directly into an index.*

The US Federal Reserve Board (the Fed) held rates steady for most of the period, before lowering the federal funds rate — the overnight interbank lending rate and a benchmark for interest rates generally — two times totaling 75 basis points (one basis point equals 0.01%) in September and October. This left the federal funds rate at 4.50% at the end of November 2007. Municipal yields declined on the shorter parts of the curve, while rising on issues over 10 years.<sup>3</sup> Since a bond's yield moves in the opposite direction of its price, this meant that performance of shorter-term municipal bonds was generally better than among longer issues.

<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.*

The relationship between supply of, and demand for, municipal issues can be an important factor in the performance of this market. High demand or low supply can drive municipal bond prices higher, while low demand or high supply can have the reverse effect. Supply nationally was generally heavy during the fiscal year, driven by relatively low interest rates, although issuance began to ease toward the end of the period. To illustrate, issuance over the first 11 months of 2007 was 16 percent above last year's pace. On the demand side, much activity early in the period was driven by institutional investors using nontraditional strategies to benefit in a leveraged fashion from disparities between the tax-free and taxable markets. In the wake of the subprime mortgage crisis and resulting credit crunch, much of this interest has waned. Another outgrowth of the tighter credit environment has been a trimming of municipal inventory on the part of dealers looking to improve balance sheets, further constraining demand. Flows into tax-free mutual funds were positive overall for the period.

The municipal bond yield curve steepened significantly during the annual period. The two-year bond yield decreased 27 basis points from 3.45% to 3.18%, while the 30-year yield increased 41 basis points to 4.32% from 3.91%, resulting in a total steepening of 68 basis points. (See the graph on the following page for municipal bond yield changes from the beginning to the end of the period.)

**Municipal Bond Yield Curve** (as of 11/30/06 and 11/30/07)

*Source: Municipal Market Data, AAA-rated universe*

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

**Q: How did DWS Municipal Income Trust perform for the 12-month period ended November 30, 2007?**

**A:** DWS Municipal Income Trust delivered a total return based on net asset value of 2.04% for the fund's fiscal year ended November 30, 2007. The fund posted a return based on market value of 0.06% for this period. Its average peer in the Lipper General Closed End Municipal Debt Leveraged Funds category for closed-end funds delivered -0.78% in the period.<sup>4</sup> The fund's benchmark, the unmanaged Lehman Brothers Municipal Bond Index, returned 2.71% for the same period. (Past performance is no guarantee of future results. Please see pages 4 through 5 for more complete performance information.)

<sup>4</sup> *The Lipper General Closed End Municipal Debt Leveraged Funds category includes closed-end funds that invest in general municipal debt issues in the top-four credit grades. Lipper figures represent the average of the total returns based on net asset value reported by all of the mutual funds designated by Lipper Inc. as falling into the General Closed End Municipal Debt Leveraged Funds category. For the one-, five- and 10-year periods this category's average was -0.78% (54 funds), 6.28% (52 funds) and 5.67% (38 funds), respectively, as of November 30, 2007. Category returns assume reinvestment of all dividends. It is not possible to invest directly into a Lipper category.*

Over the period, the discount at which the fund traded to its net asset value widened slightly from about 10% to a little under 11.6%. We believe the discount is largely a function of a broader market focus on both liquidity and the cost of credit in the wake of the summer's subprime crisis. We rely on access to funding in order to leverage the fund's investments, and the cost of pursuing such strategies has risen in the ensuing credit crunch. In addition, closed-end funds are generally not heavily traded and therefore tend to be viewed as somewhat illiquid by market participants.

**Q: How was the fund positioned, and how did this positioning contribute to its performance for the annual period ended November 30, 2007?**

**A:** Over the period, we continued to manage the fund with an eye on preserving its earnings capacity. Early in the period, given an environment of low interest rates, we maintained a focus on avoiding excessive sales of bonds carrying high distribution yields.

The flattening of the yield curve that occurred significantly reduced the income advantage provided by longer-term issues. In fact, at the start of the period, 30-year AAA-rated municipal bond yields were at historically low levels.<sup>5</sup> As a result, our curve positioning favored intermediate-term issues over longer-dated issues. This helped performance, as longer-dated issues were most impacted by rising yields and falling prices over the year. As long-term rates backed up over the period, we have increasingly taken advantage of opportunities to extend the fund's duration and increase income.

<sup>5</sup> *Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA and so forth. The lower the rating, the higher the probability of default.*

With respect to credit risk, early in the year, the yield advantage provided by BBB-rated versus AAA-rated issues remained narrow by historical standards, and we did not feel that we could justify any significant tilt toward lower quality given the minimal incremental reward. This helped performance as credit spreads widened over the period.

In our view, credit spreads have reached levels where investors are paid more fairly for the incremental risk, and we began late in the period to selectively increase exposure to lower-quality issues. As an example, we recently increased the fund's holdings of prepaid utility contract bonds after spreads widened to attractive levels. These issues are backed by brokerage firms, virtually all of whom have some exposure to the subprime issue, and their prices suffered during the period.

While tobacco-related issues underperformed, a number of the fund's holdings within the sector benefited from refunding activity (which generally results in a price increase as affected issues experience a credit upgrade). Ongoing refunding activity is the principal explanation for the increased representation of AAA-rated prerefunded bonds in the fund over the period.

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The increase in short-term rates over the period was reflected in increased borrowing costs related to the fund's preferred shares. This constrained performance to a degree over the 12 months.

At the end of November, the 10-year municipal bond was yielding 92% of the comparable maturity Treasury bond, reflecting an unusually attractive relative valuation. As wider credit spreads, a steeper yield curve and more favorable municipal valuations have emerged, we have begun to adopt a less defensive position in the fund to take advantage of potential opportunities.

After the end of the fund's fiscal period, the major rating agencies — Moody's, Standard & Poor's and Fitch — placed on negative watch or outlook a number of leading bond insurers. Additionally, Ambac was downgraded to AA by Fitch. The underlying securities of municipal bonds insured by these firms are generally of high credit quality, with an average rating in the A category. The majority of the bonds insured by these three companies are backed by municipal general obligations, leases, other taxes, or essential purpose revenue bonds. While such downgrades have the potential to affect the trading value of a bond, we believe the default risk on an underlying municipal credit remains relatively low.

### Portfolio Summary

| Asset Allocation (As a % of Investment Portfolio) | 11/30/07 | 11/30/06 |
|---|----------|----------|
| Revenue Bonds                                     | 48%      | 47%      |
| ETM/Prerefunded Bonds                             | 35%      | 32%      |
| US Government Secured                             | 14%      | 17%      |
| Lease Obligations                                 | 3%       | 4%       |
|   | 100%     | 100%     |

| Quality   | 11/30/07 | 11/30/06 |
|-----------|----------|----------|
| AAA       | 70%      | 72%      |
| AA        | 8%       | 4%       |
| A         | 12%      | 14%      |
| BBB       | 7%       | 8%       |
| BB        | 1%       |          |
| Not Rated | 2%       | 2%       |
|           | 100%     | 100%     |

| Interest Rate Sensitivity | 11/30/07  | 11/30/06  |
|---------------------------|-----------|-----------|
| Average Maturity          | 5.3 years | 4.5 years |
| Duration                  | 5.0 years | 4.1 years |

| Top Five State Allocations (As a % of Investment Portfolio) | 11/30/07 | 11/30/06 |
|---|----------|----------|
| California  | 16%      | 12%      |
| Texas   | 11%      | 12%      |
| New York  | 9%       | 9%       |
| Illinois  | 7%       | 6%       |
| New Jersey  | 6%       | 7%       |

Asset allocation, quality, interest rate sensitivity and state allocations are subject to change. Duration shown does not account for the leverage position of the Fund.

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.

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

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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, 2007

|   | Principal Amount<br>(\$) | Value (\$)        |
|---|--------------------------|-------------------|
| <b>Municipal Bonds and Notes 149.5%</b>   |                          |                   |
| <b>Alabama 3.5%</b>   |                          |                   |
| Camden, AL, Industrial Development Board Revenue, AMT, Series B, 6.375%, 12/1/2024  | 1,000,000                | 1,059,660         |
| Huntsville, AL, Hospital & Healthcare Revenue, Health Care Authority, Series A, 5.75%, 6/1/2031                           | 5,500,000                | 5,973,275         |
| Huntsville, AL, Water & Sewer Revenue, AMT, 5.75%, 10/1/2011 (a)  | 8,560,000                | 9,046,807         |
|   |                          | <b>16,079,742</b> |
| <b>Arizona 2.2%</b>   |                          |                   |
| Arizona, Hospital & Healthcare Revenue, Health Facilities Authority, Catholic Healthcare West, Series A, 6.625%, 7/1/2020 | 7,000,000                | 7,630,070         |
| Arizona, Salt Verde Financial Corp., Gas Revenue, 5.5%, 12/1/2029   | 2,400,000                | 2,495,304         |
|   |                          | <b>10,125,374</b> |
| <b>California 20.7%</b>   |                          |                   |
| California, Health Facilities Financing Authority Revenue, Sutter Health, Series A, 5.0%, 11/15/2042                      | 2,000,000                | 2,004,960         |
| California, Special Assessment Revenue, Golden State Tobacco Securitization Corp.:  |                          |                   |
| Series A-1, 5.0%, 6/1/2033  | 7,000,000                | 6,145,370         |
| Series A, 5.0%, 6/1/2038 (a)  | 2,500,000                | 2,516,325         |
| Series B, 5.625%, 6/1/2038  | 7,080,000                | 7,840,958         |
| Series 2003-A-1, 6.75%, 6/1/2039  | 11,730,000               | 13,646,682        |
| California, State General Obligation:   |                          |                   |
| 4.5%, 10/1/2029   | 15,000,000               | 14,306,550        |
| Series 2, 5.0%, 9/1/2019  | 4,385,000                | 4,632,884         |
| 5.0%, 12/1/2020   | 4,600,000                | 4,873,240         |
| 5.0%, 11/1/2027   | 3,000,000                | 3,071,790         |
| 5.0%, 6/1/2028  | 3,000,000                | 3,051,600         |
| 5.125%, 4/1/2024  | 4,400,000                | 4,627,876         |
| 5.25%, 12/1/2021  | 10,215,000               | 10,979,082        |
| 5.25%, 4/1/2030   | 110,000                  | 116,199           |
| California, State Public Works Board, Lease Revenue, Department of Corrections, Series C, 5.5%, 6/1/2021                  | 2,500,000                | 2,711,550         |
| California, State Public Works Board, Lease Revenue, Department of Mental Health, Series A, 5.5%, 6/1/2021                | 5,000,000                | 5,454,100         |
| Long Beach, CA, Bond Finance Authority, Natural Gas Purchased Revenue, Series A, 5.5%, 11/15/2030                         | 5,000,000                | 5,095,000         |
| Northern California, Tobacco Securitization Authority, Tobacco Settlement Revenue, Series A-1, 5.375%, 6/1/2038           | 3,000,000                | 2,706,180         |
| Southern California, Public Power Authority, Natural Gas Project Revenue, Project No.1, Series A, 5.25%, 11/1/2026        | 1,155,000                | 1,173,711         |
|   |                          | <b>94,954,057</b> |
| <b>Colorado 4.6%</b>  |                          |                   |
| Colorado, Hospital & Healthcare Revenue, Portercare Adventist Health Project, 6.5%, 11/15/2031                            | 1,000,000                | 1,126,400         |
| Colorado, Hospital & Healthcare Revenue, Poudre Valley Health Facilities:   |                          |                   |
| Series A, 5.5%, 12/1/2017 (a)   | 6,145,000                | 6,464,294         |
| Series A, 6.0%, 12/1/2015 (a)   | 5,705,000                | 6,056,314         |
| Series A, 6.0%, 12/1/2016 (a)   | 2,000,000                | 2,123,160         |
| Colorado, Single Family Housing Revenue, AMT, Series B2, 7.25%, 10/1/2031   | 205,000                  | 220,094           |
| Denver, CO, Airport Revenue, AMT, Series A, 6.0%, 11/15/2014 (a)  | 5,000,000                | 5,316,450         |
|   |                          | <b>21,306,712</b> |
| <b>District of Columbia 8.3%</b>  |                          |                   |
| District of Columbia, ETM, Series A, Prerefunded, 5.5%, 6/1/2014 (a)  | 640,000                  | 665,805           |
| District of Columbia, Core City General Obligation, Series B, 5.5%, 6/1/2011 (a)  | 20,000,000               | 21,461,400        |
| District of Columbia, General Obligation:   |                          |                   |



