

SCUDDER STRATEGIC MUNICIPAL INCOME TRUST

Form N-30D

August 02, 2001

1

SEMIANNUAL REPORT TO  
SHAREHOLDERS FOR THE PERIOD  
ENDED MAY 31, 2001

SCUDDER STRATEGIC  
MUNICIPAL INCOME TRUST

"In the last six months, municipal bond prices have climbed steadily upward,  
while interest rates have declined."

[SCUDDER INVESTMENTS LOGO]

2

CONTENTS

3

ECONOMIC OVERVIEW

5

PERFORMANCE UPDATE

7

PORTFOLIO STATISTICS

8

PORTFOLIO OF INVESTMENTS

15

FINANCIAL STATEMENTS

18

FINANCIAL HIGHLIGHTS

19

NOTES TO FINANCIAL STATEMENTS

21

SHAREHOLDERS' MEETING

AT A GLANCE

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

SCUDDER STRATEGIC MUNICIPAL  
 INCOME TRUST TOTAL RETURNS  
 FOR THE SIX-MONTH PERIOD ENDED MAY 31, 2001

BASED ON NET ASSET VALUE	6.73%
.....	
BASED ON MARKET PRICE	14.58%
.....	

### NET ASSET VALUE AND MARKET PRICE

	AS OF 5/31/01	AS OF 11/30/00
.....		
NET ASSET VALUE	\$11.75	\$11.37
.....		
MARKET PRICE	\$11.66	\$10.51
.....		

### DIVIDEND REVIEW

THE FOLLOWING TABLE SHOWS PER SHARE DIVIDEND AND YIELD INFORMATION FOR THE TRUST AS OF MAY 31, 2001.

.....	
SIX-MONTHS INCOME	\$ 0.375
.....	
MAY DIVIDEND	\$0.0625
.....	
ANNUALIZED DISTRIBUTION RATE (BASED ON NET ASSET VALUE)	6.38%
.....	
ANNUALIZED DISTRIBUTION RATE (BASED ON MARKET PRICE)	6.43%
.....	
TAX-EQUIVALENT DISTRIBUTION RATE (BASED ON NET ASSET VALUE AND A 37.1% FEDERAL INCOME TAX RATE)	2.37%
.....	
TAX-EQUIVALENT DISTRIBUTION RATE (BASED ON MARKET PRICE AND A 37.1% FEDERAL INCOME TAX RATE)	2.39%
.....	

STATISTICAL NOTE: CURRENT ANNUALIZED DISTRIBUTION RATE IS THE LATEST MONTHLY DIVIDEND SHOWN AS AN ANNUALIZED PERCENTAGE OF NET ASSET VALUE/MARKET PRICE ON THE DATE SHOWN. DISTRIBUTION RATE SIMPLY MEASURES THE LEVEL OF DIVIDENDS AND IS NOT A COMPLETE MEASURE OF PERFORMANCE. TOTAL RETURN MEASURES AGGREGATE CHANGE IN

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

NET ASSET VALUE/MARKET PRICE ASSUMING REINVESTMENT OF DIVIDENDS.

RETURNS ARE HISTORICAL AND DO NOT GUARANTEE FUTURE RESULTS. MARKET PRICE, DISTRIBUTION RATES, NET ASSET VALUE AND RETURNS ARE HISTORICAL AND WILL FLUCTUATE. ADDITIONAL INFORMATION CONCERNING PERFORMANCE IS CONTAINED IN THE FINANCIAL HIGHLIGHTS APPEARING AT THE END OF THIS REPORT.

INCOME MAY BE SUBJECT TO STATE AND LOCAL TAXES, AND A PORTION OF THE INCOME MAY BE SUBJECT TO THE ALTERNATIVE MINIMUM TAX FOR CERTAIN INVESTORS.

INVESTMENT BY THE TRUST IN LOWER-RATED SECURITIES PRESENTS SPECIAL RISK CONSIDERATIONS.

### TERMS TO KNOW

**BASIS POINT** The movement of interest rates or yields expressed in hundredths of a percent. For example, an increase in yield from 5 percent to 6 percent is 100 basis points.

**DURATION** A measure of the interest rate sensitivity of a portfolio, incorporating time to maturity and coupon size. The longer a portfolio's duration, the greater its sensitivity to interest rate changes.

**INVERTED YIELD CURVE** A market phenomenon in which intermediate-term bonds (securities with one- to 10-year maturities) have higher income potential and current yields than long-term bonds (securities with 10- to 30-year maturities). Historically, it has occurred during a period of rising short-term interest rates and been viewed as an indicator of a future economic slowdown.

**YIELD** A measure of net investment income per share earned over a specific one-month or 30-day period expressed as an annualized percentage of the maximum offering price of the fund's shares at the end of the period.

3

ZURICH SCUDDER INVESTMENTS, INC., A LEADING GLOBAL INVESTMENT MANAGEMENT FIRM, IS A MEMBER OF THE ZURICH FINANCIAL SERVICES GROUP. ZURICH SCUDDER INVESTMENTS IS ONE OF THE LARGEST AND MOST EXPERIENCED INVESTMENT MANAGEMENT ORGANIZATIONS IN THE WORLD, MANAGING MORE THAN \$360 BILLION IN ASSETS FOR CORPORATE CLIENTS, RETIREMENT AND PENSION PLANS, INSURANCE COMPANIES, MUTUAL FUND INVESTORS AND INDIVIDUALS WORLDWIDE. HEADQUARTERED IN NEW YORK, ZURICH SCUDDER INVESTMENTS OFFERS A FULL RANGE OF INVESTMENT COUNSEL AND ASSET MANAGEMENT CAPABILITIES, BASED ON A COMBINATION OF PROPRIETARY RESEARCH AND DISCIPLINED, LONG-TERM INVESTMENT STRATEGIES. HEADQUARTERED IN ZURICH, SWITZERLAND, ZURICH FINANCIAL SERVICES GROUP IS ONE OF THE GLOBAL LEADERS IN THE FINANCIAL SERVICES INDUSTRY, PROVIDING ITS CUSTOMERS WITH PRODUCTS AND SOLUTIONS IN THE AREA OF FINANCIAL PROTECTION AND ASSET ACCUMULATION.

### ECONOMIC OVERVIEW

DEAR SHAREHOLDER:

The plot thickens. Can the Economy in Distress hold out until our hero, Monetary and Fiscal Policy, rides to the rescue?

Actually, we think this story can have a happy ending, although maintaining that optimism requires a leap of faith. There's no economic evidence that a bottom is near. But all of the monetary indicators -- such as a steep yield curve, exploding money supply growth and record bond issuance -- give us hope. And now we have a tax cut. This suggests that the economy will escape recession -- but just barely. We expect economic growth to average just under 2 percent for the next 18 months -- and this slow advance will curtail inflation,

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

which we expect to rise just 2.5 percent in 2002.

