

DEUTSCHE MUNICIPAL INCOME TRUST  
Form N-CSR  
February 05, 2016  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-05655

Deutsche Municipal Income Trust

(Exact Name of Registrant as Specified in Charter)

345 Park Avenue

New York, NY 10154-0004

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert

60 Wall Street

New York, NY 10005

(Name and Address of Agent for Service)

Date of fiscal year end: 11/30

Date of reporting period: 11/30/2015

## **ITEM 1. REPORT TO STOCKHOLDERS**

November 30, 2015

### **Annual Report to Shareholders**

#### **Deutsche Municipal Income Trust**

Ticker Symbol: KTF

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The fund's investment objective is to provide a high level of current income exempt from federal income tax.

Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time 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 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.

Bond investments are subject to interest-rate, credit, liquidity and market risks to varying degrees. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Leverage results in additional risks and can magnify the effect of any gains or losses.

Although the fund seeks income that is exempt from federal income taxes, a portion of the fund's distributions may be subject to federal, state and local taxes, including the alternative minimum tax.

Deutsche Asset & Wealth Management represents the asset management and wealth management activities conducted by Deutsche Bank AG or any of its subsidiaries, including the Advisor and DeAWM Distributors, Inc.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE NOT A DEPOSIT NOT INSURED  
BY ANY FEDERAL GOVERNMENT AGENCY

### **Portfolio Management Review (Unaudited)**

#### **Market Overview and Fund Performance**

**All performance information below is historical and does not guarantee future results. Investment return and principal fluctuate, so your shares may be worth more or less when sold. Current performance may differ from performance data shown. Please visit [deutschefunds.com](http://deutschefunds.com) for the fund's most recent month-end performance. Fund performance includes reinvestment of all distributions. Please refer to pages 9 through 10 for more complete performance information.**

#### **Investment Process**

The fund's investment objective is to provide a high level of current income exempt from federal income tax. Under normal circumstances, at least 80% of the fund's net assets, plus the amount of any borrowings for investment purposes, will be invested in municipal securities. The fund will invest substantially all of its net assets in tax-exempt municipal securities valued at the time of purchase within the four highest grades (Baa or BBB or better) by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P"). The fund may also invest up to 20% of its assets in unrated municipal securities which, in the opinion of the fund's investment advisor, have credit characteristics equivalent to, and will be of comparable quality to, municipal securities rated within the four highest grades by Moody's or S&P.

Deutsche Municipal Income Trust returned 3.51% based on net asset value for the annual period ending November 30, 2015, compared with 3.10% for the fund's benchmark, the unmanaged, unleveraged Barclays Municipal Bond Index, and 0.97% for the broad taxable bond market as measured by the Barclays Aggregate Bond Index, for the same period. The fund's return based on market price was 8.04%. Over the period, the fund's traded shares went from a discount of 4.12% to a premium of 0.07%. The fund maintained its monthly dividend of 7 cents per share through the fiscal period ended November 30, 2015.

As the 12-month period ended November 30, 2015 opened, there was ongoing speculation over when the U.S. Federal Reserve Board (the Fed) would initiate a cycle of hikes in its benchmark short-term lending rate, after several years of maintaining a zero interest rate policy. However, the Fed would remain in a data-dependent "wait and see" mode for the entire period, despite the overall modest upward progress of the U.S. economy. The Fed's patient stance was supported by a strong dollar and the absence of upward pressures on U.S. inflation and wages, against a global backdrop of heightened macroeconomic and geopolitical uncertainty.

*"Performance was generally strongest for longer-maturity municipals, as they provided incremental income and were not subject to the rate increases that impacted the short end of the curve."*

In early 2015, the European Central Bank began a program of sovereign bonds purchases in an effort to avert deflation. The next several months in Europe were dominated by the threat of a Greek default and exit from the common currency. The Greece crisis would be displaced in global economic headlines by heightened concerns over slowing growth in China, which has for some time been the primary source of incremental demand for the global economy. The China concerns were spotlighted in mid-August by the government's devaluation of the renminbi over three days, which raised fears of a global currency war. Against this backdrop, there was little upward pressure on interest rates, outside of some emerging markets impacted by currency weakness.

