

DEUTSCHE STRATEGIC MUNICIPAL INCOME TRUST  
Form N-Q  
October 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

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Investment Company Act file number: 811-05767

Deutsche Strategic Municipal Income Trust

(Exact name of registrant as specified in charter)

345 Park Avenue  
New York, NY 10154

(Address of principal executive offices) (Zip code)

Paul Schubert

60 Wall Street

New York, NY 10005

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 250-3220

Date of fiscal year end: 11/30

Date of reporting period: 8/31/2016

## ITEM 1. SCHEDULE OF INVESTMENTS

Investment Portfolio

as of August 31, 2016 (Unaudited)

## Deutsche Strategic Municipal Income Trust

	Principal Amount (\$)
Municipal Bonds and Notes 137.1%	
Arizona 1.2%	
Maricopa County, AZ, Pollution Control Corp. Revenue, El Paso Electric Co. Project, Series B, 7.25%, 4/1/2040	1,578,000,048
California 15.7%	
California, Golden State Tobacco Securitization Corp., Tobacco Settlement, Series A-1, 5.75%, 6/1/2047	506,000,060
California, Health Facilities Financing Authority Revenue, Catholic Healthcare West, Series A, 6.0%, 7/1/2034	1,000,400,050
California, M-S-R Energy Authority, Series B, 7.0%, 11/1/2034, GTY: Citigroup, Inc.	1,320,000,035
California, Morongo Band of Mission Indians, Enterprise Casino Revenue, Series B, 144A, 6.5%, 3/1/2028	1,000,700,060
California, South Bayside Waste Management Authority, Solid Waste Enterprise, Shoreway Environmental, Series A, 6.25%, 9/1/2029	1,425,400,093
California, State General Obligation:	
5.0%, 11/1/2043	1,508,200,095
5.25%, 4/1/2035	1,230,800,030
5.5%, 3/1/2040	1,000,400,050
5.75%, 4/1/2031	1,000,200,030
6.0%, 4/1/2038	1,000,300,050
6.5%, 4/1/2033	1,920,300,020
California, State Public Works Board Lease Revenue, Capital Projects, Series I-1, 6.375%, 11/1/2034	1,000,700,000
California, State Public Works Board Lease Revenue, Riverside Campus Project, Series B, 6.125%, 4/1/2028	2,000,700,040
California, Statewide Communities Development Authority Revenue, Loma Linda University Medical Center:	
Series A, 5.25%, 12/1/2044	192,200,051
Series A, 144A, 5.25%, 12/1/2056	738,500,091
Series A, 5.5%, 12/1/2054	192,200,000
Riverside County, CA, Transportation Commission Toll Revenue Senior Lien, Series A, 5.75%, 6/1/2048	1,000,900,050

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San Buenaventura, CA, Community Memorial Health Systems, 7.5%, 12/1/2041	506,220,000
San Francisco City & County, CA, Airports Commission, International Airport Revenue, Series A, AMT, 5.0%, 5/1/2044	1,000,600,030
San Joaquin Hills, CA, Transportation Corridor Agency, Toll Road Revenue, Series A, 5.0%, 1/15/2050	445,100,620
	23,597,555
Colorado 2.6%	
Colorado, Park Creek Metropolitan District Revenue, Senior Ltd. Property Tax Supported, Series A, 5.0%, 12/1/2045	232,700,001
Colorado, Public Energy Authority, Natural Gas Purchased Revenue, 6.25%, 11/15/2028, GTY: Merrill Lynch & Co., Inc.	638,500,624
Colorado, State Health Facilities Authority Revenue, Covenant Retirement Communities:	
Series A, 5.0%, 12/1/2033	440,900,064
Series A, 5.0%, 12/1/2035	250,800,063
Colorado, State Health Facilities Authority Revenue, School Health Systems, Series A, 5.5%, 1/1/2035	1,000,200,070
Denver, CO, City & County Airport Revenue, Series A, AMT, 5.25%, 11/15/2043	606,900,018
	3,832,740
Connecticut 1.6%	
Connecticut, Harbor Point Infrastructure Improvement District, Special Obligation Revenue, Harbor Point Project, Series A, 7.875%, 4/1/2039	2,000,500,620
Connecticut, Mashantucket Western Pequot Tribe Bond, 6.05%, 7/1/2031(PIK)*	2,562,1578
	2,462,218
District of Columbia 0.8%	
District of Columbia, Metropolitan Airport Authority Systems Revenue:	
Series A, AMT, 5.0%, 10/1/2038	200,300,666
Series A, AMT, 5.0%, 10/1/2043	859,700,851
	1,207,417
Florida 9.0%	
Collier County, FL, Industrial Development Authority, Continuing Care Community Revenue, Arlington of Naples Project, Series A, 8.125%, 5/15/2044	506,000,040
Florida, Capital Region Community Development District, Capital Improvement Revenue, Series A, 7.0%, 5/1/2039	464,700,684
Florida, Middle Village Community Development District, Special Assessment, Series A, 6.0%, 5/1/2035	938,000,644
Florida, Tolomato Community Development District, Special Assessment:	
Series A-2, Step-up Coupon, 0% to 5/1/2017, 6.61% to 5/1/2039	50,400,087
Series 2015-1, Step-up Coupon, 0% to 11/1/2021, 6.61% to 5/1/2040	250,500,680
Series 2015-2, Step-up Coupon, 0% to 11/1/2024, 6.61% to 5/1/2040	150,900,684
Series A-3, Step-up Coupon, 0% to 5/1/2019, 6.61% to 5/1/2040	116,600,071
Series A-4, Step-up Coupon, 0% to 5/1/2022, 6.61% to 5/1/2040	55,200,047
5.4%, 5/1/2037	1,480,800,835
Series 1, 6.55%, 5/1/2027 *	10,100,011
Series 3, 6.55%, 5/1/2027 *	130,000
Series A-1, 6.55%, 5/1/2027	170,700,945
Series 2015-3, 6.61%, 5/1/2040 *	162,000