Why is aggressive monetary and fiscal policy likely to produce such anemic growth? The answer is that even Federal Reserve Board Chairman Alan Greenspan can't fix everything, especially when a certain global villain is at work. Who is this malefactor? Oil. It's likely that purchasing power in the developed world was drained by the recent jump in oil prices.

But oil's not the only culprit. When the United States ran into trouble, so did other countries. For example, European politicians continue to focus on politics, not economics. And the Japanese government has let structural problems fester during the last 10 years. We now see near-recession conditions almost everywhere.

You might expect the dollar to decline as other countries become more dependent on the United States and increase the number of goods they sell here -- but astonishingly, it hasn't. That's not necessarily good news, however. More than 30 percent of U.S. corporate profits are earned abroad, and when the dollar rises, those earnings are worth less. Non-American companies also take advantage of their weaker currencies to aggressively price exports to the United States. That undercuts American companies' pricing power and ravages revenue growth. The result is a humdinger of a profits recession. We expect S&P 500 operating profits to be down 15 percent this year as a whole.

One result of the profit recession is that executives are trying to restore profitability by cutting costs. This hurts the economy. They first go after travel and entertainment, affecting hotels, airlines and restaurants. Next in line are capital spending and payroll, so we expect the unemployment rate to rise from 4.5 percent to 5.5 percent by the end of next year.

When unemployment rises, consumers feel the heat. Consumer spending won't decrease drastically, because Uncle Sam is putting almost \$40 billion in the mail this summer. Still, they won't spend too much. We expect consumption growth through the end of next year to hover around 2 percent.

3

4

### ECONOMIC GUIDEPOSTS

ECONOMIC ACTIVITY IS A KEY INFLUENCE ON INVESTMENT PERFORMANCE AND SHAREHOLDER DECISION-MAKING. PERIODS OF RECESSION OR BOOM, INFLATION OR DEFLATION, CREDIT EXPANSION OR CREDIT CRUNCH HAVE A SIGNIFICANT IMPACT ON MUTUAL FUND PERFORMANCE.

THE FOLLOWING ARE SOME SIGNIFICANT ECONOMIC GUIDEPOSTS AND THEIR INVESTMENT RATIONALE THAT MAY HELP YOUR INVESTMENT DECISION-MAKING. THE 10-YEAR TREASURY RATE AND THE PRIME RATE ARE PREVAILING INTEREST RATES. THE OTHER DATA REPORT YEAR-TO-YEAR PERCENTAGE CHANGES.

[BAR GRAPH]

	NOW (6/30/01) -----	6 MONTHS AGO -----	1 YEAR -----
10-year Treasury rate <sup>1</sup>	5.3	5.2	6.
Prime rate <sup>2</sup>	6.75	9.5	9.
Inflation rate <sup>3*</sup>	3.6	3.4	3.
The U.S. dollar <sup>4</sup>	9.6	8.6	0.

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

Capital goods orders <sup>5*</sup>	-9.2	14.3	14.
Industrial production <sup>5*</sup>	-2.8	4.4	6.
Employment growth <sup>6</sup>	0.3	1.5	2.

- (1) FALLING INTEREST RATES IN RECENT YEARS HAVE BEEN A BIG PLUS FOR FINANCIAL ASSETS.
- (2) THE INTEREST RATE THAT COMMERCIAL LENDERS CHARGE THEIR BEST BORROWERS.
- (3) INFLATION REDUCES AN INVESTOR'S REAL RETURN. IN THE LAST FIVE YEARS, INFLATION HAS BEEN AS HIGH AS 6 PERCENT. THE LOW, MODERATE INFLATION OF THE LAST FEW YEARS HAS MEANT HIGH REAL RETURNS.
- (4) CHANGES IN THE EXCHANGE VALUE OF THE DOLLAR IMPACT U.S. EXPORTERS AND THE VALUE OF U.S. FIRMS' FOREIGN PROFITS.
- (5) THESE INFLUENCE CORPORATE PROFITS AND EQUITY PERFORMANCE.
- (6) AN INFLUENCE ON FAMILY INCOME AND RETAIL SALES.
- (7) THE TWO INTEREST RATES, EMPLOYMENT PLUS THE US DOLLAR HAVE DATA THROUGH JUNE, ALL THE OTHERS ONLY GO THROUGH MAY. THEREFORE "6 MONTHS AGO" FOR THE TWO INTEREST RATES, THE DOLLAR AND EMPLOYMENT IS DECEMBER; FOR THE OTHERS (EXCEPT CAPITAL GOODS), IT'S NOVEMBER.

\*DATA AS OF 5/31/01.

SOURCE: ECONOMICS DEPARTMENT, ZURICH SCUDDER INVESTMENTS, INC.

ECONOMIC OVERVIEW

Because consumption is two-thirds of the economy, it sets the pace for gross domestic product (GDP). And 2 percent GDP growth will not foster inflation. While many myths about the new economy were exaggerated, its disinflationary tendencies were not. We know that inflation is a complex phenomenon, but we don't believe it can survive under conditions of slow growth.

Moderate growth with low inflation is not a bad end to our story. We doubt that it will feel very satisfying, however. Monetary and Fiscal Policy may well rescue the Economy in Distress, but he can't undo the shock. The convalescence is likely to be prolonged.

Scudder Distributors, Inc.

THE OPINIONS AND FORECASTS EXPRESSED ARE THOSE OF THE ECONOMIC ADVISORS OF ZURICH SCUDDER INVESTMENTS, INC. AS OF JULY 1, 2001, AND MAY NOT ACTUALLY COME TO PASS.

4

5

PERFORMANCE UPDATE

[LASTNAME PHOTO]

PHILIP G. CONDON JOINED THE FIRM IN 1983 AND IS LEAD PORTFOLIO MANAGER OF THE TRUST AND MANAGING DIRECTOR OF ZURICH SCUDDER INVESTMENTS' MUNICIPAL BOND GROUP. HE HAS ALSO SERVED AS DIRECTOR OF THE MUNICIPAL BOND RESEARCH DEPARTMENT.

[WILSON PHOTO]

REBECCA L. WILSON HAS 14 YEARS OF PROFESSIONAL INVESTMENT EXPERIENCE AND HAS BEEN CO-MANAGER OF THE TRUST SINCE 1998. SHE JOINED ZURICH SCUDDER INVESTMENTS, INC. IN 1986. SHE IS ALSO CO-LEAD PORTFOLIO MANAGER OF SCUDDER HIGH-YIELD TAX-FREE FUND.