Municipal bonds faced an increasingly challenging supply backdrop, as issuance rose notably entering 2015. From the standpoint of demand, flows into municipal mutual funds were positive for most of the 12-month period ended November 2015.

#### **AAA Municipal Bond Yield Curve** (as of 11/30/15 and 11/30/14)

Source: Thompson Reuters as of 11/30/15.

Chart is for illustrative purposes only and does not represent any Deutsche AWM product.

For the full period, performance was generally strongest for longer-maturity municipals, as they provided incremental income and were not subject to the rate increases that impacted the short end of the curve. For the 12 months ended November 30, 2015, yields on two-year municipal issues rose 34 basis points, from 0.38% to 0.72%, while bonds with 30-year maturities experienced a yield decrease of 5 basis points, from 3.01% to 2.96%, resulting in a yield curve flattening of 39 basis points between 2 and 30 years. (100 basis points equals one percentage point. See the graph above for municipal bond yield changes from the beginning to the end of the period.)

For the 12 months ending November 30, 2015, most municipal market credit spreads — the incremental yield offered by lower-quality issues vs. AAA-rated issues — narrowed, as investors continued to seek sources of higher yields in a low-rate environment.

#### **Positive and Negative Contributors to Performance**

Given a meaningfully steep yield curve, the fund has maintained significant exposure to bonds with remaining maturities in the 20-to-30-year range. This helped relative performance, as longer-term issues provided incremental income and their prices were supported by modest declines in interest rates for the 12 months.

The fund had a somewhat higher quality profile than the benchmark, which was a modest detractor from relative performance as credit spreads narrowed overall during the period. The fund's overweighting vs. the benchmark of hospital, airport revenue and transportation bonds was helpful, as these sectors outperformed.

Modest remaining legacy exposure to Puerto Rico issues detracted from relative performance, as headlines concerning the territory's fiscal challenges continued to lead to volatility in those positions.

Relative to its Morningstar peer group, the fund had less exposure to the volatile tobacco segment, which strongly outperformed for the 12 months ended November 30, 2015.

#### **Outlook and Positioning**

Municipal yields on an absolute basis are quite low, but remain reasonably attractive vs. taxable alternatives. At the end of November 2015, the 10-year municipal yield of 2.02% was 91% of the 2.21% yield on comparable maturity U.S. Treasuries, as compared to a ratio of 95% twelve months earlier. While the municipal yield curve has flattened considerably, there remains meaningful incremental yield to be gained out on the curve, and we continue to see value in the 25-year maturity range.

With respect to credit spreads, we see selective valuation opportunities among bonds in the AA quality range. We currently view revenue bonds in the A quality range as providing attractive relative valuation opportunities, but more broadly are being cautious about adding BBB credit exposure to the fund as spreads are somewhat narrow by historical standards, particularly in the short end of the curve.

State and local government finances have continued to benefit from improving revenues, and developments with respect to some default scenarios have been in a more positive vein. We believe thorough research into municipal sectors and individual issues continues to be critical. There continue to be uncertainties with respect to the global and national economic backdrop, and we will closely monitor the implications for Fed policy with respect to short-term interest rates.

### **Portfolio Management Team**

Ashton P. Goodfield, CFA, Managing Director

Co-Lead Portfolio Manager of the fund. Began managing the fund in 2014.

— Joined Deutsche Asset & Wealth Management in 1986.

— Co-Head of Municipal Bonds.

— BA, Duke University.

Michael J. Generazo, Director

Co-Lead Portfolio Manager of the fund. Began managing the fund in 2010.

— Joined Deutsche Asset & Wealth Management in 1999.

— BS, Bryant College; MBA, Suffolk University.

Rebecca L. Flinn, Director

Portfolio Manager of the fund. Began managing the fund in 2014.

— Joined Deutsche Asset & Wealth Management in 1986.

— BA, University of Redlands, California.

The views expressed reflect those of the portfolio management team 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. Current and future portfolio holdings are subject to risk.

### **Terms to Know**

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The unmanaged, unleveraged **Barclays Municipal Bond Index** covers the U.S.-dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

The **Barclays Aggregate Bond 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 do not reflect any fees or expenses and it is not possible to invest directly into an index.