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Florida, Village Community Development District No. 9, Special Assessment Revenue, 5.5%, 5/1/2042	150,700,048
Martin County, FL, Health Facilities Authority, Martin Memorial Medical Center, 5.5%, 11/15/2042	335,800,614
Miami Beach, FL, Health Facilities Authority, Mount Sinai Medical Center, 5.0%, 11/15/2044	506,800,915
Miami-Dade County, FL, Aviation Revenue:	
Series A, AMT, 5.0%, 10/1/2031	30,300,063
Series A, 5.5%, 10/1/2041	3,000,000,960
Orlando & Orange County, FL, Expressway Authority Revenue, Series C, 5.0%, 7/1/2035	1,080,200,997
Tallahassee, FL, Health Facilities Revenue, Memorial Healthcare, Inc. Project, Series A, 5.0%, 12/1/2055	150,700,096
Tampa-Hillsborough County, FL, Expressway Authority:	
Series A, 5.0%, 7/1/2031	1,500,000,060
Series A, 5.0%, 7/1/2037	1,500,000,610
	13,468,794
Georgia 5.4%	
Americus-Sumter County, GA, Hospital Authority, Magnolia Manor Obligated Group, Series A, 6.25%, 5/15/2033	1,000,000,000
Atlanta, GA, Airport Revenue, Series C, AMT, 5.0%, 1/1/2037	375,200,024
Atlanta, GA, Tax Allocation, Beltline Project, Series B, 7.375%, 1/1/2031	1,000,200,780
Atlanta, GA, Water & Wastewater Revenue, Series A, Prerefunded, 6.25%, 11/1/2034	1,000,700,900
DeKalb County, GA, Water & Sewer Revenue, Series A, 5.25%, 10/1/2036	1,000,800,040
Gainesville & Hall County, GA, Hospital Authority, Northeast Georgia Health System, Inc. Project:	
Series A, 5.25%, 8/15/2049	100,200,020
Series A, 5.5%, 8/15/2054	180,200,644
Georgia, Main Street Natural Gas, Inc., Gas Project Revenue, Series A, 5.5%, 9/15/2024, GTY: Merrill Lynch & Co., Inc.	1,226,000,041
Georgia, Medical Center Hospital Authority Revenue, Anticipation Certificates, Columbus Regional Healthcare System, 6.5%, 8/1/2038, INS: AGC	1,000,900,710
	8,025,159
Guam 1.7%	
Guam, Government General Obligation, Series A, Prerefunded, 7.0%, 11/15/2039	1,000,900,430
Guam, International Airport Authority Revenue, Series C, AMT, 6.375%, 10/1/2043	215,600,676
Guam, Power Authority Revenue, Series A, 5.5%, 10/1/2030	1,000,200,020
	2,588,126
Hawaii 1.7%	
Gainesville & Hall County, GA, Development Authority Retirement Community Revenue, ACTS Retirement Life Community, Series A-2, Prerefunded, 6.625%, 11/15/2039	1,000,800,090
Hawaii, State Airports Systems Revenue, Series A, AMT, 5.0%, 7/1/2041	698,100,857
Hawaii, State Department of Budget & Finance, Special Purpose Revenue, Hawaiian Electric Co., Inc., 6.5%, 7/1/2039	506,600,005
	2,571,452