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|   |            |                   |
|---|------------|-------------------|
| Prerefunded, Series A-2005, 5.25%, 6/1/2027 (a)   | 2,585,000  | 2,634,891         |
| Series A-2005, 5.25%, 6/1/2027 (a)  | 8,245,000  | 8,378,239         |
| District of Columbia, Howard University Revenue, Series A, 5.0%, 10/1/2023 (a)  | 2,810,000  | 2,969,046         |
| District of Columbia, State General Obligation, Series A, 5.5%, 6/1/2014 (a)  | 1,860,000  | 1,931,089         |
|   |            | <b>38,040,470</b> |
| <b>Florida 7.1%</b>   |            |                   |
| Dade County, FL, Airport Revenue, AMT, Series A, 5.75%, 10/1/2026 (a)   | 13,000,000 | 13,145,990        |
| Dade County, FL, Special Assessment Revenue:  |            |                   |
| Series B, Prerefunded, Zero Coupon, 10/1/2022 (a)   | 7,735,000  | 3,216,754         |
| Series B, Prerefunded, Zero Coupon, 10/1/2024 (a)   | 16,955,000 | 6,210,277         |
| Hillsborough County, FL, Industrial Development Revenue, University Community Hospital Project, Series A, 5.625%, 8/15/2023 | 1,000,000  | 1,012,410         |
| Miami-Dade County, FL, Transportation/Tolls Revenue, Expressway Authority:  |            |                   |
| 6.0%, 7/1/2013 (a)  | 1,665,000  | 1,788,227         |
| 6.0%, 7/1/2014 (a)  | 1,000,000  | 1,074,010         |
| Orange County, FL, Health Facilities Authority Revenue, Orlando Regional Healthcare System, 5.75%, 12/1/2032                | 1,000,000  | 1,106,550         |
| Palm Beach County, FL, School District Revenue Lease, Series A, Prerefunded, 5.75%, 8/1/2017 (a)                            | 2,850,000  | 3,055,656         |
| South Miami, FL, Health Facilities Authority Hospital Revenue, Baptist Health South Florida Group, 5.0%, 8/15/2032          | 2,000,000  | 2,011,320         |
|   |            | <b>32,621,194</b> |
| <b>Georgia 3.6%</b>   |            |                   |
| Atlanta, GA, Water & Wastewater Revenue, Water Utilities Improvements, 5.0%, 11/1/2024 (a)                                  | 4,000,000  | 4,176,880         |
| Georgia, Main Street Natural Gas, Inc., Gas Project Revenue:  |            |                   |
| Series A, 5.0%, 3/15/2022   | 7,340,000  | 7,395,490         |
| Series A, 5.5%, 9/15/2027   | 5,000,000  | 4,996,550         |
|   |            | <b>16,568,920</b> |
| <b>Hawaii 4.5%</b>  |            |                   |
| Hawaii, Airport System Revenue, AMT, Series B, 6.5%, 7/1/2013 (a)   | 8,800,000  | 9,491,152         |
| Hawaii, Electric Revenue, Department of Budget & Finance, AMT, Series D, 6.15%, 1/1/2020 (a)                                | 2,195,000  | 2,264,296         |
| Hawaii, Port Authority Revenue, AMT:  |            |                   |
| Series A, 6.0%, 7/1/2011 (a)  | 2,950,000  | 3,147,857         |
| Series A, 6.0%, 7/1/2012 (a)  | 3,135,000  | 3,338,085         |
| Hawaii, State General Obligation, Series CT, Prerefunded, 5.75%, 9/1/2014 (a)   | 2,310,000  | 2,429,127         |
|   |            | <b>20,670,517</b> |
| <b>Idaho 0.0%</b>   |            |                   |
| Idaho, Single Family Housing Revenue, AMT, Series C2, 6.9%, 7/1/2025  | 80,000     | <b>80,102</b>     |
| <b>Illinois 8.7%</b>  |            |                   |
| Chicago, IL, Airport Revenue, O'Hare International Airport, AMT, 5.5%, 1/1/2014 (a)   | 10,000,000 | 10,460,800        |
| Chicago, IL, Core City General Obligation:  |            |                   |
| Series A, Prerefunded, 6.0%, 1/1/2014 (a)   | 2,085,000  | 2,246,045         |
| Series A, Prerefunded, 6.125%, 1/1/2015 (a)   | 2,000,000  | 2,160,640         |
| Series A, 6.125%, 1/1/2016 (a)  | 2,000,000  | 2,160,640         |
| Chicago, IL, Other General Obligation, Neighborhoods Alive 21 Project:  |            |                   |
| Series A, Prerefunded, 6.0%, 1/1/2015 (a)   | 1,000,000  | 1,077,240         |
| Series A, 6.0%, 1/1/2017 (a)  | 1,000,000  | 1,077,240         |
| Chicago, IL, Water Revenue:   |            |                   |
| Second Lien, 3.58%*, 11/1/2031 (a)  | 1,515,000  | 1,515,000         |
| Series A, 5.0%, 11/1/2020 (a)   | 3,615,000  | 3,882,438         |
| Illinois, Development Finance Authority, Hospital Revenue, Adventist Health System, Sunbelt Obligation, 5.5%, 11/15/2020    | 2,500,000  | 2,624,700         |
| Illinois, Health Facilities Authority Revenue, Children's Memorial Hospital, Series A, Prerefunded, 5.625%, 8/15/2019 (a)   | 4,000,000  | 4,191,880         |
| Illinois, Higher Education Revenue, DePaul University, Educational Facilities Authority:                                    |            |                   |
| Prerefunded, 5.625%, 10/1/2013 (a)  | 2,695,000  | 2,891,924         |
| Prerefunded, 5.625%, 10/1/2015 (a)  | 1,710,000  | 1,834,950         |
| Illinois, Sales & Special Tax Revenue, Metropolitan Pier & Exposition Authority:  |            |                   |
| Series A, ETM, 5.5%, 6/15/2017 (a)  | 1,955,000  | 2,246,725         |
| Series A, 5.5%, 6/15/2017 (a)   | 1,555,000  | 1,758,238         |

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|   |            |                   |
|---|------------|-------------------|
|   |            | <b>40,128,460</b> |
| <b>Indiana 1.2%</b>   |            |                   |
| Indiana, Hospital & Healthcare Revenue, Health Facilities Authority, 5.5%, 11/1/2031  | 5,000,000  | <b>5,449,400</b>  |
| <b>Kansas 0.7%</b>  |            |                   |
| Overland Park, KS, Industrial Development Revenue, Series A, 7.375%, 1/1/2032   | 3,000,000  | <b>3,378,660</b>  |
| <b>Kentucky 1.4%</b>  |            |                   |
| Kentucky, Economic Development Finance Authority, Health System Revenue, Norton Healthcare:                                     |            |                   |
| Series A, Prerefunded, 6.5%, 10/1/2020  | 790,000    | 864,955           |
| Series A, 6.5%, 10/1/2020   | 1,210,000  | 1,272,606         |
| Series A, Prerefunded, 6.625%, 10/1/2028  | 3,130,000  | 3,437,460         |
| Series A, 6.625%, 10/1/2028   | 870,000    | 929,786           |
|   |            | <b>6,504,807</b>  |
| <b>Louisiana 0.5%</b>   |            |                   |
| Louisiana, Electric Revenue, 5.75%, 1/1/2013 (a)  | 2,000,000  | <b>2,203,520</b>  |
| <b>Maine 1.5%</b>   |            |                   |
| Maine, Hospital & Healthcare Revenue, Series D, 5.7%, 7/1/2013 (a)  | 375,000    | 375,626           |
| Maine, Transportation/Tolls Revenue, 5.0%, 7/1/2017 (a)   | 6,165,000  | 6,280,964         |
|   |            | <b>6,656,590</b>  |
| <b>Maryland 0.6%</b>  |            |                   |
| Maryland, Hospital & Healthcare Revenue, University of Maryland Medical System, 6.75%, 7/1/2030                                 | 2,500,000  | <b>2,737,950</b>  |
| <b>Massachusetts 3.6%</b>   |            |                   |
| Massachusetts, Airport Revenue, AMT, Series B, 5.5%, 7/1/2009 (a)   | 8,000,000  | 8,237,040         |
| Massachusetts, Airport Revenue, U.S. Airways, Inc. Project, AMT, Series A, 5.875%, 9/1/2023 (a)                                 | 5,000,000  | 5,058,200         |
| Massachusetts, Port Authority Revenue, AMT, Series B, 5.5%, 7/1/2015 (a)  | 3,000,000  | 3,092,580         |
|   |            | <b>16,387,820</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  | 1,477,590         |
| Michigan, Industrial Development Revenue:   |            |                   |
| 5.5%, 6/1/2018 (a)  | 3,425,000  | 3,606,696         |
| 5.75%, 6/1/2016 (a)   | 4,640,000  | 4,913,807         |
|   |            | <b>9,998,093</b>  |
| <b>Minnesota 1.6%</b>   |            |                   |
| Minneapolis & St. Paul, MN, Airport Revenue, AMT, Series B, 6.0%, 1/1/2012 (a)  | 4,395,000  | 4,642,175         |
| Minneapolis & St. Paul, MN, Port Authority Revenue, AMT, Series B, 5.625%, 1/1/2015 (a)   | 2,500,000  | 2,563,525         |
|   |            | <b>7,205,700</b>  |
| <b>Missouri 0.1%</b>  |            |                   |
| Missouri, Hospital & Healthcare Revenue, Lake of the Ozarks General Hospital, 6.5%, 2/15/2021                                   | 365,000    | <b>366,146</b>    |
| <b>Nevada 1.8%</b>  |            |                   |
| Nevada, State General Obligation, Capital Improvement and Cultural Affairs Project, Series A, 5.5%, 2/1/2014                    | 2,575,000  | 2,665,485         |
| Washoe County, NV, School District General Obligation, Prerefunded, 5.75%, 6/1/2014 (a)   | 5,450,000  | 5,711,600         |
|   |            | <b>8,377,085</b>  |
| <b>New Jersey 10.4%</b>   |            |                   |
| New Jersey, Economic Development Authority Revenue, Cigarette Tax, 5.75%, 6/15/2034   | 1,090,000  | 1,093,205         |
| New Jersey, Hospital & Healthcare Revenue, General Hospital Center at Passaic, ETM, 6.75%, 7/1/2019 (a)                         | 5,000,000  | 6,142,400         |
| New Jersey, Industrial Development Revenue, American Water Co., Inc. Project, AMT, Series A, 6.875%, 11/1/2034 (a)              | 10,775,000 | 10,918,415        |
| New Jersey, Industrial Development Revenue, Economic Development Authority, Harrogate, Inc., Series A, 5.875%, 12/1/2026        | 1,400,000  | 1,403,262         |
| New Jersey, Resource Recovery Revenue, Tobacco Settlement Financing Corp., 5.75%, 6/1/2032                                      | 2,025,000  | 2,193,541         |
| New Jersey, State Agency General Obligation Lease, Transportation Trust Fund Authority, Series A, Prerefunded, 5.75%, 6/15/2017 | 10,000,000 | 10,608,800        |
| New Jersey, Tobacco Settlement Financing Corp., Series 1-A, 5.0%, 6/1/2041  | 1,000,000  | 839,430           |
| New Jersey, Transportation/Tolls Revenue, Economic Development Authority, Series A, Prerefunded, 5.75%, 5/1/2013 (a)            | 6,000,000  | 6,206,700         |
| New Jersey, Transportation/Tolls Revenue, Garden State Parkway Project, Prerefunded, 5.6%, 1/1/2017 (a)                         | 8,000,000  | 8,453,280         |
|   |            | <b>47,859,033</b> |
| <b>New York 10.1%</b>   |            |                   |
| Nassau County, NY, Hospital & Healthcare, 6.0%, 8/1/2015 (a)  | 3,390,000  | 3,605,231         |

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| 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  | 1,803,117         |
| New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, City University, Series A, 5.625%, 7/1/2016              | 1,500,000  | 1,671,225         |
| New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, Jamaica Hospital, Series F, 5.2%, 2/15/2016              | 1,000,000  | 1,018,710         |
| New York, State General Obligation, Tobacco Settlement Financing Corp., Series A-1, 5.25%, 6/1/2022 (a)  | 10,000,000 | 10,634,800        |
| New York, Tobacco Settlement Financing Corp., Series B-1C, 5.5%, 6/1/2019  | 5,500,000  | 5,894,075         |
| New York, Transportation/Tolls Revenue:  |            |                   |
| Prerefunded, 5.625%, 4/1/2013 (a)  | 5,000,000  | 5,205,350         |
| Prerefunded, 5.75%, 4/1/2014 (a)   | 2,000,000  | 2,085,400         |
| New York, NY, General Obligation:  |            |                   |
| Series D, 5.0%, 11/1/2024  | 7,500,000  | 7,745,325         |
| Series F, Prerefunded, 5.25%, 8/1/2015 (a)   | 50,000     | 50,657            |
| New York, NY, Sales & Special Tax Revenue, Transitional Finance Authority:   |            |                   |
| Series B, Prerefunded, 6.125%, 11/15/2014  | 1,645,000  | 1,774,906         |
| Series B, 6.125%, 11/15/2014   | 355,000    | 383,034           |
| Series B, Prerefunded, 6.125%, 11/15/2015  | 3,000,000  | 3,236,160         |
| Niagara Falls, NY, School District General Obligation, 5.6%, 6/15/2014 (a)   | 1,180,000  | 1,331,465         |
|  |            | <b>46,439,455</b> |
| <b>North Carolina 1.7%</b>   |            |                   |
| Charlotte, NC, Airport Revenue, AMT:   |            |                   |
| Series B, 5.75%, 7/1/2013 (a)  | 2,480,000  | 2,578,580         |
| Series B, 5.875%, 7/1/2014 (a)   | 1,140,000  | 1,187,492         |
| North Carolina, Electric Revenue, Municipal Power Agency:  |            |                   |
| Series C, 5.375%, 1/1/2017   | 1,000,000  | 1,048,140         |
| Series B, 6.375%, 1/1/2013   | 3,000,000  | 3,158,550         |
|  |            | <b>7,972,762</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>3,755,368</b>  |
| <b>Ohio 3.1%</b>   |            |                   |
| Buckeye, OH, Tobacco Settlement Financing Authority, Series A-2, 5.875%, 6/1/2030  | 8,820,000  | 8,594,561         |
| Green Springs, OH, Senior Care Revenue, St. Francis Health Care Center Project, Series A, 7.125%, 5/15/2025  | 6,000,000  | 5,763,000         |
|  |            | <b>14,357,561</b> |
| <b>Oregon 2.4%</b>   |            |                   |
| Oregon, State General Obligation Lease, Department of Administrative Services, Series A, Prerefunded, 6.25%, 5/1/2017 (a)                                | 1,000,000  | 1,078,840         |
| Oregon, State Revenue Lease, Department of Administrative Services, Series A, Prerefunded, 6.25%, 5/1/2018 (a)   | 1,000,000  | 1,078,840         |
| Portland, OR, Special Assessment Revenue, Downtown Waterfront:   |            |                   |
| Series A, 5.625%, 6/15/2015 (a)  | 3,100,000  | 3,298,896         |
| Series A, 5.75%, 6/15/2018 (a)   | 2,225,000  | 2,362,995         |
| Series A, 5.75%, 6/15/2019 (a)   | 2,820,000  | 2,994,896         |
|  |            | <b>10,814,467</b> |
| <b>Pennsylvania 1.7%</b>   |            |                   |
| Pennsylvania, Hospital & Healthcare Revenue, Economic Development Financing Authority, UPMC Health System, Series A, 6.0%, 1/15/2031                     | 2,570,000  | 2,743,732         |
| Philadelphia, PA, Gas Works Revenue, Series A-1, 5.0%, 9/1/2029 (a)  | 5,000,000  | 5,162,950         |
|  |            | <b>7,906,682</b>  |
| <b>Puerto Rico 0.2%</b>  |            |                   |
| Commonwealth of Puerto Rico, Public Improvement:   |            |                   |
| Prerefunded, Series A, 5.25%, 7/1/2030   | 620,000    | 697,643           |
| Series A, 5.25%, 7/1/2030  | 380,000    | 385,620           |
|  |            | <b>1,083,263</b>  |
| <b>Rhode Island 0.9%</b>   |            |                   |
| Rhode Island, Special Assessment Revenue, Series A, 6.125%, 6/1/2032   | 4,000,000  | <b>4,070,000</b>  |
| <b>South Carolina 3.4%</b>   |            |                   |