The **yield curve** is a graphical representation of how yields on bonds of different maturities compare. Normally, yield curves slant up, as bonds with longer maturities typically offer higher yields than short-term bonds.

**Credit quality** measures 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. Credit quality does not remove market risk and is subject to change.

**Overweight** means the fund holds a higher weighting in a given sector or security than the benchmark. **Underweight** means the fund holds a lower weighting.

### Performance Summary November 30, 2015 (Unaudited)

**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 [deutschefunds.com](http://deutschefunds.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.**

#### Average Annual Total Returns as of 11/30/15

##### Deutsche Municipal Income Trust

##### Based on Net Asset Value<sup>(a)</sup>

##### Based on Market Price<sup>(a)</sup>

##### Barclays Municipal Bond Index<sup>(b)</sup>

##### Morningstar Closed-End Municipal National Long Funds Category<sup>(c)</sup>

#### 1-Year 5-Year 10-Year

3.51% 9.10% 7.66%

8.04% 8.95% 7.44%

3.10% 4.79% 4.73%

5.22% 8.50% 6.19%

<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 price. 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. Expenses of the Fund include management fee, interest expense and other fund expenses. Total returns shown take into account these fees and expenses. The expense ratio of the Fund for the six months ended November 30, 2015 was 1.41% (0.88% excluding interest expense).

<sup>(b)</sup> The unmanaged, unleveraged Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Index returns do not reflect any fees or expenses and it is not possible to invest directly into an index.

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(c) Morningstar's Closed-End Municipal National Long Funds category represents muni national long portfolios that invest in municipal bonds. Such bonds are issued by various state and local governments to fund public projects and are free from federal taxes. To lower risk, these funds spread their assets across many states and sectors. They focus on bonds with durations of seven years or more. This makes them more sensitive to interest rates, and thus riskier, than muni funds that focus on bonds with shorter maturities. Morningstar figures represent the average of the total returns based on net asset value reported by all of the closed-end funds designated by Morningstar, Inc. as falling into the Closed-End Municipal National Long Funds category. Category returns assume reinvestment of all distributions. It is not possible to invest directly in a Morningstar category.

### Net Asset Value and Market Price

**As of 11/30/15 As of 11/30/14**

Net Asset Value \$ 13.44 \$ 13.84

Market Price \$ 13.45 \$ 13.27

Prices and net asset value fluctuate and are not guaranteed.

### Distribution Information

Twelve Months as of 11/30/15:

	\$ .84
Income Dividends (common shareholders)	
Capital Gain Distributions	\$ .02
November Income Dividend (common shareholders)	\$ .0700
Current Annualized Distribution Rate (based on Net Asset Value) as of 11/30/15 <sup>†</sup>	6.25%
Current Annualized Distribution Rate (based on Market Price) as of 11/30/15 <sup>†</sup>	6.25%
Tax Equivalent Distribution Rate (based on Net Asset Value) as of 11/30/15 <sup>†</sup>	11.04%
Tax Equivalent Distribution Rate (based on Market Price) as of 11/30/15 <sup>†</sup>	11.03%

<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, 2015. 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 43.4%. Distribution rates are historical, not guaranteed and will fluctuate. Distributions do not include return of capital or other non-income sources.

### Investment Portfolio as of November 30, 2015

	Principal Amount (\$)	Value (\$)
<b>Municipal Bonds and Notes 120.8%</b>		
<b>Arizona 1.2%</b>		
Arizona, Salt Verde Financial Corp., Gas Revenue:		
5.0%, 12/1/2037, GTY: Citigroup, Inc.	1,050,000	1,176,325
5.5%, 12/1/2029, GTY: Citigroup, Inc.	1,400,000	1,695,722
Phoenix, AZ, Civic Improvement Corp., Airport Revenue, Series A, 5.0%, 7/1/2040	3,000,000	3,338,910
		<b>6,210,957</b>
<b>California 19.8%</b>		
California, Bay Area Toll Authority, Toll Bridge Revenue, San Francisco Bay Area, Series F-1, Prerefunded, 5.125%, 4/1/2039	5,000,000	5,675,050
California, Health Facilities Financing Authority Revenue, Catholic Healthcare West, Series A, 6.0%, 7/1/2039	3,500,000	3,993,815
California, M-S-R Energy Authority, Series A, 7.0%, 11/1/2034, GTY: Citigroup, Inc.	3,180,000	4,511,721
California, San Geronio Memorial Healthcare, Election of 2006, Series C, Prerefunded, 7.2%, 8/1/2039	5,000,000	5,544,900