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Idaho 0.2%	
Idaho, Health Facilities Authority Revenue, St. Luke's Regional Medical Center, 6.75%, 11/1/2037	303,400,091
Illinois 8.1%	
Chicago, IL, O'Hare International Airport Revenue:	
Series C, AMT, 5.0%, 1/1/2046	1,000,500,830
Series B, 6.0%, 1/1/2041	2,000,800,400
Illinois, Finance Authority Revenue, Friendship Village of Schaumburg, Series A, 5.625%, 2/15/2037	2,000,000,020
Illinois, Finance Authority Revenue, The Admiral at Lake Project, Series A, 8.0%, 5/15/2040	1,000,600,020
Illinois, Finance Authority Revenue, Three Crowns Park Plaza, Series A, 5.875%, 2/15/2038	1,000,000,440
Illinois, Metropolitan Pier & Exposition Authority Revenue, McCormick Place Project, Series A, 5.0%, 6/15/2042	300,000,031
Illinois, Metropolitan Pier & Exposition Authority, Dedicated State Tax Revenue, Capital Appreciation-McCormick, Series A, Zero Coupon, 12/15/2034, INS: NATL	3,000,800,890
Illinois, Railsplitter Tobacco Settlement Authority, 6.0%, 6/1/2028	364,300,050
Illinois, State Finance Authority Revenue, OSF Healthcare Systems, Series A, 5.0%, 11/15/2045	525,000,000
Illinois, State Finance Authority Revenue, Park Place of Elmhurst Project, Series C, 2.0%, 5/15/2055	150,800,005
Illinois, State Finance Authority Revenue, Trinity Health Corp., Series L, 5.0%, 12/1/2030	1,000,500,010
Springfield, IL, Electric Revenue, Senior Lien, 5.0%, 3/1/2040, INS: AGMC	384,500,062
	12,203,328
Indiana 4.0%	
Indiana, Finance Authority Hospital Revenue, Deaconess Hospital Obligation, Series A, Prerefunded, 6.75%, 3/1/2039	525,000,656
Indiana, State Finance Authority Revenue, Community Foundation of Northwest Indiana, 5.0%, 3/1/2041	1,000,200,050
Indiana, State Finance Authority Revenue, Greencroft Obligation Group, Series A, 7.0%, 11/15/2043	465,500,085
Indiana, State Finance Authority Revenue, Stadium Project, Series A, 5.25%, 2/1/2037	1,380,200,085
Valparaiso, IN, Exempt Facilities Revenue, Pratt Paper LLC Project, AMT, 7.0%, 1/1/2044, GTY: Pratt Industries (U.S.A.)	780,000,022
Vigo County, IN, Hospital Authority Revenue, Union Hospital, Inc., 144A, Prerefunded, 5.7%, 9/1/2037	1,000,200,050
	5,913,648
Iowa 0.9%	
Iowa, Finance Authority Retirement Community Revenue, Edgewater LLC Project, Prerefunded, 6.5%, 11/15/2027	1,000,700,030
Iowa, State Higher Education Loan Authority, Des Moines University Osteopathic Medical Center Revenue, 0.58% **, 10/1/2033, LOC: BMO Harris Bank NA	200,000,000
	1,271,230
Kansas 0.2%	
	300,300,492