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| Greenwood County, SC, Hospital & Healthcare Revenue, South Carolina Memorial Hospital, 5.5%, 10/1/2031   | 1,500,000  | 1,523,160         |
| South Carolina, Jobs Economic Development Authority, Hospital Facilities Revenue, Palmetto Health Alliance:  |            |                   |
| Series C, Prerefunded, 7.0%, 8/1/2030  | 4,825,000  | 5,698,518         |
| Series C, 7.0%, 8/1/2030   | 595,000    | 701,047           |
| Series A, Prerefunded, 7.375%, 12/15/2021  | 2,000,000  | 2,268,000         |
| South Carolina, Tobacco Settlement Revenue Management Authority:   |            |                   |
| Series B, 6.0%, 5/15/2022  | 2,000,000  | 2,041,460         |
| Series B, 6.375%, 5/15/2030  | 3,085,000  | 3,088,548         |
|  |            | <b>15,320,733</b> |
| <b>South Dakota 0.3%</b>   |            |                   |
| South Dakota, State Health & Educational Facilities Authority Revenue, Sanford Health, 5.0%, 11/1/2027   | 1,500,000  | <b>1,525,305</b>  |
| <b>Tennessee 4.8%</b>  |            |                   |
| Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue, 5.0%, 12/15/2021  | 2,000,000  | 1,959,460         |
| Memphis-Shelby County, TN, Airport Revenue, AMT, Series D, 6.25%, 3/1/2017 (a)   | 4,690,000  | 4,942,650         |
| Shelby County, TN, Health Educational & Housing Facility Board, Hospital Revenue, Methodist Health Care:   |            |                   |
| ETM, 6.5%, 9/1/2026  | 2,615,000  | 2,983,218         |
| Prerefunded, 6.5%, 9/1/2026  | 4,385,000  | 5,002,452         |
| Tennessee, Energy Acquisition Corp., Gas Revenue, Series A, 5.25%, 9/1/2019  | 7,000,000  | 7,270,340         |
|  |            | <b>22,158,120</b> |
| <b>Texas 18.6%</b>   |            |                   |
| Austin, TX, Sales & Special Tax Revenue, Hotel Occupancy Tax:  |            |                   |
| 6.0%, 11/15/2013 (a)   | 3,190,000  | 3,354,157         |
| 6.0%, 11/15/2015 (a)   | 3,480,000  | 3,659,081         |
| 6.0%, 11/15/2016 (a)   | 3,625,000  | 3,811,543         |
| Brazos River, TX, Pollution Control Revenue, Brazos River Authority, Texas Utilities Electric Co. Project, AMT, Series C, 5.75%, 5/1/2036              | 3,965,000  | 3,850,689         |
| Dallas-Fort Worth, TX, Airport Revenue, International Airport, AMT, Series A, 5.875%, 11/1/2016 (a)  | 6,500,000  | 6,900,270         |
| Harris County, TX, Hospital & Healthcare Revenue, Health Facilities Development Corp., Memorial Hermann Healthcare Systems, Series A, 6.375%, 6/1/2029 | 5,500,000  | 6,097,410         |
| Houston, TX, Airport Revenue, People Mover Project, AMT, Series A, 5.5%, 7/15/2017 (a)   | 3,300,000  | 3,303,465         |
| Houston, TX, Port Authority Revenue, Airport Revenue, AMT, Series A, 5.875%, 7/1/2014 (a)  | 3,960,000  | 4,174,434         |
| Red River, TX, School District Revenue Lease, St. Mark's School Project, 6.0%, 8/15/2019   | 5,390,000  | 5,606,624         |
| Tarrant County, TX, Cultural Educational Facilities Finance Corp. Revenue, Texas Health Resources, Series A, 5.0%, 2/15/2026                           | 4,000,000  | 4,063,160         |
| Tarrant County, TX, Hospital & Healthcare Revenue, Health Facilities Development Corp., 6.7%, 11/15/2030   | 4,500,000  | 4,967,955         |
| Texas, Industrial Development Revenue, Waste Disposal Authority, AMT, Series A, 6.1%, 8/1/2024   | 2,000,000  | 2,046,580         |
| Texas, Municipal Gas Acquisition & Supply Corp I, Gas Supply Revenue, Series B, 4.365%***, 12/15/2017  | 10,000,000 | 9,387,800         |
| Texas, State General Obligation, College Student Loans, AMT, 5.0%, 8/1/2021  | 4,015,000  | 4,016,205         |
| Texas, State Turnpike Authority, Dallas Northway Revenue, 5.5%, 1/1/2015 (a)   | 14,605,000 | 14,921,198        |
| Texas, White Settlement, Independent School District, 5.125%, 8/15/2026  | 5,035,000  | 5,304,070         |
|  |            | <b>85,464,641</b> |
| <b>Virginia 0.2%</b>   |            |                   |
| Virginia, Tobacco Settlement Financing Corp., Series B-1, 5.0%, 6/1/2047   | 1,200,000  | <b>996,876</b>    |
| <b>Washington 5.8%</b>   |            |                   |
| Seattle, WA, Airport Revenue, AMT, Series B, 6.0%, 2/1/2013 (a)  | 7,355,000  | 8,110,432         |
| Seattle, WA, Special Assessment Revenue, AMT:  |            |                   |
| Series B, 5.5%, 9/1/2011 (a)   | 1,085,000  | 1,138,447         |
| Series B, 5.75%, 9/1/2013 (a)  | 1,045,000  | 1,099,058         |
| Skagit County, WA, School District General Obligation, School District No. 1, Burlington Edison, 5.625%, 12/1/2014 (a)                                 | 1,570,000  | 1,685,521         |
| Snohomish County, WA, Electric Revenue, Public Utility District No. 1, 5.375%, 12/1/2024 (a)   | 3,000,000  | 3,150,480         |
| Washington, Electric Revenue, Energy Northwest Columbia Generating, Series B, 6.0%, 7/1/2018 (a)   | 3,000,000  | 3,289,140         |
| Washington, Hospital & Healthcare Revenue, Group Health Coop of Puget Sound, 5.375%, 12/1/2017 (a)   | 1,500,000  | 1,585,305         |
| Washington, State General Obligation, Series A, 5.5%, 7/1/2016   | 4,835,000  | 5,001,324         |
| Washington, State Health Care Facilities Authority Revenue, Series C, 5.375%, 8/15/2028 (a) (b)  | 1,435,000  | 1,458,204         |
|  |            | <b>26,517,911</b> |
| <b>West Virginia 4.5%</b>  |            |                   |
| West Virginia, Hospital & Healthcare Revenue, Hospital Finance Authority, Charleston Medical Center:   |            |                   |

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| Series A, 6.75%, 9/1/2022   | 2,355,000              | 2,588,168            |
| 6.75%, 9/1/2030   | 395,000                | 434,109              |
| West Virginia, Hospital Finance Authority, Charleston Medical Center:   |                        |                      |
| Prerefunded, 6.75%, 9/1/2022  | 9,645,000              | 10,607,957           |
| Prerefunded, 6.75%, 9/1/2030  | 3,605,000              | 3,964,923            |
| West Virginia, Water & Sewer Revenue, Water Development Authority, Series B, 5.25%, 11/1/2023 (a)   | 2,740,000              | 2,948,788            |
|   |                        | <b>20,543,945</b>    |
| <b>Wisconsin 2.2%</b>   |                        |                      |
| Badge, WI, Tobacco Asset Securitization Corp., 6.125%, 6/1/2027   | 3,930,000              | 4,068,690            |
| Wisconsin, Hospital & Healthcare Revenue, Health & Education Facilities Authority, Aurora Health Care, Inc., Series A, 5.6%, 2/15/2029                          | 6,000,000              | 6,035,640            |
|   |                        | <b>10,104,330</b>    |
| <b>Total Municipal Bonds and Notes</b> (Cost \$649,089,341)   |                        | <b>686,731,771</b>   |
| <b>Municipal Inverse Floating Rate Notes 21.1%</b>  |                        |                      |
| <b>Arizona 2.6%</b>   |                        |                      |
| Phoenix, AZ, Industrial Development Authority, Single Family Mortgage Revenue, Series 2007-3, 5.625%, 5/1/2039 (c)  | 11,250,000             | <b>12,008,023</b>    |
| <i>Trust: Phoenix, AZ, Puttable Floating Option, Tax Exempt Receipts, RITES-PA-1509, AMT, 144A, 10.614%, 5/1/2039, Leverage Factor at purchase date: 4 to 1</i> |                        |                      |
| <b>California 6.9%</b>  |                        |                      |
| California, San Francisco Bay Area Toll Authority, Toll Bridge Revenue, Series F, 5.0%, 4/1/2031 (c)  | 10,000,000             | 10,481,900           |
| <i>Trust: California, Bay Area Toll Authority, Toll Bridge Revenue, Series 1962-5, 144A, 8.66%, 4/1/2031, Leverage Factor at purchase date: 4 to 1</i>          |                        |                      |
| San Jose, CA, Redevelopment Agency Tax Allocation, Merged Area Redevelopment Project, Series C, 5.0%, 8/1/2025 (a) (c)  | 10,000,000             | 10,447,800           |
| <i>Trust: California, Puttable Floating Option, Tax Exempt Receipts, RITES-PA-1505, 144A, 8.12%, 8/1/2025, Leverage Factor at purchase date: 4 to 1</i>         |                        |                      |
| California, State General Obligation, 5.0%, 6/1/2023 (a) (c)  | 10,000,000             | 10,633,600           |
| <i>Trust: California, State General Obligation, Series 1932, 144A, 8.66%, 6/1/2023, Leverage Factor at purchase date: 4 to 1</i>                                |                        |                      |
|   |                        | <b>31,563,300</b>    |
| <b>Illinois 4.0%</b>  |                        |                      |
| Chicago, IL, General Obligation, Series A, 5.0%, 1/1/2024 (a) (c)   | 10,360,000             | 10,929,852           |
| <i>Trust: Chicago, IL, UBS Municipal (CRVS), Various States, 144A, 8.48%, 1/1/2024, Leverage Factor at purchase date: 4 to 1</i>                                |                        |                      |
| Aurora, IL, Single Family Mortgage Revenue, Series C, 5.5%, 6/1/2045 (c)  | 7,000,000              | 7,309,085            |
| <i>Trust: Illinois, Puttable Floating Option, Tax Exempt Receipts, RITES-PA-1499, 144A, AMT, 10.03%, 6/1/2045, Leverage Factor at purchase date: 4 to 1</i>     |                        |                      |
|   |                        | <b>18,238,937</b>    |
| <b>Nevada 2.2%</b>  |                        |                      |
| Henderson, NV, Health Care Facility Revenue, Catholic Healthcare West, Series B, 5.25%, 7/1/2031 (c)  | 10,000,000             | <b>10,157,650</b>    |
| <i>Trust: Nevada, Puttable Floating Option, Tax Exempt Receipts, RITES-PA-1494, 144A, 8.16%, 7/1/2031, Leverage Factor at purchase date: 4 to 1</i>             |                        |                      |
| <b>New York 5.4%</b>  |                        |                      |
| New York, State Dormitory Authority Revenues, State Supported Debt, University Dormitory Facilities, 5.0%, 7/1/2025 (c)   | 5,425,000              | 5,687,998            |
| <i>Trust: New York, State Dormitory Authority Revenues, Secondary Issues, Series 1971-1, 144A, 8.479%, 7/1/2025, Leverage Factor at purchase date: 4 to 1</i>   |                        |                      |
| New York, State Dormitory Authority Revenues, State Supported Debt, University Dormitory Facilities, 5.0%, 7/1/2027 (c)   | 8,080,000              | 8,420,249            |
| <i>Trust: New York, State Dormitory Authority Revenues, Secondary Issues, Series 1971-2, 144A, 8.48%, 7/1/2027, Leverage Factor at purchase date: 4 to 1</i>    |                        |                      |
| New York, State Dormitory Authority, State Personal Income Tax Revenue, Series A, 5.0%, 3/15/2024 (c)   | 10,000,000             | 10,661,150           |
| <i>Trust: New York, State Dormitory Authority Revenues, Secondary Issues, Series 1955-3, 144A, 8.57%, 3/15/2024, Leverage Factor at purchase date: 4 to 1</i>   |                        |                      |
|   |                        | <b>24,769,397</b>    |
| <b>Total Municipal Inverse Floating Rate Notes</b> (Cost \$96,106,848)  |                        | <b>96,737,307</b>    |
|   | <b>% of Net Assets</b> | <b>Value (\$)</b>    |
|   |                        |                      |
| <b>Total Investment Portfolio</b> (Cost \$745,196,189)+   | 170.6                  | <b>783,469,078</b>   |
| <b>Other Assets and Liabilities, Net</b>  | (12.9)                 | <b>(59,135,237)</b>  |
| <b>Preferred Shares, at Redemption Value</b>  | (57.7)                 | <b>(265,000,000)</b> |

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|   |       |                    |
|---|-------|--------------------|
| <b>Net Assets Applicable to Common Shareholders</b> | 100.0 | <b>459,333,841</b> |
|---|-------|--------------------|

\* 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, 2007.