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California, South Bayside Waste Management Authority, Solid Waste Enterprise Revenue, Shoreway Environmental Center, Series A, 6.25%, 9/1/2029	5,345,000	6,263,645
California, State General Obligation:		
5.0%, 11/1/2043	5,000,000	5,730,500
5.25%, 4/1/2035	4,295,000	4,983,016
5.5%, 3/1/2040	1,370,000	1,585,117
6.0%, 4/1/2038	10,000,000	11,657,900
California, State Public Works Board, Lease Revenue, Capital Projects, Series I-1, 6.375%, 11/1/2034	2,000,000	2,398,900
California, State Public Works Board, Lease Revenue, Department of General Services, Buildings 8 & 9, Series A, 6.25%, 4/1/2034	6,640,000	7,764,816
California, Statewide Communities Development Authority Revenue, American Baptist Homes of the West, 6.25%, 10/1/2039, GTY: American Baptist Homes of the Midwest	1,250,000	1,378,700
Corona-Norco, CA, Unified School District, Election of 2006, Series A, Prerefunded, 5.0%, 8/1/2031, INS: AGMC	5,130,000	5,501,925
Long Beach, CA, Harbor Revenue, Series D, 5.0%, 5/15/2039	1,065,000	1,236,401
Los Angeles, CA, Community College District, Election of 2008, Series C, 5.25%, 8/1/2039	3,000,000	3,481,770
Los Angeles, CA, Department of Airports Revenue, Los Angeles International Airport, Series B, 5.0%, 5/15/2035	8,500,000	9,636,705
Port Oakland, CA, Series A, AMT, 5.0%, 11/1/2027, INS: NATL	5,850,000	6,235,047
San Diego County, CA, Regional Airport Authority Revenue, Series B, AMT, 5.0%, 7/1/2043	7,000,000	7,689,150
San Diego, CA, Community College District, Election of 2006, 5.0%, 8/1/2036	2,850,000	3,304,062
San Diego, CA, Unified School District, Election 2012, Series C, 5.0%, 7/1/2035	5,000,000	5,810,050
		<b>104,383,190</b>
<b>Colorado 3.9%</b>		
Colorado, Health Facilities Authority Revenue, Covenant Retirement Communities, Inc., Prerefunded, 5.0%, 12/1/2035	2,500,000	2,500,325
Colorado, State Board of Governors, Colorado State University System Revenue, Series E-1, 5.0%, 3/1/2040	8,000,000	9,179,520
Colorado, State Health Facilities Authority Revenue, School Health Systems, Series A, 5.5%, 1/1/2035	5,450,000	6,404,567
Denver, CO, City & County Airport Revenue, Series A, AMT, 5.25%, 11/15/2043	2,400,000	2,654,376
		<b>20,738,788</b>
<b>District of Columbia 0.9%</b>		
District of Columbia, Metropolitan Airport Authority Systems Revenue:		
Series A, AMT, 5.0%, 10/1/2038	800,000	887,952
Series A, AMT, 5.0%, 10/1/2043	3,400,000	3,736,940
		<b>4,624,892</b>
<b>Florida 11.9%</b>		
Miami-Dade County, FL, Aviation Revenue:		
Series A, AMT, 5.0%, 10/1/2035	5,000,000	5,533,550
Series A, 5.5%, 10/1/2041	10,000,000	11,221,000
Miami-Dade County, FL, Aviation Revenue, Miami International Airport:		
Series A, AMT, 5.25%, 10/1/2033, INS: AGC	8,500,000	9,285,485
Series A-1, 5.375%, 10/1/2035	2,000,000	2,286,520
Miami-Dade County, FL, Educational Facilities Authority Revenue, University of Miami, Series A, Prerefunded, 5.75%, 4/1/2028	3,000,000	3,055,170
Miami-Dade County, FL, Expressway Authority, Toll Systems Revenue, Series A, 5.0%, 7/1/2035, INS: AGMC	3,000,000	3,363,810