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Lenexa, KS, Health Care Facility Revenue, Lakeview Village, Inc. Project, 7.25%, 5/15/2039	
Kentucky 5.3%	
Kentucky, Economic Development Finance Authority, Hospital Facilities Revenue, Owensboro Medical Health Systems, Series A, 6.5%, 3/1/2045	2,000,000,800
Kentucky, Economic Development Finance Authority, Louisville Arena Project Revenue, Series A-1, 6.0%, 12/1/2033, INS: AGC	365,900,693
Kentucky, Public Transportation Infrastructure Authority Toll Revenue, 1st Tier-Downtown Crossing, Series A, 6.0%, 7/1/2053	1,440,400,595
Louisville & Jefferson County, KY, Metropolitan Government Health Systems Revenue, Norton Healthcare, Inc., 5.0%, 10/1/2030	3,423,300,000
	7,883,788
Louisiana 1.5%	
Louisiana, Local Government Environmental Facilities, Community Development Authority Revenue, 6.75%, 11/1/2032	1,000,000,680
Louisiana, St. John Baptist Parish Revenue, Marathon Oil Corp., Series A, 5.125%, 6/1/2037	959,700,639
Louisiana, Tobacco Settlement Financing Corp. Revenue, Series A, 5.25%, 5/15/2035	180,000,954
	2,244,273
Maine 0.8%	
Maine, Health & Higher Educational Facilities Authority Revenue, Maine General Medical Center, 6.75%, 7/1/2036	1,000,400,690
Maryland 4.0%	
Maryland, Economic Development Corp., Pollution Control Revenue, Potomac Electric Power Co., 6.2%, 9/1/2022	1,506,900,070
Maryland, State Health & Higher Educational Facilities Authority Revenue, Anne Arundel Health Systems, Series A, Prerefunded, 6.75%, 7/1/2039	506,800,940
Maryland, State Health & Higher Educational Facilities Authority Revenue, Meritus Medical Center Obligated Group, 5.0%, 7/1/2040	1,000,800,090
Maryland, State Health & Higher Educational Facilities Authority Revenue, Washington County Hospital: Prerefunded, 5.75%, 1/1/2033	1,000,000,070
Prerefunded, 6.0%, 1/1/2028	1,383,800,831
	6,016,701
Massachusetts 2.1%	
Massachusetts, State Development Finance Agency Revenue, Linden Ponds, Inc. Facility: Series B, Zero Coupon, 11/15/2056*	502,386
Series A-2, 5.5%, 11/15/2046	109,6381
Series A-1, 6.25%, 11/15/2039	1,200,004,802
Massachusetts, State Health & Educational Facilities Authority Revenue, Milford Regional Medical Center, Series E, 5.0%, 7/15/2037	959,700,003
	3,090,392
Michigan 6.8%	
Detroit, MI, Water & Sewerage Department, Sewerage Disposal System Revenue, Series A, 5.25%, 7/1/2039	280,000,054
Detroit, MI, Water Supply Systems Revenue, Series A, 5.75%, 7/1/2037	1,000,400,070
Kalamazoo, MI, Economic Development Corp. Revenue, Limited Obligation, Heritage Community, 5.5%, 5/15/2036	1,000,000,480

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Kentwood, MI, Economic Development, Limited Obligation, Holland Home, Series A, 5.375%, 11/15/2036	2,000,000,080
Michigan, State Building Authority Revenue, Facilities Program: Series I, 5.0%, 4/15/2038	779,300,065
Series I-A, 5.5%, 10/15/2045	2,000,000,060
Michigan, State Finance Authority Revenue, Detroit Water & Sewer, Series C-3, 5.0%, 7/1/2033, INS: AGMC	180,000,074
Michigan, State Finance Authority Revenue, Detroit Water & Sewer Department, Series C, 5.0%, 7/1/2035	90,000,782
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital, Prerefunded, 8.25%, 9/1/2039	1,000,500,890
Tawas City, MI, Hospital Finance Authority, St. Joseph Health Services, Series A, ETM, 5.75%, 2/15/2023	980,800,002
	10,218,557
Minnesota 0.8%	
Minneapolis, MN, Health Care Systems Revenue, Fairview Health Services, Series A, Prerefunded, 6.75%, 11/15/2032	1,000,300,070
Mississippi 2.0%	
Jackson County, MS, Port Facility Revenue, Chevron USA, Inc. Project, 0.6% **, 6/1/2023	1,600,000,000
Lowndes County, MS, Solid Waste Disposal & Pollution Control Revenue, Weyerhaeuser Co. Project, Series A, 6.8%, 4/1/2022	250,000,015
Mississippi, Business Finance Corp., Pollution Control Revenue, Systems Energy Resources, Inc. Project, 5.875%, 4/1/2022	626,400,940
Warren County, MS, Gulf Opportunity Zone, International Paper Co., Series A, 6.5%, 9/1/2032	434,700,631
	3,034,886
Missouri 2.1%	
Missouri, State Health & Educational Facilities Authority Revenue, Lutheran Senior Services, Series C, 5.0%, 2/1/2042	2,000,000,080
Missouri, State Health & Educational Facilities Authority Revenue, Medical Research, Lutheran Senior Services, Series A, 5.0%, 2/1/2046	65,700,081
Missouri, State Health & Educational Facilities Authority, Health Facilities Revenue, Lester E Cox Medical Centers, Series A, 5.0%, 11/15/2048	150,700,072
St. Louis County, MO, Industrial Development Authority, Senior Living Facilities, St. Andrews Resources for Seniors Obligated Group, Series A, 5.125%, 12/1/2045	363,900,091
St. Louis, MO, Lambert-St. Louis International Airport Revenue, Series A-1, 6.625%, 7/1/2034	414,700,061
	3,133,285
Nevada 3.6%	
Clark County, NV, School District, Series A, 5.0%, 6/15/2022, INS: NATL	1,300,700,006
Henderson, NV, Health Care Facility Revenue, Catholic Healthcare West, Series B, 5.25%, 7/1/2031	2,000,500,000
Las Vegas Valley, NV, Water District, Series B, 5.0%, 6/1/2037	1,568,600,646
	5,405,152
New Jersey 6.5%	
New Jersey, Health Care Facilities Financing Authority Revenue, St. Joseph's Health Care System, Prerefunded, 6.625%, 7/1/2038	715,900,613