\*\* Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of November 30, 2007.

+ The cost for federal income tax purposes was \$744,595,772. At November 30, 2007, net unrealized appreciation for all securities based on tax cost was \$38,873,306. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$41,729,654 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,856,348.

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

| Insurance Coverage                   | As a % of Total Investment Portfolio |
|--------------------------------------|--------------------------------------|
| Ambac Financial Group                | 13.8                                 |
| Financial Guaranty Insurance Company | 10.1                                 |
| Financial Security Assurance, Inc.   | 14.9                                 |
| MBIA Corp.                           | 9.9                                  |
| Radian                               | 0.2                                  |

(b) When-issued security.

(c) Security forms part of the below tender option bond trust. The 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.

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 repay principal and pay interest on bonds so designated.

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

RITES: Residual Interest Tax Exempt Security.

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

## Financial Statements

| Statement of Assets and Liabilities as of November 30, 2007    |                       |
|--|-----------------------|
| <b>Assets</b>  |                       |
| Investments in securities, at value (cost \$745,196,189)       | \$ 783,469,078        |
| Cash   | 55,214                |
| Receivable for investments sold                                | 100,000               |
| Interest receivable  | 12,549,804            |
| <b>Total assets</b>  | <b>796,174,096</b>    |
| <b>Liabilities</b>   |                       |
| Payable for investments purchased — when-issued security       | 1,412,858             |
| Payable for floating rate notes issued                         | 69,083,500            |
| Distributions payable  | 497,783               |
| Accrued management fee   | 327,705               |
| Other accrued expenses and payables                            | 518,409               |
| <b>Total liabilities</b>                                       | <b>71,840,255</b>     |
| <b>Remarketed preferred shares, at redemption value</b>        | <b>265,000,000</b>    |
| <b>Net assets applicable to common shareholders</b>            | <b>\$ 459,333,841</b> |
| <b>Net Assets Applicable to Common Shareholders Consist of</b> |                       |

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|   |                       |
|---|-----------------------|
| Undistributed net investment income   | 61,847                |
| Net unrealized appreciation (depreciation) on investments   | 38,272,889            |
| Accumulated net realized gain (loss)  | (6,452,090)           |
| Paid-in capital   | 427,451,195           |
| <b>Net assets applicable to common shareholders</b>   | <b>\$ 459,333,841</b> |
| <b>Net Asset Value</b>  |                       |
| Net Asset Value per common share (\$459,333,841 ÷ 38,973,231 outstanding shares of beneficial interest, \$.01 par value, unlimited shares authorized) | <b>\$ 11.79</b>       |

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

|  |                     |
|--|---------------------|
| <b>Statement of Operations</b> for the year ended November 30, 2007    |                     |
| <b>Investment Income</b>   |                     |
| Income:  |                     |
| Interest   | \$ 39,702,646       |
| Expenses:  |                     |
| Management fee   | 4,004,227           |
| Services to shareholders   | 87,660              |
| Custodian fees   | 30,527              |
| Professional fees  | 96,204              |
| Trustees' fees and expenses  | 43,604              |
| Reports to shareholders  | 89,077              |
| Remarketing agent fee  | 662,501             |
| Stock exchange listing fees  | 33,229              |
| Interest expense and fees on floating rate notes                       | 1,282,883           |
| Other  | 108,665             |
| Total expenses before expense reductions                               | 6,438,577           |
| Expense reductions   | (42,833)            |
| Total expenses after expense reductions                                | 6,395,744           |
| <b>Net investment income</b>   | <b>33,306,902</b>   |
| <b>Realized and Unrealized Gain (Loss)</b>                             |                     |
| Net realized gain (loss) from investments                              | (768,584)           |
| Change in net unrealized appreciation (depreciation) on investments    | (14,725,086)        |
| <b>Net gain (loss)</b>   | <b>(15,493,670)</b> |
| <b>Dividends on remarketed preferred shares</b>                        | <b>(10,526,572)</b> |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b>\$ 7,286,660</b> |

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

|   |                        |
|---|------------------------|
| <b>Statement of Cash Flows</b> for the year ended November 30, 2007 |                        |
| <b>Cash Flows from Operating Activities:</b>                        |                        |
| Investment income received*   | \$ 39,938,931          |
| Payment of operating expenses                                       | (5,072,577)            |
| Payment of interest expense   | (1,282,883)            |
| Proceeds from sales and maturities of investments                   | 414,145,093            |
| Purchases of investments  | (484,121,796)          |
| <b>Cash provided (used) by operating activities</b>                 | <b>\$ (36,393,232)</b> |
| <b>Cash Flows from Financing Activities:</b>                        |                        |
| Net increase (decrease) in payable for floating rate notes issued   | \$ 69,083,500          |
| Reimbursement by Advisor  | 175,116                |
| Distributions paid  | (32,853,168)           |
| <b>Cash provided (used) by financing activities</b>                 | <b>36,405,448</b>      |

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|   |                        |
|---|------------------------|
| Increase (decrease) in cash   | 12,216                 |
| Cash at beginning of period   | 42,998                 |
| <b>Cash at end of period</b>  | <b>\$ 55,214</b>       |
| <b>Reconciliation of Net Increase (Decrease) in Net Assets Resulting from Operations to Cash Provided (Used) by Operating Activities:</b> |                        |
| Increase (decrease) in net assets resulting from operations (excluding dividends on remarketed preferred shares)                          | \$ 17,813,232          |
| (Increase) decrease in cost of investments  | (70,391,260)           |
| (Increase) decrease in unrealized appreciation (depreciation) on investments  | 14,725,086             |
| (Increase) decrease in receivable for investments sold  | (60,000)               |
| (Increase) decrease in interest receivable  | 66,568                 |
| (Increase) decrease in other assets   | 917                    |
| Increase (decrease) in payable for investments purchased  | 1,412,858              |
| Increase (decrease) in other accrued expenses and payables  | 39,367                 |
| <b>Cash provided (used) by operating activities</b>   | <b>\$ (36,393,232)</b> |

\* Non-cash activity from discount accretion and premium amortization in the net amount of \$169,717 has been excluded from the Statement of Cash Flows.

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

| <b>Statement of Changes in Net Assets</b>  |                                 |                       |
|--|---------------------------------|-----------------------|
| <b>Increase (Decrease) in Net Assets</b>   | <b>Years Ended November 30,</b> |                       |
|  | <b>2007</b>                     | <b>2006</b>           |
| Operations:  |                                 |                       |
| Net investment income  | \$ 33,306,902                   | \$ 33,421,782         |
| Net realized gain (loss)   | (768,584)                       | (898,315)             |
| Change in net unrealized appreciation (depreciation)   | (14,725,086)                    | 2,288,488             |
| Dividends on remarketed preferred shares   | (10,526,572)                    | (9,282,908)           |
| Net increase (decrease) in net assets resulting from operations  | 7,286,660                       | 25,529,047            |
| Distributions to common shareholders from:   |                                 |                       |
| Net investment income  | (22,448,581)                    | (24,214,594)          |
| Fund share and paid-in capital transactions:   |                                 |                       |
| Net proceeds from shares issued to common shareholders in reinvestment of distributions  | —                               | 655,914               |
| Reimbursement by Advisor   | 175,116                         | —                     |
| Net increase (decrease) in net assets from Fund share and paid-in capital transactions   | 175,116                         | 655,914               |
| <b>Increase (decrease) in net assets</b>   | <b>(14,986,805)</b>             | <b>1,970,367</b>      |
| Net assets at beginning of period  | 474,320,646                     | 472,350,279           |
| Net assets at end of period (including undistributed net investment income and distributions in excess of net investment income of \$61,847 and \$251,858, respectively) | <b>\$ 459,333,841</b>           | <b>\$ 474,320,646</b> |
| <b>Other Information</b>   |                                 |                       |
| Common shares outstanding at beginning of period   | 38,973,231                      | 38,919,429            |
| Shares issued to common shareholders in reinvestment of distributions  | —                               | 53,802                |
| Common shares outstanding at end of period   | 38,973,231                      | 38,973,231            |

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

## Financial Highlights

| <b>Years Ended November 30,</b>                  | <b>2007</b>     | <b>2006</b>     | <b>2005</b>     | <b>2004</b>     | <b>2003</b>     |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Selected Per Share Data</b>                   |                 |                 |                 |                 |                 |
| <b>Net asset value, beginning of period</b>      | <b>\$ 12.17</b> | <b>\$ 12.14</b> | <b>\$ 12.42</b> | <b>\$ 12.59</b> | <b>\$ 12.18</b> |
| <i>Income (loss) from investment operations:</i> |                 |                 |                 |                 |                 |
| Net investment income <sup>a</sup>               | .85             | .86             | .87             | .89             | .92             |



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|   |                     |                   |                 |                 |                 |
|---|---------------------|-------------------|-----------------|-----------------|-----------------|
| Net realized and unrealized gain (loss)   | (.38)               | .03               | (.17)           | (.16)           | .36             |
| <i>Dividends on remarketed preferred shares (common share equivalent):</i>  |                     |                   |                 |                 |                 |
| From net investment income  | (.27)               | (.24)             | (.17)           | (.09)           | (.07)           |
| <b>Total from investment operations</b>   | .20                 | .65               | .53             | .64             | 1.21            |
| <i>Less distributions from:</i>   |                     |                   |                 |                 |                 |
| Net investment income   | (.58)               | (.62)             | (.81)           | (.81)           | (.79)           |
| Net realized gains to common shareholders   | —                   | —                 | —               | —               | (.01)           |
| <b>Total distributions to common shareholders</b>   | (.58)               | (.62)             | (.81)           | (.81)           | (.80)           |
| Reimbursement by Advisor  | .00*                | —                 | —               | —               | —               |
| <b>Net asset value, end of period</b>   | <b>\$ 11.79</b>     | <b>\$ 12.17</b>   | <b>\$ 12.14</b> | <b>\$ 12.42</b> | <b>\$ 12.59</b> |
| <b>Market value, end of period</b>  | <b>\$ 10.43</b>     | <b>\$ 10.98</b>   | <b>\$ 12.40</b> | <b>\$ 12.03</b> | <b>\$ 11.96</b> |
| <b>Total Return</b>   |                     |                   |                 |                 |                 |
| Based on net asset value (%) <sup>b</sup>   | 2.04 <sup>c,f</sup> | 5.88 <sup>f</sup> | 4.45            | 5.50            | 10.53           |
| Based on market value (%) <sup>b</sup>  | .06                 | (6.47)            | 10.15           | 7.57            | 15.63           |
| <b>Ratios to Average Net Assets and Supplemental Data</b>   |                     |                   |                 |                 |                 |
| Net assets, end of period (\$ millions)   | 459                 | 474               | 472             | 482             | 489             |
| Ratio of expenses before fee reductions (%) (based on net assets of common shares, including interest expense) <sup>d</sup>   | 1.39                | 1.10              | 1.10            | 1.06            | 1.05            |
| Ratio of expenses after fee reductions (%) (based on net assets of common shares, including interest expense) <sup>d</sup>  | 1.38                | 1.09              | 1.10            | 1.06            | 1.05            |
| Ratio of expenses after fee reductions (%) (based on net assets of common shares, excluding interest expense)   | 1.10                | 1.09              | 1.10            | 1.06            | 1.05            |
| Ratio of expenses before fee reductions (%) (based on net assets of common and remarketed preferred shares, including interest expense) <sup>d</sup>  | .88                 | .71               | .71             | .68             | .68             |
| <b>Years Ended November 30, (continued)</b>   | <b>2007</b>         | <b>2006</b>       | <b>2005</b>     | <b>2004</b>     | <b>2003</b>     |
| Ratio of expenses after fee reductions (%) (based on net assets of common and remarketed preferred shares, including interest expense) <sup>d</sup>   | .88                 | .70               | .71             | .68             | .68             |
| Ratio of expenses after fee reductions (%) (based on net assets of common and remarketed preferred shares, excluding interest expense)  | .70                 | .70               | .71             | .68             | .68             |
| Ratio of net investment income (%) (based on net assets of common shares)   | 7.19                | 7.13              | 7.00            | 7.15            | 7.35            |
| Ratio of net investment income (%) (based on net assets of common and remarketed preferred shares)  | 4.57                | 4.55              | 4.52            | 4.62            | 4.75            |
| Portfolio turnover rate (%)   | 57                  | 33                | 16              | 25              | 7               |
| Remarketed preferred shares information at end of period:   |                     |                   |                 |                 |                 |
| Aggregate amount outstanding (\$ millions)  | 265                 | 265               | 265             | 265             | 265             |
| Asset coverage per share (\$) <sup>e</sup>  | 13,667              | 13,949            | 13,912          | 14,097          | 14,225          |
| Liquidation and market value per share (\$)   | 5,000               | 5,000             | 5,000           | 5,000           | 5,000           |
| <sup>a</sup> Based on average common shares outstanding during the period.  |                     |                   |                 |                 |                 |
| <sup>b</sup> Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gains 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. |                     |                   |                 |                 |                 |
| <sup>c</sup> Includes a non-recurring reimbursement from the Advisor for a fee previously charged to the Fund (see Note F). Excluding this non-recurring reimbursement, total return would have been 0.04% lower.   |                     |                   |                 |                 |                 |
| <sup>d</sup> Interest expense represents interest and fees on short term floating rate notes issued in conjunction with inverse floating rate securities. Interest income from such transactions is included in income from investment operations.  |                     |                   |                 |                 |                 |
| <sup>e</sup> Asset coverage per share equals net assets of common shares plus the redemption value of the remarketed preferred shares divided by the total number of remarketed preferred shares outstanding at the end of the period.  |                     |                   |                 |                 |                 |
| <sup>f</sup> Total return would have been lower had certain fees not been reduced.  |                     |                   |                 |                 |                 |
| * Amount is less than \$.005.   |                     |                   |                 |                 |                 |

## Notes to Financial Statements

### A. Significant Accounting Policies

DWS Municipal Income Trust (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a closed-end, diversified management investment company organized as a Massachusetts business trust.