THE VIEWS EXPRESSED IN THIS REPORT REFLECT THOSE OF THE PORTFOLIO MANAGERS ONLY THROUGH THE END OF THE PERIOD OF THE REPORT AS STATED ON THE COVER. THE MANAGERS' VIEWS ARE SUBJECT TO CHANGE AT ANY TIME, BASED ON MARKET AND OTHER CONDITIONS.

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

AMID A VOLATILE STOCK MARKET AND SLOWING U.S. ECONOMY, THE BOND MARKET CONTINUED TO CLIMB STEADILY OVER THE LAST SIX MONTHS. ISSUANCE OF MUNICIPAL BONDS INCREASED SIGNIFICANTLY AS THE COST OF BORROWING MONEY DECLINED FOLLOWING A STRING OF SHORT-TERM INTEREST RATES CUTS BY THE FEDERAL RESERVE BOARD. BELOW, THE MANAGEMENT TEAM DISCUSSES THE MARKET'S PERFORMANCE AS WELL AS HOW THE TRUST FARED DURING THE PERIOD.

Q HOW HAS THE U.S. BOND MARKET PERFORMED OVER THE SIX-MONTH PERIOD ENDED MAY 31, 2001?

A The bond market staged a significant rally in early 2001, as the U.S. economy cooled, interest rates declined, and investor interest in bonds grew. In the last six months, the Federal Reserve Board has cut interest rates on five separate occasions for a total reduction of 250 basis points, placing the federal funds lending rate at 4 percent. Those falling rates coupled with a slowing U.S. economy and a volatile stock market helped to rekindle investor interest in bonds.

While rates for Treasury bonds with maturities of two years or less fell sharply, those with maturities of five years or more saw only minor declines. Longer-maturity Treasury bonds typically were not as severely affected by interest rate cuts. In this case, longer maturity bonds might have been even less affected, since the bond market was worried that inflation could rear its ugly head. By May 31, 2001, the 10-year Treasury bond's yield had slipped to 5.38 percent, just nine basis points less than six months earlier. However, a two-year Treasury bond saw its yield decline by 142 basis points. As a result, the Treasury yield curve regained a positive slope in early 2001, with long-term Treasuries yielding more than short-term Treasuries. It had been inverted in 2000. The municipal yield curve did not invert in 2000 and remained positively sloped through the first five months of 2001.

Q HOW DID THE FED'S RATE CUTS AFFECT THE MUNICIPAL BOND MARKET?

A In the last six months, municipal bond prices have climbed steadily upward, while interest rates have declined. The Fed's interest rate cuts also led to a significant rise in municipal bond sales in the first half of 2001. Issuers have raced to market to take advantage of low borrowing costs and to get deals done before an expected large California issuance later this summer. Specifically, the California Department of Water Resources is expected to issue about \$13 billion in bonds in August or September. The sale is designed to help pay back the state coffers drained by the energy crisis that has plagued most of the state. The sale will likely be the largest ever in the tax-exempt market.

The municipal bond yield curve has also steepened during the period with 30-year bonds yielding about 203 basis points more than a bond with a maturity of two years as of May 31, 2001. Previously, the municipal curve had been fairly flat with 30-year bonds yielding about 109 basis points more than two-year bonds as of November 30, 2000.

5

6

### PERFORMANCE UPDATE

Q HOW DID YOU REPOSITION SCUDDER STRATEGIC MUNICIPAL TRUST AS A RESULT OF THESE MOVES IN INTEREST RATES?

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

A We continue to manage the trust with a focus on structure and maturity, while carefully monitoring the credit quality of individual issues. Although we do keep in mind the interest rate environment, we typically try to keep duration neutral to our peers. That said, as the municipal bond yield curve has generally steepened over the period, partially because of these rate cuts, we have found 15-year municipal bonds to be particularly attractive and have added selectively in that area.

Q HOW DID SCUDDER STRATEGIC MUNICIPAL INCOME TRUST PERFORM DURING THE PERIOD?

A The trust posted strong results on a net asset value as well as on a market value basis during the period. Thanks to the high-yield bond market's strength, the trust posted a 14.58 percent return on a market value basis for the six-month period ended May 31. The trust also posted a strong 6.73 percent return on a net asset value basis. Those results dramatically outpaced the fund's typical peer in the Lipper High-Yield Municipal Debt Funds category, which gained 4.54 percent. The trust also handily beat its benchmark, the unmanaged Lehman Brothers Municipal Bond Index\*, which posted a 4.73 percent return during the same period.

\* THE LEHMAN BROTHERS MUNICIPAL BOND INDEX CONTAINS APPROXIMATELY 15,000 BONDS. TO BE IN THE INDEX, A MUNICIPAL BOND MUST MEET THE FOLLOWING CRITERIA: A MINIMUM CREDIT RATING OF BBB, ISSUED AS PART OF AN ISSUE OF AT LEAST \$50 MILLION, ISSUED WITHIN THE LAST FIVE YEARS AND A MATURITY OF AT LEAST TWO YEARS. BONDS SUBJECT TO ALTERNATIVE MINIMUM TAX, VARIABLE-RATE BONDS AND ZERO-COUPON BONDS ARE EXCLUDED FROM THE INDEX. INVESTORS CANNOT INVEST IN THE INDEX.

Q WHAT IS YOUR OUTLOOK FOR THE MUNICIPAL BOND MARKET AND FOR THE TRUST GOING FORWARD?

A We see growing interest in municipal bonds as more investors embrace the need for portfolio diversification and look to increase their exposure to bonds, particularly after the stock market volatility we've seen over the last year. And while the U.S. economic slowdown has caused stocks to struggle, most municipalities are still in solid shape. We believe municipal bond yields are now even more attractive than usual relative to Treasury bonds.

6

7

PORTFOLIO STATISTICS

PORTFOLIO COMPOSITION

	ON 5/31/01	ON 11/30/00
REVENUE BONDS	79%	45%
GENERAL OBLIGATION BONDS	12	13
LEASE OBLIGATIONS	1	--
U.S. GOVERNMENT SECURED	8	42
	100%	100%

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

[PIE CHART] [PIE CHART]

QUALITY

	ON 5/31/01	ON 11/30/00
AAA	33%	34%
AA	8	7
A	4	5
BBB	19	19
BB	4	3
NOT RATED	32	32
	100%	100%

[PIE CHART] [PIE CHART]

THE RATINGS OF STANDARD & POOR'S CORPORATION (S&P) AND MOODY'S INVESTORS SERVICE, INC. (MOODY'S) REPRESENT THEIR OPINIONS AS TO THE QUALITY OF SECURITIES THAT THEY UNDERTAKE TO RATE. THE PERCENTAGE SHOWN REFLECTS THE HIGHER OF MOODY'S OR S&P RATINGS. PORTFOLIO COMPOSITION WILL CHANGE OVER TIME. RATINGS ARE RELATIVE AND SUBJECTIVE AND NOT ABSOLUTE STANDARDS OF QUALITY.