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New Jersey, State Economic Development Authority, Continental Airlines, Inc. Project, AMT, 4.875%, 9/15/2019	486,100,691
New Jersey, State Economic Development Authority, Special Facilities Revenue, Continental Airlines, Inc. Project, Series B, AMT, 5.625%, 11/15/2030	506,820,900
New Jersey, State Health Care Facilities Financing Authority Revenue, University Hospital, Series A, 5.0%, 7/1/2046, INS: AGMC	180,100,095
New Jersey, State Transportation Trust Fund Authority, Series B, 5.5%, 6/15/2031	1,500,000,005
New Jersey, State Turnpike Authority Revenue, Series E, 5.0%, 1/1/2045	1,012,100,062
New Jersey, Tobacco Settlement Financing Corp.:	
Series 1A, 4.75%, 6/1/2034	4,280,000,012
Series 1A, 5.0%, 6/1/2041	500,000,835
	9,707,713
New York 7.4%	
New York, Brooklyn Arena Local Development Corp., Pilot Revenue, Barclays Center Project, Series A, 4.0%, 7/15/2035, INS: AGMC (a)	45,500,019
New York, Metropolitan Transportation Authority Revenue:	
Series D, 5.0%, 11/15/2038	275,300,606
Series E, 5.0%, 11/15/2042	305,600,438
New York, State Liberty Development Corp. Revenue, World Trade Center Project, Class 1-3, 5.0%, 11/15/2044	506,800,015
New York, State Transportation Development Corp., Special Facilities Revenue, American Airlines, Inc., John F. Kennedy International Airport Project, AMT, 5.0%, 8/1/2031, GTY: American Airlines Group	444,900,010
New York & New Jersey, Port Authority, Special Obligation Revenue, JFK International Air Terminal LLC, 6.0%, 12/1/2042	680,900,074
New York & New Jersey Port Authority, One Hundred Forty-Seventh, AMT, 5.0%, 10/15/2023, INS: NATL	8,260,600,443
	11,083,305
North Carolina 1.0%	
North Carolina, Medical Care Commission, Health Care Facilities Revenue, University Health Systems, Series D, Prerefunded, 6.25%, 12/1/2033	1,000,000,090
North Carolina, Medical Care Commission, Retirement Facilities Revenue, First Mortgage-Aldersgate, 5.0%, 7/1/2045	330,600,043
	1,485,833
Ohio 1.2%	
Ohio, American Municipal Power, Inc. Revenue, Fremont Energy Center Project, Series B, 5.0%, 2/15/2037	1,517,830,095
Oregon 1.2%	
Port of Portland, OR, Portland International Airport Revenue, Series 23, 5.0%, 7/1/2038	1,508,100,060
Pennsylvania 5.0%	
Butler County, PA, Hospital Authority Revenue, Butler Health Systems Project, Prerefunded, 7.25%, 7/1/2039	2,000,000,060
Pennsylvania, Commonwealth Financing Authority, Series A, 5.0%, 6/1/2035	315,600,604
Pennsylvania, State Economic Development Financing Authority Revenue, Bridges Finco LP, AMT, 5.0%, 12/31/2038	718,400,651
	185,900,052