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North Brevard County, FL, Hospital District Revenue, Parrish Medical Center Project:		
5.5%, 10/1/2028	1,520,000	1,671,681
Prerefunded, 5.5%, 10/1/2028	3,770,000	4,249,393
5.75%, 10/1/2038	1,440,000	1,579,752
Prerefunded, 5.75%, 10/1/2038	3,560,000	4,037,539
Orlando & Orange County, FL, Expressway Authority Revenue:		
Series C, 5.0%, 7/1/2035	2,705,000	3,033,035
Series A, 5.0%, 7/1/2040	11,895,000	13,326,444
		<b>62,643,379</b>
<b>Georgia 8.0%</b>		
Atlanta, GA, Airport Revenue:		
Series A, 5.0%, 1/1/2035	1,030,000	1,151,931
Series C, AMT, 5.0%, 1/1/2037	1,690,000	1,826,856
Atlanta, GA, Water & Wastewater Revenue, Series A, Prerefunded, 6.25%, 11/1/2039	5,815,000	6,961,020
Gainesville & Hall County, GA, Hospital Authority Revenue, Anticipation Certificates, Northeast Georgia Healthcare, Series A, 5.5%, 2/15/2045	2,135,000	2,342,672
Georgia, Main Street Natural Gas, Inc., Gas Project Revenue:		
Series A, 5.0%, 3/15/2020, GTY: JPMorgan Chase & Co.	7,250,000	8,175,028
Series A, 5.5%, 9/15/2024, GTY: Merrill Lynch & Co., Inc.	5,000,000	5,980,800
Series A, 5.5%, 9/15/2028, GTY: Merrill Lynch & Co., Inc.	10,000,000	12,105,200
Georgia, Medical Center Hospital Authority Revenue, Anticipation Certificates, Columbus Regional Healthcare Systems, 6.5%, 8/1/2038, INS: AGC	3,300,000	3,673,989
		<b>42,217,496</b>
<b>Guam 0.1%</b>		
Guam, International Airport Authority Revenue, Series C, AMT, 6.375%, 10/1/2043	535,000	<b>626,587</b>
<b>Hawaii 1.4%</b>		
Hawaii, State Airports System Revenue, Series A, AMT, 5.0%, 7/1/2041	1,490,000	1,657,804
Hawaii, State Airports Systems Revenue, Series A, 5.0%, 7/1/2039	4,200,000	4,690,098
Hawaii, State Department of Budget & Finance, Special Purpose Revenue, Hawaiian Electric Co., Inc., 6.5%, 7/1/2039, GTY: Hawaiian Electric Co., Inc.	1,000,000	1,133,790
		<b>7,481,692</b>
<b>Idaho 1.0%</b>		
Idaho, Health Facilities Authority Revenue, St. Luke's Regional Medical Center:		
5.0%, 7/1/2035, INS: AGMC	2,500,000	2,738,500
6.75%, 11/1/2037	2,135,000	2,419,211
		<b>5,157,711</b>
<b>Illinois 8.1%</b>		
Chicago, IL, Airport Revenue, O'Hare International Airport:		
Series A, 5.75%, 1/1/2039	5,000,000	5,823,400
Series B, 6.0%, 1/1/2041	9,000,000	10,627,470
Illinois, Finance Authority Revenue, Advocate Health Care Network, Series D, Prerefunded, 6.5%, 11/1/2038	1,000,000	1,157,270
Illinois, Finance Authority Revenue, Memorial Health Systems, 5.5%, 4/1/2039	4,200,000	4,590,852
Illinois, Finance Authority Revenue, Northwest Community Hospital, Series A, 5.5%, 7/1/2038	5,750,000	6,209,252
Illinois, Railsplitter Tobacco Settlement Authority, 6.0%, 6/1/2028	915,000	1,087,972
Illinois, State Finance Authority Revenue, Advocate Health Care Network:		
Series B, 5.375%, 4/1/2044	1,320,000	1,440,252
Series B, Prerefunded, 5.375%, 4/1/2044	1,180,000	1,346,038
Illinois, State Finance Authority Revenue, Ascension Health Credit Group, Series A, 5.0%, 11/15/2032	730,000	815,863