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Fund in the preparation of its financial statements.

**Security Valuation.** Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Debt securities are valued by independent pricing services approved by the Trustees of the Fund, whose valuations are intended to reflect the mean between the bid and asked prices. If the pricing services are unable to provide valuations, the securities are valued at the mean of the most recent bid and asked quotations or evaluated price obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

In September 2006, the Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of November 30, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

**When-Issued/Delayed Delivery Securities.** The Fund may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Fund until payment takes place. At the time the Fund enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

**Federal Income Taxes.** The Fund's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the Fund paid no federal income taxes and no federal income tax provision was required.

At November 30, 2007, the Fund had a net tax basis capital loss carryforward of approximately \$5,837,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until

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November 30, 2008 (\$3,602,000), November 30, 2011 (\$1,323,000) and November 30, 2014 (\$912,000), the respective expiration dates, whichever occurs first. During the year ended November 30, 2007, the Fund utilized approximately \$204,000 and lost through expiration approximately \$617,000 of a prior year capital loss carryforward. In addition, from November 1, 2007 through November 30, 2007, the Fund incurred approximately \$970,000 of net realized capital losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ending November 30, 2008.

In July 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Fund a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Fund is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. On December 22, 2006, the SEC indicated that they would not object if a Fund implements FIN 48 in the first required financial statement reporting period for its fiscal year beginning after December 15, 2006. Management is evaluating the application of the Interpretation to the Fund and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

**Distribution of Income and Gains.** Net investment income of the Fund is declared and distributed to shareholders monthly. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to certain securities sold at a loss and accretion of market discount on debt securities. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

At November 30, 2007, the Fund's components of distributable earnings (accumulated losses) on a tax-basis were as follows:

|   |                |
|---|----------------|
| Undistributed tax-exempt income                           | \$ 595,828     |
| Capital loss carryforwards                                | \$ (5,837,000) |
| Net unrealized appreciation (depreciation) on investments | \$ 38,873,306  |

In addition, the tax character of distributions paid to shareholders by the Fund is summarized as follows:

|                                      | Years Ended November 30, |               |
|--------------------------------------|--------------------------|---------------|
|                                      | 2007                     | 2006          |
| Distributions from ordinary income   | \$ —                     | 48,947        |
| Distributions from tax-exempt income | \$ 32,975,153            | \$ 33,448,555 |

**Remarketed Preferred Shares.** The Fund has issued and outstanding 10,800 Series A, 10,700 Series B, 10,800 Series C, 10,700 Series D and 10,000 Series E remarketed preferred shares, each at a liquidation value of \$5,000 per share. The preferred shares are senior to and have certain class specific preferences over the common shares. The dividend rate on each series is set by the remarketing agent, and the dividends are generally paid every 28 days. The remarketing agent will pay each broker-dealer a service charge from funds provided by the Fund (remarketing agent fee). The 1940 Act requires that the preferred shareholders of the Fund, voting as a separate class, have the right to: a) elect at least two trustees at all times, and b) elect a majority of the trustees at any time when dividends on the preferred shares are unpaid for two full years. Unless otherwise required by law or under the terms of the preferred shares designation statement, each preferred share is entitled to one vote and preferred shareholders will vote together with common

shareholders as a single class and have the same voting rights.

**Inverse Floaters.** Inverse floating rate notes are debt instruments with a weekly floating rate of interest that bears an inverse relationship to changes in short-term market interest rates. Investments in this type of instrument involve special risks as compared to investments in a fixed rate municipal security. The debt instrument in which the Fund may invest is a tender option bond trust (the "trust") which can be established by the Fund, a financial institution, or a broker consisting of underlying municipal obligations with intermediate to long maturities and a fixed interest rate. Other investors in the trust usually consist of money market fund investors receiving weekly floating interest rate payments who have put options with the financial institutions. The Fund may enter into shortfall and forbearance agreements by which a Fund agrees to reimburse the trust, in certain circumstances, for the difference between the liquidation value of the fixed rate municipal security held by the trust and the liquidation value of the floating rate notes. Certain inverse floating rate securities held by the Fund have been created with bonds purchased by the Fund and subsequently transferred to the trust. These transactions are considered a form of financing for accounting purposes. As a result, the Fund includes the original transferred bond and a corresponding liability equal to the floating rate note issued. The Fund does not consider the Fund's investment in inverse floaters borrowing within the meaning of the 1940 Act. Inverse floating rate notes exhibit added interest rate sensitivity compared to other bonds with a similar maturity. Moreover, since these securities are in a trust form, a sale may take longer to settle than the standard two days after the trade date.

The weighted average outstanding daily balance of the floating rate notes during the period ended November 30, 2007 was approximately \$32,940,000, with a weighted average interest rate of 3.92%.

**Statement of Cash Flows.** Information on financial transactions which have been settled through the receipt and disbursement of cash is presented in the Statement of Cash Flows. The end of period cash amount shown in the Statement of Cash Flows represents the cash position in the Fund's custodian bank at November 30, 2007. Non-cash activity from discount accretion and premium amortization has been excluded from the Statement of Cash Flows.

**Contingencies.** In the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet been made. However, based on experience, the Fund expects the risk of loss to be remote.

**Other.** Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are recorded on an identified cost basis. All premiums and discounts are amortized/accreted for financial reporting purposes, with the exception of securities in default of principal.

## **B. Purchases and Sales of Securities**

During the year ended November 30, 2007, purchases and sales of investment securities (excluding short-term investments) aggregated \$485,534,654 and \$414,205,093, respectively.

## **C. Related Parties**

**Management Agreement.** Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Investment Management Agreement. The management fee payable under the Investment

Management Agreement is equal to an annual rate of 0.55% of the Fund's average weekly net assets, computed and accrued daily and payable monthly.

**Service Provider Fees.** DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Fund. Pursuant to a sub-transfer agency agreement between DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DWS-SISC compensates DST out of the shareholder servicing fee it receives from the Fund. For the year ended November 30, 2007, the amount charged to the Fund by DWS-SISC aggregated \$87,447, of which \$16,459 is unpaid.

**Typesetting and Filing Service Fees.** Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the year ended November 30, 2007, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated \$20,369, of which \$12,491 is unpaid.

**Trustees' Fees and Expenses.** The Fund paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson.

**Other Related Parties.** Deutsche Bank Trust Company Americas, an affiliate of the Advisor, charges an Administration fee for the remarketed preferred shares. For the year ended November 30, 2007, the amount charged to the Fund by Deutsche Bank Trust Company Americas aggregated \$19,009, all of which is unpaid.

#### **D. Fee Reductions**

For the year ended November 30, 2007, the Advisor agreed to reimburse the Fund \$16,838, which represents a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider.

In addition, the Fund has entered into an arrangement with its custodian and transfer agent whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended November 30, 2007, the Fund's custodian fees were reduced by \$688 and \$25,307, respectively, for custodian and transfer agent credits earned.

#### **E. Line of Credit**

The Fund and other affiliated funds (the "Participants") share in a \$750 million revolving credit facility administered by JPMorgan Chase Bank, N.A. for temporary or emergency purposes. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.35 percent. The Fund may borrow up to a maximum of 33 percent of its net assets under the agreement.

#### **F. Payment Made by Affiliates**

During the year ended November 30, 2007, the Advisor reimbursed the Fund \$175,116 for a fee previously charged to the Fund. This reimbursement was treated as a capital contribution and is reported as "Reimbursement by Advisor" on the Statement of Changes in Net Assets.

### **Report of Independent Registered Public Accounting Firm**

**To the Board of Trustees and Shareholders of DWS Municipal Income Trust:**

We have audited the accompanying statement of assets and liabilities of DWS Municipal Income Trust (the "Fund"), including the investment portfolio, as of November 30, 2007, and the related statement of operations and cash flows for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2007, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from bankers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of DWS Municipal Income Trust at November 30, 2007, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

|                       |
|-----------------------|
| Boston, Massachusetts |
| January 28, 2007      |

## **Tax Information** (Unaudited)

Of the dividends paid from net investment income for the taxable year ended November 30, 2007, 100% are designated as exempt-interest dividends for federal income tax purposes.

Please contact a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call (800) 294-4366.

## **Other Information**

### **Certifications**

The fund's chief executive officer has certified to the New York Stock Exchange that, as of May 31, 2007, he was not aware of any violation by the fund of applicable NYSE corporate governance listing standards. The fund's reports to the Securities and Exchange Commission on Forms N-CSR and N-Q contain certifications by the fund's chief executive officer and chief financial officer that relate to the fund's disclosure in such reports and that are required by rule 30a-2 under the 1940 Act.

## **Dividend Repurchase Plan**

### **A. Participation**

We invite you to review the description of the Dividend Reinvestment Plan (the "Plan") that is available to you as a shareholder of DWS Municipal Income Trust (the "Fund"). If you wish to participate and your shares are held in your own name, simply contact DWS Scudder Investments Service Company, whose address and phone number are provided in Paragraph E, for the appropriate form. If your shares are held in the name of a brokerage firm, bank, or other nominee, you must instruct that nominee to re-register your shares in your name so that you may participate in the Plan, unless your nominee has made the Plan available on shares held by them. Shareholders who so elect will be deemed to have appointed Computershare Inc.\* ("Computershare") as their agent and as agent for the Fund under the Plan.

## **B. Dividend Investment Account**

The Fund's transfer agent and dividend disbursing agent or its delegate (the "Transfer Agent") will establish a Dividend Investment Account (the "Account") for each shareholder participating in the Plan. The Transfer Agent will credit to the Account of each participant funds it receives from the following sources: (a) cash dividends and capital gains distributions paid on shares of beneficial interest (the "Shares") of the Fund registered in the participant's name on the books of the Fund; and (b) cash dividends and capital gains distributions paid on Shares registered in the name of the Transfer Agent but credited to the participant's Account. Sources described in clauses (a) and (b) of the preceding sentence are hereinafter called "Distributions."

## **C. Investment of Distribution Funds Held in Each Account**

If on the record date for a Distribution (the "Record Date"), Shares are trading at a discount from net asset value per Share (according to the evaluation most recently made on Shares of the Fund), funds credited to a participant's Account will be used to purchase Shares (the "Purchase"). Computershare will attempt, commencing five days prior to the Payment Date and ending at the close of business on the Payment Date ("Payment Date" as used herein shall mean the last business day of the month in which such Record Date occurs), to acquire Shares in the open market. If and to the extent that Computershare is unable to acquire sufficient Shares to satisfy the Distribution by the close of business on the Payment Date, the Fund will issue to Computershare, Shares valued at net asset value per Share (according to the evaluation most recently made on Shares of the Fund) in the aggregate amount of the remaining value of the Distribution. If, on the Record Date, Shares are trading at a premium over net asset value per Share, the Fund will issue on the Payment Date, Shares valued at net asset value per Share on the Record Date to the Transfer Agent in the aggregate amount of the funds credited to the participants' accounts.

## **D. Voluntary Cash Contributions**

A participant may from time to time make voluntary cash contributions to his Account by sending to the Transfer Agent a check or money order, payable to the Transfer Agent, in a minimum amount of \$100 with appropriate accompanying instructions. (No more than \$500 may be contributed per month.) The Transfer Agent will inform Computershare of the total funds available for the purchase of Shares and Computershare will use the funds to purchase additional Shares for the participant's Account the earlier of: (a) when it next purchases Shares as a result of a Distribution or (b) on or shortly after the first day of each month and in no event more than 30 days after such date except when temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of federal securities laws. Cash contributions received more than fifteen calendar days or less than five calendar days prior to a Payment Date will be returned uninvested. Interest will not be paid on any uninvested cash contributions. Participants making voluntary cash investments will be charged a \$.75 service fee for each such investment and will be responsible for their pro rata share of brokerage commissions.

## **E. Additional Information**

Address all notices, correspondence, questions, or other communication regarding the Plan, or if you would like a copy of the Plan, to:

**DWS Scudder Investments Service Company**  
P.O. Box 219066  
Kansas City, Missouri 64121-9066  
(800) 294-4366

#### **F. Adjustment of Purchase Price**

The Fund will increase the price at which Shares may be issued under the Plan to 95% of the fair market value of the shares on the Record Date if the net asset value per Share of the Shares on the Record Date is less than 95% of the fair market value of the Shares on the Record Date.

#### **G. Determination of Purchase Price**

The cost of Shares and fractional Shares acquired for each participant's Account in connection with a Purchase shall be determined by the average cost per Share, including brokerage commissions as described in Paragraph H hereof, of the Shares acquired by Computershare in connection with that Purchase. Shareholders will receive a confirmation showing the average cost and number of Shares acquired as soon as practicable after the Transfer Agent has received or Computershare has purchased Shares. The Transfer Agent may mingle the cash in a participant's account with similar funds of other participants of the Fund for whom Computershare acts as agent under the Plan.