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Pennsylvania, State Economic Development Financing Authority, Exempt Facilities Revenue, PPL Energy Supply, Series A, 6.4%, 12/1/2038	
Pennsylvania, State Turnpike Commission Revenue:	
Series A-1, 5.0%, 12/1/2040	2,509,700,075
Series C, 5.0%, 12/1/2044	240,880,850
Philadelphia, PA, Redevelopment Authority Revenue, First Lien Mortgage, Series A, 6.5%, 1/1/2029	458,590,825
	7,498,517
Puerto Rico 2.1%	
Puerto Rico, Public Buildings Authority Revenue, Series Q, 5.625%, 7/1/2039	1,000,000,000
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue:	
Series A, 5.5%, 8/1/2042	750,000,915
Series A, 6.0%, 8/1/2042	1,000,000,000
Series A, 6.375%, 8/1/2039	950,000,061
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue, Convertible Capital Appreciation, Series A, Step-up Coupon, 0% to 8/1/2016, 6.75% to 8/1/2032	2,000,000,060
	3,084,776
Rhode Island 0.1%	
Rhode Island, Tobacco Settlement Financing Corp., Series A, 5.0%, 6/1/2040	151,720,881
South Carolina 3.0%	
Hardeeville, SC, Assessment Revenue, Anderson Tract Municipal Improvement District, Series A, 7.75%, 11/1/2039	899,200,065
South Carolina, State Public Service Authority Revenue, Series E, 5.25%, 12/1/2055	2,070,990,421
South Carolina, State Public Service Authority Revenue, Santee Cooper, Series A, 5.75%, 12/1/2043	890,000,964
	4,549,850
Tennessee 1.5%	
Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue:	
5.0%, 12/15/2017, GTY: Merrill Lynch & Co., Inc.	500,000,085
5.0%, 12/15/2018, GTY: Merrill Lynch & Co., Inc.	540,880,028
Johnson City, TN, Health & Educational Facilities Board Hospital Revenue, Mountain States Health Alliance, Series A, 7.75%, 7/1/2038	1,000,300,010
	2,244,423
Texas 18.5%	
Brazos River, TX, Harbor Navigation District, Brazoria County Environmental Health, Dow Chemical Co. Project:	
Series B-2, 4.95%, 5/15/2033	1,000,000,830
Series A-3, AMT, 5.125%, 5/15/2033	1,000,000,080
Central Texas, Regional Mobility Authority Revenue, Senior Lien:	
Series A, 5.0%, 1/1/2043	1,500,000,420
Prerefunded, 6.0%, 1/1/2041	540,000,049
Dallas-Fort Worth, International Airport Revenue:	
Series F, AMT, 5.0%, 11/1/2035	1,000,300,080
Series D, AMT, 5.0%, 11/1/2038	2,000,700,060
Houston, TX, Airport System Revenue, United Airlines, Inc., Terminal E Project, AMT, 4.75%, 7/1/2024	615,000,967
	2,250,000,007