+THESE SECURITIES ARE NOT RATED BY S&P OR MOODY'S; HOWEVER, THEY ARE RATED BY SCUDDER INVESTMENTS, INC. AS FOLLOWS: AAA 4%, A 3%, BBB 8%, BB 9%, B 8% FOR MAY 31, 2001, AND AAA 3%, A 4%, BBB 9%, BB 8% AND B 8% FOR NOVEMBER 30, 2000.

INTEREST RATE SENSITIVITY

	ON 5/31/01	ON 11/30/00
AVERAGE MATURITY	13.8 years	15.0 years

8

7

PORTFOLIO OF INVESTMENTS

SCUDDER STRATEGIC MUNICIPAL INCOME TRUST  
 Portfolio of Investments at May 31, 2001 (unaudited)

SHORT-TERM MUNICIPAL INVESTMENTS--0.4%

PRINCIPAL  
 AMOUNT

NEW YORK



Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

New York, NY, 3.05%, 08/15/2021  
(Cost \$800,000)

\$ 800,000

LONG-TERM MUNICIPAL INVESTMENTS--99.6%

ALABAMA

Alabama State Public School and College Authority,  
Revenue, Series C, 5.625%, 07/01/2013 1,000,000

ARIZONA

Arizona Health Facilities Authority Revenue, New  
Foundation Project, 8.25%, 03/01/2019 2,230,000  
Coconino County, AZ, Industrial Development  
Authority, Health Care Institution Revenue,  
Guidance Center Income Project, Prerefunded  
06/01/2001, 9.25%, 06/01/2011 (b) 1,575,000  
Flagstaff, AZ, Industrial Development Authority  
Revenue, Living Community Northern Community  
Project, 6.30%, 09/01/2038 2,000,000  
Pima County, AZ, Industrial Development Authority,  
Private Activity Revenue, Larson County Project,  
9.50%, 08/01/2010 1,800,000

CALIFORNIA

Foothill/Eastern Corridor Agency, California Toll  
Road Revenue, Senior Lien, Series A, Zero  
coupon, ETM, 01/01/2026\*\* 11,500,000  
Sacramento County, Bradshaw Road Project, Revenue,  
7.20%, 09/02/2015 1,225,000  
Sacramento, CA, City Financing Authority,  
Convention Center Hotel, Series 1999 A, 6.25%,  
01/01/2030 2,000,000  
San Diego, CA, Detention Facility, Certificates of  
Participation, Revenue, 8.00%, 06/01/2002 75,000  
San Joaquin Hills, CA, Transportation Corridor  
Agency, Toll Road Revenue, Senior Lien, ETM,  
Zero coupon, 01/01/2020\*\* 4,300,000

COLORADO

Arapahoe County, CO, Capital Improvement Trust  
Fund, Capital Improvement Trust Fund, Revenue,  
Prerefunded 08/31/2005, Zero coupon, 08/31/2010  
(b) 5,000,000  
Colorado, Health Facilities Revenue, 6.50%,  
11/15/2031 1,000,000  
Denver, CO, City and County Airport Revenue:  
Series A, 6.00%, 11/15/2012 2,000,000  
Unrefunded Balance, Series A, 7.50%, 11/15/2023 830,000  
Series A, Prerefunded 11/15/2004, (b) 7.50%,  
11/15/2023 170,000  
Unrefunded Balance, Series A, 8.00%, 11/15/2025 660,000  
Unrefunded Balance, Series A, 8.75%, 11/15/2023 735,000

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

Denver, CO, Urban Renewal Authority, Tax Increment Revenue, AMT, Series 1989, 7.75%, 09/01/2016	1,760,00
Lower Colorado River Authority, Texas, Revenue, Series B, 6.00%, 05/15/2013	5,000,00

---

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

9

PORTFOLIO OF INVESTMENTS

	PRINCIPAL AMOUNT
<hr/>	
CONNECTICUT	
Greenwich, CT, Housing Authority Revenue, Series A, 6.35%, 09/01/2027	\$ 2,000,00
Mashantucket Western Pequot Tribe, Special Revenue:	
Zero coupon, 09/01/2017	2,000,00
Zero coupon, 09/01/2018	1,000,00
<hr/>	
DISTRICT OF COLOMBIA	
District of Columbia, General Obligation, Series A, 5.00%, 06/01/2018	1,000,00
<hr/>	
FLORIDA	
Hillsborough County, FL, Industrial Development Authority Revenue, University Community Hospital Project, 5.625%, 08/15/2023	2,000,00
Nassau County, Amelia Island Care Center Project, Revenue, 9.75%, 01/01/2023	1,930,00
Orlando, FL, Special Assessment Revenue, Conroy Road Interchange, Series A, 5.80%, 05/01/2026	1,000,00
Palm Beach County, FL, Health Facilities Authority, Retirement Community Revenue, Series 1998, 5.125%, 11/15/2029	1,000,00
<hr/>	
HAWAII	
Hawaii State, General Obligation, MBIA, 5.75%, 10/01/2011	1,250,00
<hr/>	
ILLINOIS	
Chicago, IL, Board of Education, 5.75%, 12/01/2017	1,380,00
Chicago, IL, O'Hare International Airport, Special Facilities Revenue:	

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

American Airlines Income Project, 8.20%, 12/01/2024	1,200,00
United Airlines Project, Series 1999 A, 5.35%, 09/01/2016	500,00
Chicago, IL, Tax Increment Allocation, Central Station Project, Series A, Prerefunded 01/01/2005, 8.90%, 01/01/2011 (b)	1,730,00
Illinois Health Facilities Authority Revenue, 6.75%, 02/15/2016	2,180,00
Illinois State General Obligation, 6.00%, 01/01/2013	3,315,00
St. Charles, IL, Multifamily Housing Revenue, Housing-Wessel Court Project, 7.60%, 04/01/2024	1,835,00
University Park, IL, Tax Allocation, Governors Gateway Industrial Park, 8.50%, 12/01/2011	1,685,00

INDIANA

Indiana Health Facilities Financing Authority: Revenue, Franciscan Eldercare Community Services, Series 1998, 5.875%, 05/15/2029	3,000,00
Hospital Revenue, Fayette Memorial Hospital Project, 7.20%, 10/01/2022	2,800,00
Indianapolis, IN, Airport Authority Revenue, Special Facilities, United Airlines Project, Series A, 6.50%, 11/15/2031	1,900,00