#### **H. Brokerage Charges**

There will be no brokerage charges with respect to Shares issued directly by the Fund as a result of Distributions. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to Computershare's open market purchases in connection with the reinvestment of Distributions. Brokerage charges for purchasing small amounts of Shares for individual Accounts through the Plan can be expected to be less than the usual brokerage charges for such transactions, as Computershare will be purchasing Shares for all participants in blocks and prorating the lower commission thus attainable.

#### **I. Service Charges**

There is no service charge by the Transfer Agent or Computershare to shareholders who participate in the Plan other than service charges specified in Paragraphs D and M hereof. However, the Fund reserves the right to amend the Plan in the future to include a service charge.

#### **J. Transfer of Shares Held by Agent**

The Transfer Agent will maintain the participant's Account, hold the additional Shares acquired through the Plan in safekeeping and furnish the participant with written confirmation of all transactions in the Account. Shares in the Account are transferable upon proper written instructions to the Transfer Agent. Upon request to the Transfer Agent, a certificate for any or all full Shares in a participant's Account will be sent to the participant.

#### **K. Shares Not Held in Shareholder's Name**

Beneficial owners of Shares which are held in the name of a broker or nominee will not be automatically included in the Plan and will receive all distributions in cash. Such shareholders should contact the broker or nominee in whose name their Shares are held to determine whether and how they may participate in the Plan.

#### **L. Amendments**



Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan, including provisions with respect to any Distribution paid, subsequent to notice thereof sent to participants in the Plan at least ninety days before the record date for such Distribution, except when such amendment is necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, in which case such amendment shall be effective as soon as practicable. The amendment shall be deemed to be accepted by each participant unless, prior to the effective date thereof, the Transfer Agent receives notice of the termination of such participant's account under the Plan in accordance with the terms hereof. The Plan may be terminated by the Fund.

### **M. Withdrawal from Plan**

Shareholders may withdraw from the Plan at any time by giving the Transfer Agent a written notice. If the proceeds are \$100,000 or less and the proceeds are to be payable to the shareholder of record and mailed to the address of record, a signature guarantee normally will not be required for notices by individual account owners (including joint account owners), otherwise a signature guarantee will be required. In addition, if the certificate is to be sent to anyone other than the registered owner(s) at the address of record, a signature guarantee will be required on the notice. A notice of withdrawal will be effective for the next Distribution following receipt of the notice by the Transfer Agent provided the notice is received by the Transfer Agent at least ten days prior to the Record Date for the Distribution. When a participant withdraws from the Plan, or when the Plan is terminated in accordance with Paragraph L hereof, the participant will receive a certificate for full Shares in the Account, plus a check for any fractional Shares based on market price; or if a Participant so desires, the Transfer Agent will notify Computershare to sell his Shares in the Plan and send the proceeds to the participant, less brokerage commissions and a \$2.50 service fee.

### **N. Tax Implications**

Shareholders will receive tax information annually for personal records and to assist in preparation of their Federal income tax returns. If Shares are purchased at a discount, the amount of the discount is considered taxable income and is added to the cost basis of the purchased shares.

*\* Effective October 15, 2007, the stock transfer business of UMB Bank, N.A. had been acquired by Computershare Limited. Consequently, Computershare Limited's affiliate, Computershare Inc. became Plan Agent under the Plan Agency Agreement between the Fund and UMB Bank, N.A.*

### **Investment Management Agreement Approval**

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor") in September 2007. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the Agreement. Over the course of several months, the Contract Review Committee, in coordination with the Fixed-Income Oversight Committee and the Operations Committee of the Board, reviewed comprehensive materials received from the Advisor, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by an independent fee consultant. The Board also received extensive information throughout the year regarding performance and operating results of the Fund. Based on their evaluation of the information provided, the Committees presented their findings and recommendations to the Independent Trustees as a group. The Independent Trustees then reviewed the Committees' findings and recommendations and presented their recommendations to the full Board. Throughout their consideration of the Agreement, the Independent Trustees were advised by their independent legal counsel and by an independent fee consultant.

In connection with the contract review process, the various Committees and the Board considered the factors discussed below, among others. The Board also considered that the Advisor and its predecessors have managed the

Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders invested in the Fund or approved the investment management agreement for the Fund, knowing that the Advisor managed the Fund and knowing the investment management fee schedule. The Board considered Deutsche Bank's commitment that it will devote to the Advisor and its affiliates all attention and resources that are necessary to provide the Fund with top-quality investment management and shareholder, administrative and product distribution services.

**Nature, Quality and Extent of Services.** The Board considered the nature, extent and quality of services provided under the Agreement, including portfolio management services and administrative services. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of the Advisor to attract and retain high-quality personnel, and the organizational depth and stability of the Advisor. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by Lipper Inc. ("Lipper"). The Board considered whether investment results were consistent with the Fund's investment objective and policies. The Board also noted that it has put a process into place of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer group compiled by Lipper), and receives more frequent reporting and information from the Advisor regarding such funds, along with the Advisor's remedial plans to address underperformance. The Board believes this process is an effective manner of addressing poorly performing funds at this time.

On the basis of this evaluation and the ongoing review of investment results by the Fixed-Income Oversight Committee, the Board concluded that the nature, quality and extent of services provided by the Advisor historically have been and continue to be satisfactory. The Board noted the relative underperformance of the Fund, and took into account the factors contributing to such performance, the recent municipal bond and short-term interest rate environments, the Fund's favorable ten year period performance, and steps being taken by the Advisor to improve performance.

**Fees and Expenses.** The Board considered the Fund's management fee rate, operating expenses and total expense ratio, and compared management fees to a peer group and total expenses to a broader peer universe based on information and data supplied by Lipper and supplemented by the independent fee consultant. The information provided to the Board showed that the Fund's management fee rate was at the 15th percentile of the peer group, and that the total expense ratio was at the 36th percentile of the peer universe. The Board also considered the Fund's management fee rate as compared to fees charged by the Advisor and certain of its affiliates for comparable funds and considered differences in fund and fee structures among the DWS Funds.

On the basis of the information provided, the Board concluded that management fees were reasonable and appropriate in light of the nature, quality and extent of services provided by the Advisor.

**Profitability.** The Board reviewed detailed information regarding revenues received by the Advisor under the Agreement. The Board considered the estimated costs and pre-tax profits realized by the Advisor from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprisewide profitability of the DWS Scudder organization with respect to all fund services in totality and by fund. The Board reviewed DIMA's methodology in allocating its costs to the management of the Fund. Although the Board noted the inherently subjective nature of any allocation methodology, the Board received an attestation report from an accounting firm affirming that the allocation methods were consistently applied and were based upon practices commonly used in the investment management industry. Based on the information provided, the Board concluded that the pre-tax profits realized by DIMA in connection with the management of the Fund were not unreasonable.

**Economies of Scale.** The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board considered whether the management fee

rate under the Agreement is reasonable in relation to the asset size of the Fund. The Board concluded that the management fee rate reflects an appropriate level of sharing of any economies of scale.

**Other Benefits to DIMA and Its Affiliates.** The Board also considered the character and amount of other incidental benefits received by DIMA and its affiliates, including any fees received by the Advisor for administrative services provided to the Fund. The Board also considered benefits to DIMA related to brokerage and soft-dollar allocations, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DIMA related to DWS Funds advertising and cross-selling opportunities among DeAM products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Based on all of the information considered and the conclusions reached, the Board (including a majority of the Independent Trustees) determined that the terms of the Agreement continue to be fair and reasonable and that the continuation of the Agreement is in the best interests of the Fund. No single factor was determinative in the Board's analysis.

## Trustees and Officers

The following table presents certain information regarding the Board Members and Officers of the fund as of November 30, 2007. Each individual's year of birth is set forth in parentheses after his or her name. Unless otherwise noted; (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each individual is c/o Deutsche Asset Management, 222 South Riverside Plaza, Chicago, Illinois 60606. Each Board Member's term of office extends until the next shareholders' meeting called for the purpose of electing such Board Members and until the election and qualification of a successor, or until such Board Member sooner dies, retires, resigns or is removed as provided in the governing documents of the fund.

| Independent Board Members  |   |  |
|--|---|--|
| Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served <sup>1</sup> | Principal Occupation(s) During Past 5 Years and Other Directorships Held  | Number of Funds in Fund Complex Overseen |
| Paul K. Freeman (1950)<br>Chairperson since 2007, and Board Member, 2002-present           | Consultant, World Bank/Inter-American Development Bank; formerly, Project Leader, International Institute for Applied Systems Analysis (1998-2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986-1998)   | 58                                       |
| John W. Ballantine (1946)<br>Board Member, 1999-present                                    | Retired; formerly, Executive Vice President and Chief Risk Management Officer, First Chicago NBD Corporation/The First National Bank of Chicago (1996-1998); Executive Vice President and Head of International Banking (1995-1996). Directorships: Healthways, Inc. (provider of disease and care management services); Portland General Electric (utility company); Stockwell Capital Investments PLC (private equity). Former Directorships: First Oak Brook Bancshares, Inc. and Oak Brook Bank | 58                                       |
| Donald L. Dunaway (1937)<br>Board Member, 1980-present                                     | Retired; formerly, Executive Vice President, A.O. Smith Corporation (diversified manufacturer) (1963-1994)  | 58                                       |
| James R. Edgar (1946)<br>Board Member, 1999-present  | Distinguished Fellow, University of Illinois, Institute of Government and Public Affairs (1999-present); formerly, Governor, State of Illinois (1991-1999). Directorships: John B. Sanfilippo & Son, Inc. (processor/packager/marketer of nuts, snacks and candy products); Horizon Group Properties, Inc.; Youbet.com (online wagering platform); Alberto-Culver Company (manufactures, distributes and markets health and beauty care products)   | 58                                       |
| Robert B. Hoffman (1936)<br>Board Member, 1981-present                                     | Retired; formerly, Chairman, Harnischfeger Industries, Inc. (machinery for the mining and paper industries) (1999-2001); prior thereto, Vice Chairman and Chief Financial Officer, Monsanto Company (agricultural, pharmaceutical and nutritional/food products) (1994-1999). Directorships: RCP Advisors, LLC (a private equity investment advisory firm)  | 58                                       |
| William McClayton (1944)   | Chief Administrative Officer, Diamond Management & Technology Consultants, Inc. (global management consulting firm) (2001-present); formerly, Senior Partner, Arthur Andersen LLP (accounting) (1966-2001). Directorship: Board of  | 58                                       |

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|  |   |    |
|--|---|----|
| Board Member,<br>2004-present                                  | Managers, YMCA of Metropolitan Chicago. Formerly, Trustee, Ravinia Festival.  |    |
| Shirley D. Peterson<br>(1941)<br>Board Member,<br>1995-present | Retired; formerly, President, Hood College (1995-2000); prior thereto, Partner, Steptoe & Johnson (law firm); Commissioner, Internal Revenue Service; Assistant Attorney General (Tax), US Department of Justice. Directorships: Federal Mogul Corp. (supplier of automotive components and subsystems); AK Steel (steel production); Goodyear Tire & Rubber Co. (April 2004-present); Champion Enterprises, Inc. (manufactured home building); Wolverine World Wide, Inc. (designer, manufacturer and marketer of footwear) (April 2005-present); Trustee, Bryn Mawr College. Former Directorship: Bethlehem Steel Corp. | 58 |
| Robert H. Wadsworth<br>(1940)<br>Board Member,<br>2004-present | President, Robert H. Wadsworth & Associates, Inc. (consulting firm) (1983 to present). Formerly, Trustee of New York Board DWS Funds.   | 61 |

**Interested Board Member**

| Name, Year of Birth, Position with the Fund and Length of Time Served | Business Experience and Directorships During the Past Five Years   | Number of Funds in Fund Complex Overseen |
|---|--|--|
| Axel Schwarzer <sup>6</sup><br>(1958)<br>Board Member since<br>2007   | Managing Director <sup>3</sup> ; Deutsche Asset Management; Head of Deutsche Asset Management Americas; CEO of DWS Scudder; formerly, board member of DWS Investments, Germany (1999-2005); formerly, Head of Sales and Product Management for the Retail and Private Banking Division of Deutsche Bank in Germany (1997-1999); formerly, various strategic and operational positions for Deutsche Bank Germany Retail and Private Banking Division in the field of investment funds, tax driven instruments and asset management for corporates (1989-1996) | 82                                       |

**Officers<sup>2</sup>**

| Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served <sup>1</sup>               | Principal Occupation(s) During Past 5 Years and Other Directorships Held  |
|--|---|
| Michael G. Clark <sup>4</sup> (1965)<br>President, 2006-present  | Managing Director <sup>3</sup> , Deutsche Asset Management (2006-present); President of DWS family of funds; Director, ICI Mutual Insurance Company (since October 2007); formerly, Director of Fund Board Relations (2004-2006) and Director of Product Development (2000-2004), Merrill Lynch Investment Managers; Senior Vice President Operations, Merrill Lynch Asset Management (1999-2000) |
| Philip J. Collora (1945)<br>Vice President and Assistant Secretary, 1986-present                         | Director <sup>3</sup> , Deutsche Asset Management   |
| Paul H. Schubert <sup>4</sup> (1963)<br>Chief Financial Officer, 2004-present<br>Treasurer, 2005-present | Managing Director <sup>3</sup> , Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)   |
| John Millette <sup>5</sup> (1962)<br>Secretary, 2001-present   | Director <sup>3</sup> , Deutsche Asset Management   |
| Patricia DeFilippis <sup>4</sup> (1963)<br>Assistant Secretary, 2005-present                             | Vice President, Deutsche Asset Management (since June 2005); formerly, Counsel, New York Life Investment Management LLC (2003-2005); legal associate, Lord, Abbett & Co. LLC (1998-2003)  |
| Elisa D. Metzger <sup>4</sup> (1962)<br>Assistant Secretary 2005-present                                 | Director <sup>3</sup> , Deutsche Asset Management (since September 2005); formerly, Counsel, Morrison and Foerster LLP (1999-2005)  |
| Caroline Pearson <sup>5</sup> (1962)<br>Assistant Secretary, 1998-present                                | Managing Director <sup>3</sup> , Deutsche Asset Management  |
| Paul Antosca <sup>5</sup> (1957)<br>Assistant Treasurer, 2007-present                                    | Director <sup>3</sup> , Deutsche Asset Management (since 2006); Vice President, The Manufacturers Life Insurance Company (U.S.A.) (1990-2006)   |
| Kathleen Sullivan D'Eramo <sup>5</sup> (1957)<br>Assistant Treasurer, 2003-present                       | Director <sup>3</sup> , Deutsche Asset Management   |
| Jason Vazquez <sup>4</sup> (1972)<br>Anti-Money Laundering Compliance Officer, 2007-present              | Vice President, Deutsche Asset Management (since 2006); formerly, AML Operations Manager for Bear Stearns (2004-2006), Supervising Compliance Principal and Operations Manager for AXA Financial (1999-2004)  |
| Robert Kloby <sup>4</sup> (1962)<br>Chief Compliance Officer,<br>2006-present                            | Managing Director <sup>3</sup> , Deutsche Asset Management (2004-present); formerly, Chief Compliance Officer/Chief Risk Officer, Robeco USA (2000-2004); Vice President, The Prudential Insurance Company of America (1988-2000); E.F. Hutton and Company (1984-1988)  |

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<sup>1</sup> Length of time served represents the date that each Board Member was first elected to the common board of Board Members which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, the length of time served represents the date that each officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of Board Members.