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Matagorda County, TX, Navigation District No. 1, Pollution Control Revenue, AEP Texas Central Co. Project, Series A, 4.4%, 5/1/2030, INS: AMBAC	
Mission, TX, Economic Development Corp. Revenue, Senior Lien, Natgasoline Project, Series B, AMT, 144A, 5.75%, 10/1/2031	250,669,915
North Texas, Tollway Authority Revenue, Series B, 5.0%, 1/1/2045	665,980,057
North Texas, Tollway Authority Revenue, Toll Second Tier, Series F, Prerefunded, 5.75%, 1/1/2033	2,000,300,040
Red River, TX, Health Facilities Development Corp., Retirement Facilities Revenue, MRC Crossings Project, Series A, 8.0%, 11/15/2049	285,460,065
San Antonio, TX, Convention Center Hotel Finance Corp., Contract Revenue, Empowerment Zone, Series A, AMT, 5.0%, 7/15/2039, INS: AMBAC	1,000,000,030
Tarrant County, TX, Cultural Education Facilities Finance Corp. Revenue, Trinity Terrace Project, The Cumberland Rest, Inc., Series A-1, 5.0%, 10/1/2044	172,000,086
Tarrant County, TX, Cultural Education Facilities Finance Corp., Hospital Revenue, Scott & White Healthcare, 5.0%, 8/15/2043	2,100,500,052
Tarrant County, TX, Cultural Education Facilities Finance Corp., Retirement Facility, Mirador Project, Series A, 8.25%, 11/15/2044	570,800,060
Texas, Central Regional Mobility Authority Revenue, Senior Lien, Series A, 5.0%, 1/1/2040	230,700,611
Texas, Grand Parkway Transportation Corp., System Toll Revenue, Series B, 5.0%, 4/1/2053	506,800,665
Texas, Love Field Airport Modernization Corp., Special Facilities Revenue, Southwest Airlines Co. Project, 5.25%, 11/1/2040	1,055,900,056
Texas, SA Energy Acquisition Public Facility Corp., Gas Supply Revenue, 5.5%, 8/1/2020, GTY: The Goldman Sachs Group, Inc.	2,000,100,020
Texas, State Municipal Gas Acquisition & Supply Corp. III Gas Supply Revenue:	
5.0%, 12/15/2030, GTY: Macquarie Group Ltd.	165,900,010
5.0%, 12/15/2031, GTY: Macquarie Group Ltd.	1,000,400,010
5.0%, 12/15/2032, GTY: Macquarie Group Ltd.	1,000,400,040
Texas, State Private Activity Bond, Surface Transportation Corp. Revenue, Senior Lien, North Tarrant Express Mobility Partners Segments LLC, AMT, 6.75%, 6/30/2043	280,500,069
Texas, State Transportation Commission, Turnpike Systems Revenue, Series C, 5.0%, 8/15/2034	829,700,086
Travis County, TX, Health Facilities Development Corp. Revenue, Westminster Manor Health, Prerefunded, 7.125%, 11/1/2040	516,380,984
	27,742,049
Virginia 1.1%	
Fairfax County, VA, Economic Development Authority, Residential Care Facility Revenue, Goodwin House, Inc., Series A, 5.0%, 10/1/2042(a)	115,300,661
Washington County, VA, Industrial Development Authority, Hospital Facility Revenue, Mountain States Health Alliance, Series C, 7.75%, 7/1/2038	1,376,500,038
	1,691,799
Washington 3.5%	
Washington, State Health Care Facilities Authority Revenue, Series C, 5.375%, 8/15/2028, INS: AGC	595,100,046

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Washington, State Health Care Facilities Authority Revenue, Virginia Mason Medical Center, Series A, 6.125%, 8/15/2037	2,000,000,060
Washington, State Health Care Facilities Authority, Catholic Health Initiatives, Series A, 5.0%, 2/1/2041	1,000,000,430
Washington, State Housing Finance Commission, Presbyterian Retirement Communities Northwest Project, Series A, 144A, 5.0%, 1/1/2046(a)	250,800,682
Washington, State Housing Finance Commission, Rockwood Retirement Communities Project, Series A, 7.375%, 1/1/2044	1,000,880,460
	5,291,578
Wisconsin 2.9%	
Wisconsin, Public Finance Authority, State Education Revenue, North Carolina Charter Educational Foundation Project, Series A, 5.0%, 6/15/2046	470,700,094
Wisconsin, State Health & Educational Facilities Authority Revenue, Agnesian Healthcare, Inc., Series B, 5.0%, 7/1/2036	506,700,685
Wisconsin, State Health & Educational Facilities Authority Revenue, Prohealth Care, Inc. Obligation Group, Prerefunded, 6.625%, 2/15/2039	1,111,070,939
Wisconsin, State Health & Educational Facilities Authority Revenue, Thedacare, Inc., Series A, 5.5%, 12/15/2038	1,769,000,116
	4,289,134
<b>Total Municipal Bonds and Notes (Cost \$180,737,005)</b>	<b>205,419,105</b>
Underlying Municipal Bonds of Inverse Floaters (b) 20.3%	
California 3.8%	
University of California, State Revenues, Series K, 4.0%, 5/15/2036 (c) <i>Trust: California, Tender Option Bond Trust Receipts/Certificates of Various States, Series 2016-XM0347, 144A, 12.13%, 5/15/2036, Leverage Factor at purchase date: 4 to 1</i>	5,000,000,800
District of Columbia 4.1%	
District of Columbia, General Obligation, Series A, 5.0%, 6/1/2041 (c) <i>Trust: District of Columbia, Tender Option Bond Trust Receipts/Certificates of Various States, Series 2016-XM0326, 144A, 16.13%, 6/1/2041, Leverage Factor at purchase date: 4 to 1</i>	5,000,000,450
Florida 4.1%	
Orange County, FL, School Board Certificates Participation, Series C, 5.0%, 8/1/2034 (c) <i>Trust: Orange County, FL, School Board, Series 2016-XM0183, 144A, 15.92, 8/1/2034, Leverage Factor at purchase date: 4 to 1</i>	5,000,000,050
Massachusetts 4.1%	
Massachusetts, State Development Finance Agency Revenue, Partners Healthcare System, Inc., Series Q, 5.0%, 7/1/2035 (c) <i>Trust: Massachusetts, State Development Finance Agency Revenue, Series 2016-XM0136, 144A, 16.13%, 1/1/2024, Leverage Factor at purchase date: 4 to 1</i>	5,000,800,900
Tennessee 4.2%	
Nashville & Davidson County, TN, Metropolitan Government, 5.0%, 1/1/2024 (c) <i>Trust: Nashville &amp; Davidson County, TN, Metropolitan Government, Series 2631-1, 144A, 16.426%, 7/1/2017, Leverage Factor at purchase date: 4 to 1</i>	5,912,668,711
<b>Total Underlying Municipal Bonds of Inverse Floaters (Cost \$29,319,983)</b>	<b>30,495,011</b>