The accompanying notes are an integral part of the financial statements. 9  
10

PORTFOLIO OF INVESTMENTS

-----  
PRINCIPAL  
AMOUNT

IOWA

Iowa Finance Authority, Health Care Facilities Revenue, On With Life, Inc. Project, 7.25%, 08/01/2015	\$ 2,000,00
Lake City, IA, Health Care Facility Revenue, Refinancing Opportunity Living Project, 6.45%, 05/01/2011	1,750,00

KANSAS

Manhattan, KS, Health Care Facilities, Revenue Bond, Meadowlark Hills Retirement, Series 1999 A, 6.50%, 05/15/2028	500,00
Overland Park Development Corp., 7.375%, 01/01/2032	2,000,00

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

KENTUCKY

Kentucky Economic Development Finance Authority, Health Systems Revenue, Norton Healthcare Inc., Series 2000 A, 5.625%, 10/01/2028	1,000,00
--	----------

MARYLAND

Anne Arundel County, MD, Special Obligation: Arundel Mills Project, Revenue, 7.10%, 07/01/2029	1,500,00
National Business Park Project, 7.375%, 07/01/2028	1,000,00
Maryland Economic Development, Student Housing Revenue Bond, Collegiate Housing, Series A, 5.75%, 06/01/2019	1,000,00
Maryland Economic Development Corporation: University of Maryland, Series 1999 A, 5.75%, 06/01/2031	1,000,00
Chesapeake Bay Conference, Series 1999 B, 7.625%, 12/01/2022	4,000,00
Maryland State Health and Higher Educational Facilities Authority, University of Maryland Medical System Revenue, Series 2000, 6.75%, 07/01/2030	1,000,00

MASSACHUSETTS

Massachusetts State Health & Education Facilities Revenue Healthcare System, Series C, 5.75%, 07/01/2032	1,000,00
Massachusetts State Development Financial Agency, Revenue, Health Care Facilities, Series 1999 A, 7.10%, 07/01/2022	2,000,00
Massachusetts State General Obligation, Series 1998B, 5.000%, 04/01/2016 (c)	3,175,00
Worcester, MA, Mortgage Revenue, Briarwood Issue, 9.25%, 12/01/2022	1,900,00

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

11

PORTFOLIO OF INVESTMENTS

PRINCIPAL  
AMOUNT

MICHIGAN

Gogebic County, MI, Hospital Finance Authority, Hospital Revenue, Grand View Hospital Project,
---

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

	Prerefunded 10/01/2001, 8.75%, 10/01/2016 (b)	\$ 2,250,00
	Hillsdale, MI, Hospital Finance Authority, Hospital Revenue, Hillsdale Community Health Center, 5.25%, 05/15/2026	1,450,00
	Kalamazoo, MI, Economic Development Revenue Bond, Series 1999 A, 7.500%, 05/15/2029	2,000,00
	Michigan State Strategic Funding Limited, Obligation Revenue, 5.75%, 11/15/2028	2,000,00
	Saginaw, MI, Hospital Finance Authority Revenue, Covenant Medical Center, Series F, 6.50%, 07/01/2030	1,000,00
	Tawas City, MI, Hospital Finance Authority, St. Joseph Health System, Series A, Revenue, ETM: 5.60%, 02/15/2012**	470,00
	5.75%, 02/15/2023**	1,300,00
-----		
MISSOURI		
	St. Louis, MO, Tax Increment Revenue, Tax Allocation, Series A, 10.00%, 08/01/2010	1,905,00
	St. Louis, MO, Industrial Development Authority Revenue, Senior Lien, St. Louis Convention, Series A, 7.20%, 12/15/2028	2,000,00
-----		
NEBRASKA		
	Nebraska Investment Finance Authority, Single Family Housing Revenue, Series A, 6.70%, 09/01/2026	500,00
-----		
NEVADA		
	Nevada State Department Business and Industry, Las Vegas Monorail Project, Revenue, 7.375%, 01/01/2030	2,000,00
	Nevada Housing Division, Single Family Mortgage: Revenue, Series C, 6.50%, 04/01/2028	940,00
	Program, Revenue, Series B2, 7.90%, 10/01/2021	625,00
-----		
NEW HAMPSHIRE		
	New Hampshire Health and Educational Facilities Authority Revenue, New Hampshire College Issue, Series 2000, 7.40%, 01/01/2023	1,000,00
	New Hampshire Higher Education and Health Facilities Authority: 5.75%, 07/01/2028	1,500,00
	Revenue, Havenwood Heritage Heights, 7.45%, 01/01/2025	2,000,00
-----		
NEW JERSEY		
	Educational Facilities Authority, Caldwell	

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

College, Revenue, 7.25%, 07/01/2025	1,075,00
New Jersey Economic Development Authority Revenue, Harrogate Inc., Series A, 5.875%, 12/01/2026	200,00

---

The accompanying notes are an integral part of the financial statements. 11  
12

PORTFOLIO OF INVESTMENTS

	PRINCIPAL AMOUNT
<hr/>	
NEW MEXICO	
Farmington, NM, Pollution Control Revenue, 5.80%, 04/01/2022	\$ 2,750,00
<hr/>	
NEW YORK	
Monroe County, NY, Airport Authority Revenue, Greater Rochester International, 5.625%, 01/01/2010 (c)	1,740,00
Nassau Health Care Corporation, New York Health Systems Revenue, 6.00%, 08/01/2016	2,825,00
New York & New Jersey Port Authority, Special Obligation Revenue, Continental/Eastern Project, Laguardia, 9.125%, 12/01/2015	2,500,00
New York City, General Obligation, Series C, 7.00%, 02/01/2010	315,00
New York Metropolitan Transportation Authority, Revenue, Series A, 5.125%, 04/01/2019	1,450,00
New York State Dormitory Authority, Revenue, Series A, 5.125%, 05/15/2021 (c)	1,880,00
New York State Medical Care Facilities Finance Agency Revenue, Partially Refunded to 08/15/2001, 7.30%, 02/15/2021	20,00
City Transitional Financing Authority Revenue, Series B, 6.000%, 11/15/2013	2,000,00
Triborough Bridge and Tunnel Authority, New York, Revenue, Series Y, 6.000%, 01/01/2012	5,000,00
<hr/>	
NORTH CAROLINA	
Charlotte, NC, Special Facilities Revenue, Douglas International Airport-US Airways, 7.75%, 02/01/2028	1,000,00
North Carolina Municipal Power Agency, Electric Revenue, Series 1999 B, 6.375%, 01/01/2013	1,300,00
<hr/>	
NORTH DAKOTA	

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

Grand Forks, ND, Health Care Systems Revenue, Series 2000, 7.125%, 08/15/2024	1,000,00
North Dakota State Housing Finance Agency, Single Family Mortgage Revenue, Series A, 8.375%, 07/01/2021	289,00