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Illinois, State Finance Authority Revenue, OSF Healthcare System, Series A, 5.0%, 11/15/2045	1,745,000	1,919,517
Illinois, State Finance Authority Revenue, OSF Healthcare Systems, Series A, 5.0%, 5/15/2041	1,580,000	1,703,129
Illinois, State Finance Authority Revenue, University of Chicago, Series A, 5.0%, 10/1/2038	4,445,000	5,008,982
Springfield, IL, Electric Revenue, Senior Lien, 5.0%, 3/1/2040, INS: AGMC (a)	970,000	1,074,353
		<b>42,804,350</b>
<b>Indiana 1.4%</b>		
Indiana, Finance Authority Hospital Revenue, Deaconess Hospital Obligation, Series A, Prerefunded, 6.75%, 3/1/2039	1,745,000	2,061,735
Indiana, State Finance Authority Revenue, Community Foundation of Northwest Indiana, 5.0%, 3/1/2041	5,000,000	5,381,300
		<b>7,443,035</b>
<b>Kentucky 1.8%</b>		
Kentucky, Economic Development Finance Authority, Louisville Arena Project Revenue, Series A-1, 6.0%, 12/1/2042, INS: AGC	4,000,000	4,344,320
Louisville & Jefferson County, KY, Metropolitan Government Health Systems Revenue, Norton Healthcare, Inc., 5.0%, 10/1/2030	5,000,000	5,117,300
		<b>9,461,620</b>
<b>Louisiana 1.1%</b>		
Louisiana, Public Facilities Authority, Hospital Revenue, Lafayette General Medical Center, 5.5%, 11/1/2040	3,000,000	3,241,710
Louisiana, St. John Baptist Parish Revenue, Marathon Oil Corp., Series A, 5.125%, 6/1/2037	2,315,000	2,382,945
		<b>5,624,655</b>
<b>Maryland 0.6%</b>		
Maryland, State Health & Higher Educational Facilities Authority Revenue, Anne Arundel Health Systems, Series A, Prerefunded, 6.75%, 7/1/2039	1,100,000	1,319,439
Maryland, State Health & Higher Educational Facilities Authority Revenue, Washington County Hospital, Prerefunded, 5.75%, 1/1/2033	1,500,000	1,650,495
		<b>2,969,934</b>
<b>Massachusetts 1.3%</b>		
Massachusetts, State Development Finance Agency Revenue, Northeastern University, Series A, 5.25%, 3/1/2037	2,500,000	2,853,425
Massachusetts, State Health & Educational Facilities Authority Revenue, Suffolk University, Series A, 5.75%, 7/1/2039	3,570,000	3,979,229
		<b>6,832,654</b>
<b>Michigan 5.1%</b>		
Detroit, MI, Water & Sewerage Department, Sewerage Disposal System Revenue, Series A, 5.25%, 7/1/2039	1,120,000	1,221,293
Michigan, State Building Authority Revenue, Series I-A, 5.375%, 10/15/2041	7,500,000	8,609,100
Michigan, State Building Authority Revenue, Facilities Program:		
Series I, 5.0%, 4/15/2038	1,930,000	2,202,767
Series H, 5.125%, 10/15/2033	2,495,000	2,770,648
Series I, 6.0%, 10/15/2038	395,000	444,438
Series I, Prerefunded, 6.0%, 10/15/2038	605,000	690,946
Michigan, State Finance Authority Revenue, Trinity Health Corp., 5.0%, 12/1/2035	665,000	745,132
Michigan, State Hospital Finance Authority Revenue, Henry Ford Health Hospital, 5.75%, 11/15/2039	5,000,000	5,675,400
	1,800,000	2,153,862