	% of Net Assets	Value (\$)
<b>Total Investment Portfolio</b> (Cost \$210,056,988) †	157.4	<b>235,914,116</b>
<b>Floating Rate Notes (b)</b>	(13.0)	<b>(19,438,585)</b>
<b>Series 2015 MTPS, at Liquidation Value</b>	(46.7)	<b>(70,000,000)</b>
<b>Other Assets and Liabilities, Net</b>	2.3	<b>3,400,276</b>
<b>Net Assets Applicable to</b>		
	100.0	<b>149,875,807</b>
<b>Common Shareholders</b>		

For information on the Fund's policies regarding the valuation of investments and other significant accounting policies, please refer to the Fund's most recent semi-annual or annual financial statements.

The following table represents bonds that are in default:

Security	Coupon	Maturity Date	Principal Amount (\$)	Cost (\$)	Value (\$)
Florida, Tolomato Community Development District, Special Assessment, Series 1 *	6.55 %	5/1/2027	10,000	4,160	10,211
Florida, Tolomato Community Development District, Special Assessment, Series 2015-3 *	6.61 %	5/1/2040	165,000	0	2
Florida, Tolomato Community Development District, Special Assessment, Series 3 *	6.55 %	5/1/2027	130,000	1	1
				4,161	10,214

\* Non-income producing security.

\*\* Variable rate demand notes are securities whose interest rates are reset periodically at market levels. These securities are often payable on demand and are shown at their current rates as of August 31, 2016.

† The cost for federal income tax purposes was \$189,091,360. At August 31, 2016, net unrealized appreciation for all securities based on tax cost was \$27,384,171. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$31,431,475 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$4,047,304.

(a) When-issued security.

(b) Securities represent the underlying municipal obligations of inverse floating rate obligations held by the Fund. The Floating Rate Notes represents leverage to the Fund and is the amount owed to the floating rate note holders.

Security forms part of the below inverse floater. The Fund accounts for these inverse floaters as a form of secured borrowing, by reflecting the value of the underlying bond in the investments of the Fund and the amount owed to the floating rate note holder as a liability.

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

AGC: Assured Guaranty Corp.

AGMC: Assured Guaranty Municipal Corp.

AMBAC: Ambac Financial Group, Inc.

AMT: Subject to alternative minimum tax.

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

GTY: Guaranty Agreement

INS: Insured

LOC: Letter of Credit

NATL: National Public Finance Guarantee Corp.

PIK: Denotes that all or a portion of the income is paid in-kind in the form of additional principal.

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

### ***Fair Value Measurements***

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

*The following is a summary of the inputs used as of August 31, 2016 in valuing the Fund's investments*

Assets	Level 1	Level 2	Level 3	Total
Municipal Investments (d)	\$—	\$235,914,116	\$—	\$235,914,116
Total	\$—	\$235,914,116	\$—	\$235,914,116

There have been no transfers between fair value measurement levels during the period ended August 31, 2016.

(d) See Investment Portfolio for additional detailed categorizations.

## **ITEM 2. 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 fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting.

**ITEM**  
**3. EXHIBITS**

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.

SIGNATURES

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: Deutsche Strategic Municipal Income Trust

/s/Brian E. Binder

By: Brian E. Binder

President

Date: October 21, 2016

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.

/s/Brian E. Binder

By: Brian E. Binder

President

Date: October 21, 2016

/s/Paul Schubert

By: Paul Schubert

Chief Financial Officer and Treasurer

Date: October 21, 2016