---

OKLAHOMA

Woodward Municipal Authority, Hospital Revenue, 8.50%, 11/01/2014	1,335,00
--	----------

---

PENNSYLVANIA

Montgomery County, PA, Health and Educational Facilities Authority, Philadelphia Geriatric Center Revenue, Series 1999 A, 7.25%, 12/01/2027	2,000,00
Pennsylvania Higher Education Facilities Authority UPMC Health System Series A, 6.00%, 01/15/2031	750,00
Pennsylvania State Higher Educational Facilities Authority, College & University Revenues, Philadelphia College Text & Science, 6.70%, 04/01/2014	2,000,00
Westmoreland County, PA, Industrial Development Authority Revenue, Health Care Facilities-Redstone, Series 2000 B, 8.125%, 11/15/2030	1,000,00

---

12 The accompanying notes are an integral part of the financial statements.  
13

PORTFOLIO OF INVESTMENTS

PRINCIPAL  
AMOUNT

---

SOUTH CAROLINA

South Carolina Jobs Economic Development Authority, Hospital Facilities Revenue, Series 2000 A, 7.375%, 12/15/2021	\$ 1,000,00
South Carolina Transportation Infrastructure, Revenue, Series A, 5.375%, 10/01/2024 (c)	4,150,00

---

TENNESSEE

Johnson City, TN, Health and Educational Facilities Board Hospital Revenue, 7.50%, 07/01/2033	2,000,00
---	----------

---

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

TEXAS

Abilene, TX, Health Facilities Development, Corporate Retirement Facilities Revenue, Sears Methodist Retirement, Series A, 5.90%, 11/15/2025	2,500,00
Austin, TX, Bergstrom Landhost Enterprises, Airport Hotel, Series 1999 A, 6.75%, 04/01/2027	2,000,00
Crowley, TX, Independent School District, General Obligation, 5.125%, 08/01/2025	5,000,00
Dallas-Fort Worth, TX, International Airport Facility: American Airlines, Series C, 6.15%, 05/01/2029	2,000,00
American Airlines, Revenue, 6.375%, 05/01/2035	2,000,00
Houston, TX: General Obligation, Series A, 5.00%, 03/01/2016	3,000,00
Independent School District, Series A, General Obligation, 5.00%, 01/15/2024	2,000,00
Airport System Special Facilities, Continental Airlines, Inc., Improvement Projects, Revenue, 5.70%, 07/15/2029	2,000,00
Airport System Special Facilities, Continental Airlines, Inc., Improvement Projects, Revenue, 6.125%, 07/15/2027	2,000,00
San Antonio, TX, Electric & Gas, Revenue, Series A, 5.00%, 02/01/2018	1,100,00
Tarrant County, TX, Health Facilities Development Corp., Hospital Revenue, 6.70%, 11/15/2030	1,000,00
Travis County, Texas, Health Facilities Development Corporation Revenue, Series A, 6.00%, 11/15/2012 (c)	3,860,00

UTAH

Utah Housing Finance Agency, Single Family Mortgage Revenue, 6.65%, 07/01/2026	560,00
---	--------

VIRGIN ISLANDS

Virgin Islands, Gross Receipts Taxes, Public Financial Authority Revenue, Series A, 6.375%, 10/01/2019	3,000,00
--	----------

VIRGINIA

Fairfax County, VA, Economic Development Authority Revenue, Series 1999 A, 7.250%, 10/01/2019	2,000,00
Virginia Beach, VA, Development Authority Revenue, 7.00%, 04/01/2010	1,410,00

WASHINGTON

Port Seattle WA, Special Facilities, Northwest Airlines Project, 7.25%, 04/01/2030	1,000,00
---	----------



Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

The accompanying notes are an integral part of the financial statements. 13  
14

PORTFOLIO OF INVESTMENTS

	PRINCIPAL AMOUNT
-----	
WEST VIRGINIA	
West Virginia State Hospital Finance Authority, Hospital Revenue, Charleston Area Medical Center, Series A, 6.75%, 09/01/2022	\$ 2,000,00
-----	
WISCONSIN	
Wisconsin Housing and Economic Development Authority, Home Ownership Revenue, Series F, 6.20%, 03/01/2027	500,00
Wisconsin State Health And Education Facilities Authority Revenue: 5.125%, 02/15/2020	1,000,00
Aurora Health Care Inc., Series 1999 A, 5.60%, 02/15/2029	1,000,00
Memorial Hospital Oconomowoc Project, Prerefunded 07/01/2005, 6.35%, 07/01/2017 (b)	600,00
-----	
TOTAL LONG-TERM MUNICIPAL INVESTMENTS (Cost \$186,829,090)	
-----	
TOTAL INVESTMENT PORTFOLIO--100.0% (Cost \$187,629,090)	
-----	

NOTES TO PORTFOLIO OF INVESTMENTS

- (a) The cost for federal income tax purposes was \$187,629,090. At May 31, 2001, net unrealized appreciation for all securities based on tax cost was \$7,597,547. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of \$10,741,261 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over market value of \$3,143,714.
  - (b) Prerefunded: Bonds which are prerefunded are collateralized by U.S. Treasury securities which are held in escrow and are used to pay principal and interest on tax-exempt issues and to retire the bond in full at the earliest refunding date.
  - (c) Bond is insured by one of these companies: AMBAC, FGIC or MBIA/BIG.
- \* Floating rate and monthly, weekly, or daily demand notes are securities whose yields vary with a designated market index or market rate, such as the

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

coupon-equivalent of the U.S. Treasury bill rate. Variable rate demand notes are securities whose yields are periodically reset at levels that are generally comparable to tax-exempt commercial paper. These securities are payable on demand within seven calendar days and normally incorporate an irrevocable letter of credit from a major bank. These notes are carried, for purposes of calculating average weighted maturity, at the longer of the period remaining until the next rate change or to the extent of the demand period.