<sup>2</sup> As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the fund.

<sup>3</sup> Executive title, not a board directorship.

<sup>4</sup> Address: 345 Park Avenue, New York, New York 10154.

<sup>5</sup> Address: Two International Place, Boston, Massachusetts 02110.

<sup>6</sup> The mailing address of Axel Schwarzer is c/o Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. Mr. Schwarzer is an interested Board Member by virtue of his positions with Deutsche Asset Management.

### Additional Information

|   |   |
|---|---|
| <b>Automated Information Line</b>                   | <b>DWS Scudder Closed-End Fund Info Line</b><br><br>(800) 349-4281  |
| <b>Web Sites</b>                                    | <b>www.dws-scudder.com</b><br><br>or visit our Direct Link:<br><br><b>www.cef.dws-scudder.com</b><br><br>Obtain quarterly fact sheets, financial reports, press releases and webcasts when available.<br><br><b>www.cef.dws-scudder/alerts.</b><br><br>Register online to receive email alerts on your DWS funds.   |
| <b>Written Correspondence</b>                       | <b>Deutsche Investment Management Americas Inc.</b><br><br>222 South Riverside Plaza<br>Chicago, IL 60606   |
| <b>Proxy Voting</b>                                 | A description of the fund's policies and procedures for voting proxies for portfolio securities and information about how the fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — <a href="http://www.dws-scudder.com">www.dws-scudder.com</a> (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — <a href="http://www.sec.gov">www.sec.gov</a> . To obtain a written copy of the fund's policies and procedures without charge, upon request, call us toll free at (800) 621-1048. |
| <b>Legal Counsel</b>                                | <b>Vedder, Price P.C.</b><br><br>222 North LaSalle Street<br>Chicago, IL 60601  |
| <b>Dividend Reinvestment Plan Agent</b>             | <b>Computershare Inc.*</b><br><br>P.O. Box 43078<br>Providence, RI 02940-3078   |
| <b>Shareholder Service Agent and Transfer Agent</b> | <b>DWS Scudder Investments Service Company</b><br><br>P.O. Box 219066<br>Kansas City, MO 64121-9066<br><br>(800) 294-4366   |
| <b>Custodian</b>                                    | <b>State Street Bank and Trust Company</b>  |

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|  |   |            |
|--|---|------------|
|  | 225 Franklin Street<br>Boston, MA 02110                           |            |
| <b>Independent Registered<br/>Public Accounting Firm</b> | Ernst & Young LLP<br><br>200 Clarendon Street<br>Boston, MA 02116 |            |
| <b>NYSE Symbol</b>                                       | KTF   |            |
| <b>CUSIP Numbers</b>                                     | Common Shares   | 23338M 106 |
|  | Series A (Preferred Shares)                                       | 23338M 205 |
|  | Series B (Preferred Shares)                                       | 23338M 304 |
|  | Series C (Preferred Shares)                                       | 23338M 403 |
|  | Series D (Preferred Shares)                                       | 23338M 502 |
|  | Series E (Preferred Shares)                                       | 23338M 601 |

\* Effective October 15, 2007, Computershare Inc. replaced UMB Bank, N.A.

[Notes](#)

[Notes](#)

[Notes](#)

[Notes](#)

[Notes](#)

**ITEM 2. CODE OF ETHICS**

As of the end of the period, November 30, 2007, DWS Municipal Income Trust has a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Principal Executive Officer and Principal Financial Officer.

There have been no amendments to, or waivers from, a provision of the code of ethics during the period covered by this report that would require disclosure under Item 2.

A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

The Fund’s Board of Directors/Trustees has determined that the Fund has at least one “audit committee financial expert” serving on its audit committee: Mr. William McClayton, Mr. Donald Dunaway and Mr. Robert Hoffman. Each of these audit committee members is “independent,” meaning that he is not an “interested person” of the Fund (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940) and he does not accept any consulting, advisory, or other compensatory fee from the Fund (except in the capacity as a Board or committee member).

An “audit committee financial expert” is not an “expert” for any purpose, including for purposes of Section 11 of the Securities Act of 1933, as a result of being designated as an “audit committee financial expert.” Further, the designation of a person as an “audit committee financial expert” does not mean that the person has any greater duties, obligations, or liability than those imposed on the person without the “audit committee financial expert” designation. Similarly, the designation of a person as an “audit committee financial expert” does not affect the duties, obligations, or liability of any other member of the audit committee or board of directors.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**DWS MUNICIPAL INCOME TRUST**

**FORM N-CSR DISCLOSURE RE: AUDIT FEES**

The following table shows the amount of fees that Ernst & Young, LLP (“E&Y”), the Fund’s Independent Registered Public Accountant, billed to the Fund during the Fund’s last two fiscal years. The Audit Committee approved in advance all audit services and non-audit services that E&Y provided to the Fund.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

**Services that the Fund’s Independent Registered Public Accountant Billed to the Fund**

| Fiscal Year Ended | Audit Fees Billed to Fund | Audit-Related Fees Billed to Fund | Tax Fees Billed to Fund | All Other Fees Billed to Fund |
|-------------------|---------------------------|-----------------------------------|-------------------------|-------------------------------|
| November 30 2007  | \$51,719                  | \$0                               | \$7,053                 | \$0                           |
| 2006              | \$49,067                  | \$0                               | \$6,691                 | \$0                           |

The above "Tax Fees" were billed for professional services rendered for tax return preparation.

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### Services that the Fund's Independent Registered Public Accountant Billed to the Adviser and Affiliated Fund Service Providers

The following table shows the amount of fees billed by E&Y to Deutsche Investment Management Americas, Inc. ("DeIM" or the "Adviser"), and any entity controlling, controlled by or under common control with DeIM ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two fiscal years.

| Fiscal Year Ended | Audit-Related  |  | All  |
|-------------------|--|--|--|
|                   | Fees Billed to Adviser and Affiliated Fund Service Providers | Tax Fees Billed to Adviser and Affiliated Fund Service Providers | Other Fees Billed to Adviser and Affiliated Fund Service Providers |
| November 30 2007  | \$250,000  | \$486,614  | \$0  |
| 2006              | \$80,000   | \$316,254  | \$0  |

The "Audit-Related Fees" were billed for services in connection with agreed upon procedures related to fund mergers and the above "Tax Fees" were billed in connection with tax compliance services and agreed upon procedures.

### Non-Audit Services

The following table shows the amount of fees that E&Y billed during the Fund's last two fiscal years for non-audit services. The Audit Committee pre-approved all non-audit services that E&Y provided to the Adviser and any Affiliated Fund Service Provider that related directly to the Fund's operations and financial reporting. The Audit Committee requested and received information from E&Y about any non-audit services that E&Y rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating E&Y's independence.

| Fiscal Year Ended | Total Non-Audit Fees Billed to Fund | Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (engagements related directly to the operations and financial reporting of the Fund) |                 | Total of (A), (B) and (C) |
|-------------------|-------------------------------------|---|-----------------|---------------------------|
|                   |                                     | (A)   | (B)             |                           |
| November 30 2007  | (A) \$7,053                         | (B) \$486,614   | (C) \$1,215,526 | \$1,709,193               |
| 2006              | \$6,691                             | \$316,254   | \$948,620       | \$1,271,565               |

All other engagement fees were billed for services in connection with internal control reviews, agreed upon procedures and tax compliance for DeIM and other related entities that provide support for the operations of the fund.

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In connection with the audit of the 2006 and 2007 financial statements, the Fund entered into an engagement letter with E&Y. The terms of the engagement letter required by E&Y, and agreed to by the Audit Committee, include provisions in which the parties consent to the sole jurisdiction of federal courts in New York, Boston or the Northern District of Illinois, as well as a waiver of right to a trial by jury and an exclusion of punitive damages.

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E&Y recently advised the Fund's Audit Committee that certain arrangements between the Ernst & Young member firm in Germany ("E&Y Germany") and Deutsche Bank AG ("DB") had been determined to be inconsistent with the SEC auditor independence rules. DB is within the "Investment Company Complex" (as defined by SEC rules) and therefore covered by the SEC auditor independence rules applicable to the Fund. In 2006 and 2007, DB provided standard overdraft protection on a depository account and a guarantee of certain lease deposits to E&Y Germany. E&Y advised the Audit Committee that while neither of these arrangements was ever utilized by E&Y Germany, they could constitute lending type arrangements in violation of Rule 2-01 of Regulation S-X. (Rule 2-01(c)(1)(ii)(A) provides that an accountant is not independent when an accounting firm has a loan to or from an audit client.) E&Y advised the Audit Committee that E&Y believes its independence has not been impacted as it relates to the audits of the Fund. In reaching this conclusion, E&Y noted a number of factors, including that neither of the arrangements was ever utilized and, accordingly, E&Y Germany never had amounts outstanding to DB, these arrangements were immaterial to E&Y Germany and DB and the E&Y professionals responsible for the Fund's audits were not aware of these arrangements. E&Y informed the Audit Committee that E&Y Germany has cancelled the overdraft arrangements and has terminated the guarantee on the lease deposits.

### **ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS**

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The registrant's audit committee consists of William McClayton (Chairman), Robert B. Hoffman, and Donald L. Dunaway.

### **ITEM 6. SCHEDULE OF INVESTMENTS**

Not Applicable

### **ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

**Proxy Voting Guidelines.** The Fund has delegated proxy voting responsibilities to its investment advisor, subject to the Board's general oversight. The Fund has delegated proxy voting to the advisor with the direction that proxies should be voted consistent with the Fund's best economic interests. The advisor has adopted its own Proxy Voting Policies and Procedures ("Policies"), a Proxy Voting Desktop Manual ("Manual"), and Proxy Voting Guidelines ("Guidelines") for this purpose. The Policies address, among other things, conflicts of interest that may arise between the interests of the Fund, and the interests of the advisor and its affiliates. The Manual sets forth the procedures that the advisor has implemented to vote proxies, including monitoring for corporate events, communicating with the fund's custodian regarding proxies, considering the merits of each proposal, and executing and recording the proxy vote. The Guidelines set forth the advisor's general position on various proposals, such as:

- **Shareholder Rights** — The advisor generally votes against proposals that restrict shareholder rights.
- **Corporate Governance** — The advisor generally votes for confidential and cumulative voting and against supermajority voting requirements for charter and bylaw amendments. The advisor generally votes for proposals to restrict a chief executive officer from serving on more than three outside board of directors. The advisor generally votes against proposals that require a company to appoint a chairman who is an independent director.
- **Anti-Takeover Matters** — The advisor generally votes for proposals that require shareholder ratification of poison pills or that request boards to redeem poison pills, and votes "against" the adoption of poison pills if they are submitted for shareholder ratification. The advisor generally votes for fair price proposals.
- **Routine Matters** — The advisor generally votes for the ratification of auditors, procedural matters related to the annual meeting, and changes in company name, and against bundled proposals and adjournment.

The general provisions described above do not apply to investment companies. The advisor generally votes proxies solicited by investment companies in accordance with the recommendations of an independent third-party, except for proxies solicited by or with respect to investment companies for which the advisor or an affiliate serves as investment advisor or principal underwriter ("affiliated investment companies"). The advisor votes affiliated investment company proxies in the same proportion as the vote of the investment company's other shareholders (sometimes called "mirror" or "echo" voting). Master fund proxies solicited from feeder funds are voted in accordance with applicable requirements of the Investment Company Act of 1940.

Although the Guidelines set forth the advisor's general voting positions on various proposals, the advisor may, consistent with the Fund's best interests, determine under some circumstances to vote contrary to those positions.

The Guidelines on a particular issue may or may not reflect the view of individual members of the board, or of a majority of the board. In addition, the Guidelines may reflect a voting position that differs from the actual practices of the public companies within the Deutsche Bank organization or of the investment companies for which the advisor or an affiliate serves as investment advisor or sponsor.