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

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

15

### FINANCIAL STATEMENTS

#### STATEMENT OF ASSETS & LIABILITIES

As of May 31, 2001 (unaudited)

#### ASSETS

Investments in securities, at value (cost \$187,629,090)	\$195,226,637
Cash	187,524
Receivable for investments sold	100,000
Interest receivable	3,339,038
<b>TOTAL ASSETS</b>	<b>198,853,199</b>

#### LIABILITIES

Payable for investments purchased	1,707,493
Dividends payable	12,272
Accrued management fee	99,004
Accrued Trustees' fees and expenses	30,102
Other accrued expenses and payables	731,316
<b>Total liabilities</b>	<b>2,580,187</b>
<b>NET ASSETS, AT VALUE</b>	<b>\$196,273,012</b>

#### NET ASSETS

Net assets consist of:	
Undistributed net investment income	\$ 144,582
Net unrealized appreciation (depreciation) on investment securities	7,597,547
Accumulated net realized gain (loss)	(282,517)

Remarketed preferred shares, par value \$.01 per share,

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

unlimited number of shares authorized; 2,800 shares outstanding at \$25 thousand liquidation value per share	70,000,000
-----	
Paid-in capital	118,813,400
-----	
NET ASSETS, AT VALUE	\$196,273,012
-----	
NET ASSET VALUE	
-----	
NET ASSET VALUE PER COMMON SHARES ( $\$126,273,012 / 10,747,327$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) (NET ASSETS LESS REMARKETED PREFERRED SHARES AT LIQUIDATION VALUE DIVIDED BY COMMON SHARES OUTSTANDING)	\$11.75
-----	

The accompanying notes are an integral part of the financial statements. 15  
16

### FINANCIAL STATEMENTS

#### STATEMENT OF OPERATIONS Six months ended May 31, 2001 (unaudited)

INVESTMENT INCOME	
-----	
Interest	\$6,280,635
-----	
Expenses:	
Management fee	586,006
-----	
Services to shareholders	17,596
-----	
Custodian fees	4,212
-----	
Auditing	38,194
-----	
Legal	805
-----	
Trustees' fees and expenses	6,876
-----	
Reports to shareholders	4,990
-----	
Remarketing fee	87,360
-----	
Other	48,326
-----	
Total expenses, before expense reductions	794,365
-----	
Expense reductions	(3,683)
-----	
Total expenses, after expense reductions	790,682
-----	
NET INVESTMENT INCOME	5,489,953
-----	
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS	
-----	
Net realized gain (loss) from investments	192,228

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

Net unrealized appreciation (depreciation) during the period on investments	3,729,729
Net gain (loss) on investment transactions	3,921,957
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$9,411,910

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

17

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS

	SIX MONTHS ENDED MAY 31, 2001 (UNAUDITED)	YEAR ENDED NOVEMBER 30, 2000
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 5,489,953	\$ 10,872,519
Net realized gain (loss) on investment transactions	192,228	(374,722)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,729,729	1,799,954
Net increase (decrease) in net assets resulting from operations	9,411,910	12,297,751
Distributions to shareholders:		
From net investment income		
Common shares	(4,030,248)	(8,056,860)
Remarketed preferred shares	(1,315,123)	(2,946,311)
From net realized gains		
Common shares	--	(644,549)
Fund share transactions:		
Net proceeds from shares issued to common shareholders in reinvestment of distributions	56,854	--
Net increase (decrease) in net assets from Fund share transactions	56,854	--
Increase (decrease) in net assets	4,123,393	650,031
Net assets at beginning of period	192,149,619	191,499,588
NET ASSETS AT END OF PERIOD (including undistributed net investment income of \$144,582 as of May 31, 2001)	\$196,273,012	\$192,149,619

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

### OTHER INFORMATION

Shares outstanding at beginning of period	10,742,480	10,742,480
Shares issued to shareholders in reinvestment of distributions	4,847	--
Net increase in Fund shares	4,847	--
Shares outstanding at end of period	10,747,327	10,742,480

The accompanying notes are an integral part of the financial statements. 17  
18

### FINANCIAL HIGHLIGHTS

THE FOLLOWING TABLE INCLUDES SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD AND OTHER PERFORMANCE INFORMATION DERIVED FROM THE FINANCIAL STATEMENTS AND MARKET PRICE DATA.

	SIX MONTHS ENDED MAY 31, 2001 (UNAUDITED)	YEAR ENDED N		
		2000	1999	1998
<b>PER SHARE OPERATING PERFORMANCE</b>				
Net asset value, beginning of period	\$11.37	11.31	12.24	12.2
Income from investment operations:				
Net investment income (loss)	.51 (a)	1.01 (a)	.78 (a)	.7
Net realized and unrealized gain (loss) on investment transactions	.37	.13	(.83)	(.0
Total from investment operations	.88	1.14	(.05)	.7
Less distributions from:				
Net investment income to common shareholders	(.38)	(.75)	(.75)	(.7
Net investment income to preferred shareholders (common share equivalent)	(.12)	(.27)	(.05)	-
Net realized gains on investment transactions (common shares)	--	(.06)	(.01)	-
Total distributions	(.50)	(1.08)	(.81)	(.7
Dilution resulting from remarketed preferred shares (b)	--	--	(.07)	-
Net asset value, end of period	\$11.75	11.37	11.31	12.2
Market value, end of period	\$11.66	10.51	10.31	12.8
<b>TOTAL RETURN PER COMMON SHARE</b>				
<b>BASED ON NET ASSET VALUE (%)</b>	<b>6.73**</b>	<b>8.63</b>	<b>(1.35)</b>	<b>5.9</b>

## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

BASED ON MARKET VALUE (%)	14.58**	10.13	(14.08)	4.3
RATIOS TO AVERAGE NET ASSETS AND SUPPLEMENTAL DATA				
-----				
Net assets, end of period (\$ millions) net of remarketed preferred shares	126	122	122	13
-----				
Ratio of expenses before expense reductions (%) (excluding preferred shares)	1.26%*	1.50	1.12	.7
-----				
Ratio of expenses after expense reductions (%) (excluding preferred shares)	1.26%*	1.49	1.11	.7
-----				
Ratio of expenses before expense reductions (%) (including preferred shares) (b)	.81%*	.95	1.01	-
-----				
Ratio of expenses after expense reductions (%) (including preferred shares) (b)	.81%*	.94	1.00	-
-----				
Ratio of net investment income (%) (excluding preferred shares) (b)	8.74%*	9.07	6.55	6.2
-----				
Ratio of net investment income (%) (including preferred shares) (b)	5.62%*	5.73	5.91	-
-----				
Portfolio turnover rate (%)	7*	33	24	2
-----				
Remarketed preferred shares information at end of period:				
Aggregate amount outstanding (\$ thousands)	70,000	70,000	70,000	-
-----				
Asset coverage per share (\$)	70,000	69,000	68,000	-
-----				
Liquidation and market value per share (\$)	25,000	25,000	25,000	-
-----				

NOTE: Total return based on net asset value reflects changes in the Fund's net asset value during the period. Total return based on market value reflects changes in market value. Each figure includes reinvestment of dividends. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

(a) Based on monthly average shares outstanding during the period.

(b) Effective September 29, 1999, the Fund issued 2,800 remarketed preferred shares.

\* Annualized.

\*\* Not annualized.