The advisor may consider the views of a portfolio company's management in deciding how to vote a proxy or in establishing general voting positions for the Guidelines, but management's views are not determinative.

As mentioned above, the Policies describe the way in which the advisor resolves conflicts of interest. To resolve conflicts, the advisor, under normal circumstances, votes proxies in accordance with its Guidelines. If the advisor departs from the Guidelines with respect to a particular proxy or if the Guidelines do not specifically address a certain proxy proposal, a committee established by the advisor will vote the proxy. Before voting any such proxy, however, the committee will exclude from the voting discussions and determinations any member who is involved in or aware of a material conflict of interest. If, after excluding any and all such members, there are fewer than three voting members remaining, the advisor will engage an independent third party to vote the proxy or follow the proxy voting recommendations of an independent third party.

Under certain circumstances, the advisor may not be able to vote proxies or the advisor may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, the advisor may not vote proxies on certain foreign securities due to local restrictions or customs. The advisor generally does not vote proxies on securities subject to share blocking restrictions.

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

**Portfolio Manager Team Disclosure**

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The Fund is managed by a Team of investment professionals who collaborate to develop and implement the Fund's investment strategy. Each Portfolio Manager on the Team has authority over all aspects of the Fund's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction techniques, portfolio risk assessment, and the management of daily cash flows in accordance with portfolio holdings.

The following individuals handle the day-to-day management of the fund.

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 30 years of investment industry experience.
- BA and MBA, University of Massachusetts at Amherst.

Eleanor R. Lynch, CFA, Director of Deutsche Asset Management and Co-Lead Portfolio Manager of the Fund.

- Joined Deutsche Asset Management in 1995 and the Fund in 1998.
- Over 20 years of investment industry experience.
- BS, Ursinus College; MS, Drexel University.

#### **Compensation of Portfolio Managers**

Portfolio managers are eligible for total compensation comprised of base salary and discretionary incentive compensation.

**Base Salary** – Base salary generally represents a smaller percentage of portfolio managers' total compensation than discretionary incentive compensation. Base salary is linked to job function, responsibilities and financial services industry peer comparison through the use of extensive market data surveys.

**Discretionary Incentive Compensation** – Generally, discretionary incentive compensation comprises a greater proportion of total compensation as a portfolio manager's seniority and compensation levels increase. Discretionary incentive compensation is determined based on an analysis of a number of factors, including among other things, the performance of Deutsche Bank, the performance of the Asset Management division, and the employee's individual contribution. In evaluating individual contribution, management will consider a combination of quantitative and qualitative factors. A portion of the portfolio manager's discretionary incentive compensation may be delivered in long-term equity programs (usually in the form of Deutsche Bank equity) (the "Equity Plan"). Top performing portfolio managers may earn discretionary incentive compensation that is a multiple of their base salary.

- The quantitative analysis of a portfolio manager's individual performance is based on, among other factors, performance of all of the accounts managed by the portfolio manager (which includes the fund and any other accounts managed by the portfolio manager) over a one-, three-, and five-year period relative to the appropriate Morningstar and Lipper peer group universes and/or benchmark index(es) with respect to each account. Additionally, the portfolio manager's retail/institutional asset mix is weighted, as appropriate

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for evaluation purposes. Generally the benchmark index used is a benchmark index set forth in the fund's prospectus to which the fund's performance is compared. Additional or different appropriate peer group or benchmark indices may also be used. Primary weight is given to pre-tax portfolio performance over three-year and five-year time periods (adjusted as appropriate if the portfolio manager has served for less than five years) with lesser consideration given to portfolio performance over a one-year period. The increase or decrease in a fund's assets due to the purchase or sale of fund shares is not considered a material factor.

- The qualitative analysis of a portfolio manager's individual performance is based on, among other things, the results of an annual management and internal peer review process, and management's assessment of overall portfolio manager contributions to investor relations, the investment process and overall performance (distinct from fund and other account performance). Other factors, including contributions made to the investment team, as well as adherence to Compliance Policies and Procedures, Risk Management procedures, the firm's Code of Ethics and "living the values" of the Advisor are also factors.
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The quantitative analysis of a portfolio manager's performance is given more weight in determining discretionary incentive compensation than the qualitative portion.

Certain portfolio managers may also participate in the Equity Plan. The amount of equity awarded under the long-term equity programs is generally based on the individual's total compensation package and may comprise from 0% to 30% of the total compensation award. As discretionary incentive compensation increases, the percentage of compensation awarded in Deutsche Bank equity also increases. Portfolio managers may receive a portion of their equity compensation in the form of shares in the proprietary mutual funds that they manage or support.

### Fund Ownership of Portfolio Managers

The following table shows the dollar range of shares owned beneficially and of record by each member of the Fund's portfolio management team in the Fund as well as in all DWS Funds as a group (i.e. those funds advised by Deutsche Asset Management or its affiliates), including investments by their immediate family members sharing the same household and amounts invested through retirement and deferred compensation plans. This information is provided as of the Fund's most recent fiscal year end.

| Name of Portfolio Manager | Dollar Range of<br>Fund Shares Owned | Dollar Range of All DWS Fund Shares<br>Owned |
|---------------------------|--------------------------------------|--|
| Philip G. Condon          | \$100,001 - \$500,000                | Over \$1,000,000                             |
| Eleanor R. Lynch          | \$10,001 - \$50,000                  | \$100,001 - \$500,000                        |

### Conflicts of Interest

In addition to managing the assets of the Fund, the Fund's portfolio managers may have responsibility for managing other client accounts of the Advisor or its affiliates. The tables below show, for each portfolio manager, the number and asset size of (1) SEC registered investment companies (or series thereof) other than the Fund, (2) pooled investment vehicles that are not registered investment companies and (3) other accounts (e.g., accounts managed for individuals or organizations) managed by each portfolio manager. Total assets attributed to each portfolio manager in the tables below include total assets of each account managed by them, although the manager may only manage a portion of such account's assets. The tables also show the number of performance based fee accounts, as well as the total assets of the accounts for which the advisory fee is based on the performance of the account. This information is provided as of the Fund's most recent fiscal year end.

### Other SEC Registered Investment Companies Managed:

| Name of Portfolio Manager | Number of<br>Registered<br>Investment<br>Companies | Total Assets of<br>Registered Investment<br>Companies | Number of<br>Investment Company<br>Accounts with<br>Performance Based<br>Fee | Total Assets of<br>Performance- Based Fee<br>Accounts |
|---------------------------|--|---|--|---|
| Philip G. Condon          | 8  | \$7,741,604,398                                       | None   | -   |
|                           | 2  | \$4,639,389,838                                       | None   | -   |

Eleanor R. Lynch

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**Other Pooled Investment Vehicles Managed:**

| <b>Name of Portfolio Manager</b> | <b>Number of Pooled Investment Vehicles</b> | <b>Total Assets of Pooled Investment Vehicles</b> | <b>Number of Pooled Investment Vehicle Accounts with Performance-Based Fee</b> | <b>Total Assets of Performance- Based Fee Accounts</b> |
|----------------------------------|---|---|--|--|
| Philip G. Condon                 | 1   | \$10,872,991                                      | None   | -  |
| Eleanor R. Lynch                 | None  | -   | None   | -  |

**Other Accounts Managed:**

| <b>Name of Portfolio Manager</b> | <b>Number of Other Accounts</b> | <b>Total Assets of Other Accounts</b> | <b>Number of Other Accounts with Performance- Based Fee</b> | <b>Total Assets of Performance- Based Fee Accounts</b> |
|----------------------------------|---------------------------------|---------------------------------------|---|--|
| Philip G. Condon                 | None                            | -                                     | None  | -  |
| Eleanor R. Lynch                 | None                            | -                                     | None  | -  |

In addition to the accounts above, an investment professional may manage accounts in a personal capacity that may include holdings that are similar to, or the same as, those of the Funds. The Advisor has in place a Code of Ethics that is designed to address conflicts of interest and that, among other things, imposes restrictions on the ability of portfolio managers and other “access persons” to invest in securities that may be recommended or traded in the Funds and other client accounts.

Real, potential or apparent conflicts of interest may arise when a portfolio manager has day-to-day portfolio management responsibilities with respect to more than one fund or account, including the following:

- Certain investments may be appropriate for the Fund and also for other clients advised by the Advisor, including other client accounts managed by the Fund’s portfolio management team. Investment decisions for the Fund and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. A particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, because clients of the Advisor may have differing investment strategies, a particular security may be bought for one or more clients when one or more other clients are selling the security. The investment results achieved for the Fund may differ from the results achieved for other clients of the Advisor. In addition, purchases or sales of the same security may be made for two or more clients on the same day. In such event, such transactions will be allocated among the clients in a manner believed by the Advisor to be most equitable to each client, generally utilizing a pro rata allocation methodology. In some cases, the allocation procedure could potentially have an adverse effect or positive effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund may be combined with those of other clients of the Advisor in the interest of achieving the most favorable net results to the Fund and the other clients.



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- To the extent that a portfolio manager has responsibilities for managing multiple client accounts, a portfolio manager will need to divide time and attention among relevant accounts. The Advisor attempts to minimize these
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conflicts by aligning its portfolio management teams by investment strategy and by employing similar investment models across multiple client accounts.

- In some cases, an apparent conflict may arise where the Advisor has an incentive, such as a performance-based fee, in managing one account and not with respect to other accounts it manages. The Advisor will not determine allocations based on whether it receives a performance-based fee from the client. Additionally, the Advisor has in place supervisory oversight processes to periodically monitor performance deviations for accounts with like strategies.
- The Advisor and its affiliates and the investment team of the Funds may manage other mutual funds and separate accounts on a long-short basis. The simultaneous management of long and short portfolios creates potential conflicts of interest including the risk that short sale activity could adversely affect the market value of the long positions (and vice versa), the risk arising from sequential orders in long and short positions, and the risks associated with receiving opposing orders at the same time. The Advisor has adopted procedures that it believes are reasonably designed to mitigate these potential conflicts of interest. Included in these procedures are specific guidelines developed to ensure fair and equitable treatment for all clients whose accounts are managed by each Fund's portfolio management team. The Advisor and the portfolio management team have established monitoring procedures, a protocol for supervisory reviews, as well as compliance oversight to ensure that potential conflicts of interest relating to this type of activity are properly addressed.

The Advisor is owned by Deutsche Bank AG, a multi-national financial services company. Therefore, the Advisor is affiliated with a variety of entities that provide and/or engage in commercial banking, insurance, brokerage, investment banking, financial advisory, broker-dealer activities (including sales and trading), hedge funds, real estate and private equity investing, in addition to the provision of investment management services to institutional and individual investors. Since Deutsche Bank AG, its affiliates, directors, officers and employees (the "Firm") are engaged in businesses and have interests other than managing asset management accounts, such other activities involve real, potential or apparent conflicts of interest. These interests and activities include potential advisory, transactional and financial activities and other interests in securities and companies that may be directly or indirectly purchased or sold by the Firm for its clients' advisory accounts. These are considerations of which advisory clients should be aware and which may cause conflicts that could be to the disadvantage of the Advisor's advisory clients. The Advisor has instituted business and compliance policies, procedures and disclosures that are designed to identify, monitor and mitigate conflicts of interest and, as appropriate, to report them to the Fund's Board.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

| Period                         | (a)<br>Total Number of Shares Purchased | (b)<br>Average Price Paid per Share | (c)<br>Total Number of Shares Purchased as Part of Pub |
|--------------------------------|---|-------------------------------------|--|
| December 1 through December 31 | n/a                                     | n/a                                 | n/a  |
| January 1 through January 31   | n/a                                     | n/a                                 | n/a  |
| February 1 through February 28 | n/a                                     | n/a                                 | n/a  |
| March 1 through March 31       | n/a                                     | n/a                                 | n/a  |

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|                                  |     |     |     |     |
|----------------------------------|-----|-----|-----|-----|
| April 1 through April 30         | n/a | n/a | n/a | n/a |
| May 1 through May 31             | n/a | n/a | n/a | n/a |
| June 1 through June 30           | n/a | n/a | n/a | n/a |
| July 1 through July 31           | n/a | n/a | n/a | n/a |
| August 1 through August 31       | n/a | n/a | n/a | n/a |
| September 1 through September 30 | n/a | n/a | n/a | n/a |
| October 1 through October 31     | n/a | n/a | n/a | n/a |
| November 1 through November 30   | n/a | n/a | n/a | n/a |
| Total                            | n/a | n/a | n/a | n/a |

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The primary function of the Nominating and Governance Committee is to identify and recommend individuals for membership on the Board and oversee the administration of the Board Governance Procedures and Guidelines. Shareholders may recommend candidates for Board positions by forwarding their correspondence by U.S. mail or courier service to the Fund's Secretary for the attention of the Chairman of the Nominating and Governance Committee, Two International Place, Boston, MA 02110. Suggestions for candidates must include a resume of the candidate.

**ITEM 11. CONTROLS AND PROCEDURES**

(a) The Chief Executive and Financial Officers concluded that the Registrant's Disclosure Controls and Procedures are effective based on the evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) There have been no changes in the registrant's internal control over financial reporting that occurred during the registrant's last half-year (the registrant's second fiscal half-year in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting.

**ITEM 12. EXHIBITS**

(a)(1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as EX-99.CODE ETH.

(a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is furnished and attached hereto as Exhibit 99.906CERT.

Form N-CSR Item F

**SIGNATURES**

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: DWS Municipal Income Trust

By: /s/Michael G. Clark  
Michael G. Clark

President

Date: February 1, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Registrant: DWS Municipal Income Trust

By: /s/Michael G. Clark  
Michael G. Clark

President

Date: February 1, 2008

By: /s/Paul Schubert  
Paul Schubert

Chief Financial Officer and Treasurer

Date: February 1, 2008