18

19

### NOTES TO FINANCIAL STATEMENTS

- 
- 1      SIGNIFICANT ACCOUNTING POLICIES      Scudder Strategic Municipal Income Trust (the "Fund"), formerly Kemper Strategic Municipal Income Trust, 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 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. Portfolio debt securities purchased with an original maturity greater than sixty days are valued by pricing agents approved by the officers of the Trust, whose quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the calculated mean between the most recent bid and asked quotation supplied by a bona fide market maker shall be used.

Money market instruments purchased with an original maturity of sixty days or less are valued at amortized cost. All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

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, 2000, the Fund had a net tax basis capital loss carryforward of approximately \$380,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until November 30, 2008, the expiration date.

DISTRIBUTION OF INCOME AND GAINS. Distributions of net investment income to common shareholders, if any, are made 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 generally accepted accounting principles. 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.

REMARKETED PREFERRED SHARES. Effective September 29, 1999, the Fund issued 2,800 shares of Series T Remarketed Preferred Shares at a purchase price of \$25,000 per share plus dividends, if any, that had accumulated from the date the Fund first issued the shares. The Remarketed Preferred Shares will be entitled to receive cash dividends at an annual rate that may vary for the

19

20

NOTES TO FINANCIAL STATEMENTS

successive dividend periods for such shares. The auction agent will determine the dividend rate for a particular period by an auction conducted on the business day immediately prior to the start of that dividend period. Investors and potential investors in the Remarketed Preferred Shares may participate in auctions for the Municipal Preferred Shares through their broker-dealer.

OTHER. Investment transactions are accounted for on the 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 discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

---

2 PURCHASES AND SALES  
OF SECURITIES

For the six months ended May 31, 2001, investment transactions (excluding short-term investments) are as follows:

Purchases	\$9,368,088
Proceeds from sales	6,886,228

---

3 TRANSACTIONS WITH  
AFFILIATES

MANAGEMENT AGREEMENT. The Fund has a management agreement with Zurich Scudder Investments, Inc., formerly Scudder Kemper Investments Inc., ("ZSI" or the "Advisor") and pays a monthly investment management fee of 1/12 of the annual rate of .60% of average weekly net assets. The Fund incurred a management fee of \$586,006 for the six months ended May 31, 2001.

SHAREHOLDER SERVICES AGREEMENT. Pursuant to a services agreement with the Fund's transfer agent,



## Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

Scudder Investments Service Company, ("SISC"), formerly Kemper Service Company, is the shareholder service agent of the Fund. Under the agreement, SISC received shareholder services fees of \$12,000 for the six months ended May 31, 2001, of which \$5,601 is unpaid at May 31, 2001.

OFFICERS AND TRUSTEES. Certain officers or trustees of the Fund are also officers of the Advisor. For the six months ended May 31, 2001, the Fund made no direct payments to its officers and incurred trustees' fees of \$6,876 to independent trustees.

---

4 EXPENSE OFF-SET  
ARRANGEMENTS

The Fund has entered into arrangements with its custodian and transfer agent whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the Fund's expenses. During the six months ended May 31, 2001, the Fund's custodian and transfer agent fees were reduced by \$2,647 and \$1,036 respectively, under these arrangements.

---

5 LINE OF CREDIT

The Fund and several affiliated funds (the "Participants") share in a \$750 million revolving credit facility with J.P. Morgan Chase & Co. for temporary or emergency purposes. The Participants are charged an annual commitment fee which is allocated, pro rata based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus .5%. The Fund may borrow up to a maximum of 33 percent of its net assets under the agreement.

20

21

### SHAREHOLDERS' MEETING

#### ANNUAL SHAREHOLDERS' MEETING

An annual shareholders' meeting was held on May 24, 2001, for Scudder Strategic Municipal Income Trust. Shareholders were asked to vote on two separate issues: election of members to the Board of Trustees, and ratification of Ernst & Young LLP as independent auditors. The following are the results for each issue:

1) Election of Trustees (effective July 1, 2001)

	For	Withheld
John W. Ballantine	9,267,621	1,700
Lewis A Burnham	9,250,668	1,700
Mark Casady	9,267,621	1,700
Linda C. Coughlin	9,268,068	1,700
Donald L. Dunaway	9,267,621	1,700
James R. Edgar	9,260,336	1,700

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

William F. Glavin	9,271,084	1,700
Robert B. Hoffman	9,267,974	1,700
Shirley D. Peterson	9,264,958	1,700
Fred B. Renwick	9,250,834	1,700
William P. Sommers	9,243,168	1,700
John G. Weithers	9,271,084	1,700

2) Ratification of the selection of Ernst & Young LLP as independent auditors for the fund. This item was approved.

For	Against
9,273,109	33,603

21

22

NOTES

22

23

NOTES

23

24

TRUSTEES&OFFICERS

TRUSTEES

JAMES E. AKINS  
Trustee

LINDA C. COUGHLIN  
Trustee and Vice President

JAMES R. EDGAR  
Trustee

ARTHUR R. GOTTSCHALK  
Trustee

FREDERICK T. KELSEY  
Trustee

FRED B. RENWICK  
Trustee

JOHN G. WEITHERS  
Trustee

OFFICERS

MARK S. CASADY  
President

PHILIP J. COLLORA  
Vice President and  
Assistant Secretary

JOHN R. HEBBLE  
Treasurer

PHILLIP G. CONDON  
Vice President

KATHRYN L. QUIRK  
Vice President

LINDA J. WONDRACK  
Vice President

MAUREEN E. KANE  
Secretary

CAROLINE PEARSON  
Assistant Secretary

BRENDA LYONS  
Assistant Treasurer

.....  
LEGAL COUNSEL

VEDDER, PRICE, KAUFMAN AND KAMMHOLZ

Edgar Filing: SCUDDER STRATEGIC MUNICIPAL INCOME TRUST - Form N-30D

222 North LaSalle Street  
Chicago, IL 60601

.....  
SERVICE AGENT

SCUDDER INVESTMENTS SERVICE COMPANY  
P.O. Box 219066  
Kansas City, MO 64121  
(800) 294-4366

.....  
SHAREHOLDER  
INFORMATION LINE

ZURICH SCUDDER INVESTMENTS, INC.  
Web information available at  
cef.scudder.com  
(800) 349-4281

.....  
CUSTODIAN AND  
TRANSFER AGENT

STATE STREET BANK AND TRUST COMPANY  
225 Franklin Street  
Boston, MA 02110

.....  
INDEPENDENT AUDITORS

ERNST & YOUNG LLP  
233 South Wacker Drive  
Chicago, IL 60606

SCUDDER INVESTMENTS LOGO  
Printed on recycled paper in the U.S.A.  
SSMIT - 3 (7/25/01) 13544