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Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital, Prerefunded, 8.25%, 9/1/2039		
Wayne County, MI, Airport Authority Revenue, Series F, AMT, 5.0%, 12/1/2034	2,000,000	2,187,720
		<b>26,701,306</b>
<b>Minnesota 0.2%</b>		
Minneapolis, MN, Health Care Systems Revenue, Fairview Health Services, Series A, Prerefunded, 6.75%, 11/15/2032	1,140,000	<b>1,328,784</b>
<b>Mississippi 0.3%</b>		
Warren County, MS, Gulf Opportunity Zone, International Paper Co., Series A, 6.5%, 9/1/2032	1,525,000	<b>1,715,503</b>
<b>Nevada 3.9%</b>		
Clark County, NV, Airport Revenue, Series B, 5.125%, 7/1/2036	4,305,000	4,810,493
Henderson, NV, Health Care Facility Revenue, Catholic Healthcare West, Series B, 5.25%, 7/1/2031	10,000,000	10,434,400
Las Vegas Valley, NV, Water District, Series B, 5.0%, 6/1/2037	4,830,000	5,513,300
		<b>20,758,193</b>
<b>New Jersey 2.2%</b>		
New Jersey, Hospital & Healthcare Revenue, General Hospital Center at Passaic, ETM, 6.75%, 7/1/2019, INS: AGMC	4,125,000	4,589,104
New Jersey, State Economic Development Authority Revenue, The Goethals Bridge Replacement Project, AMT, 5.125%, 7/1/2042, INS: AGMC	1,250,000	1,347,188
New Jersey, State Transportation Trust Fund Authority, Transportation Program, Series AA, 5.5%, 6/15/2039	1,730,000	1,861,324
New Jersey, State Transportation Trust Fund Authority, Transportation Systems, Series A, 6.0%, 12/15/2038	1,955,000	2,145,749
New Jersey, State Turnpike Authority Revenue, Series E, 5.25%, 1/1/2040	1,750,000	1,918,805
		<b>11,862,170</b>
<b>New York 9.9%</b>		
New York, Metropolitan Transportation Authority Revenue:		
Series C, 5.0%, 11/15/2038	6,000,000	6,758,100
Series D, 5.0%, 11/15/2038	1,090,000	1,235,875
Series C, 5.0%, 11/15/2042	5,000,000	5,592,900
Series A-1, 5.25%, 11/15/2039	4,000,000	4,673,000
New York, State Agency General Obligation Lease, Higher Education Revenue, Dormitory Authority, City University, Series A, 5.625%, 7/1/2016	545,000	561,061
New York, State Environmental Facilities Corp., State Clean Water & Drinking Revolving Funds, New York City Municipal Water Finance Authority Projects, 5.0%, 6/15/2036	2,000,000	2,314,280
New York, State Liberty Development Corp. Revenue, World Trade Center Port Authority Construction, 5.25%, 12/15/2043	8,000,000	9,202,240
New York, Utility Debt Securitization Authority, Restructuring Revenue:		
Series TE, 5.0%, 12/15/2034	800,000	938,512
Series TE, 5.0%, 12/15/2035	1,000,000	1,169,180
New York City, NY, Municipal Water Finance Authority, Water & Sewer Revenue, Second General Resolution:		
Series AA, 5.0%, 6/15/2044	5,000,000	5,669,950
Series EE, 5.375%, 6/15/2043	3,750,000	4,365,488
New York City, NY, Transitional Finance Authority Revenue, Future Tax Secured, Series C-1, Prerefunded, 5.0%, 11/1/2027	5,755,000	6,218,450
Port Authority of New York & New Jersey:		
AMT, 5.0%, 10/15/2034	1,620,000	1,847,497

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AMT, 5.0%, 10/15/2035	800,000	910,896
Port Authority of New York & New Jersey, One Hundred Eighty-Fourth:		
5.0%, 9/1/2036	205,000	236,859
5.0%, 9/1/2039	510,000	588,407
		<b>52,282,695</b>
<b>North Carolina 0.7%</b>		
North Carolina, Medical Care Commission, Health Care Facilities Revenue, University Health System, Series D, Prerefunded, 6.25%, 12/1/2033	3,000,000	<b>3,466,530</b>
<b>North Dakota 0.7%</b>		
Fargo, ND, Sanford Health Systems Revenue, 6.25%, 11/1/2031	3,240,000	<b>3,924,450</b>
<b>Ohio 2.9%</b>		
Lucas County, OH, Hospital Revenue, Promedica Healthcare, Series A, 6.5%, 11/15/2037	1,500,000	1,847,025
Ohio, State Hospital Facility Revenue, Cleveland Clinic Health:		
Series A, 5.5%, 1/1/2039	5,000,000	5,642,900
Series B, 5.5%, 1/1/2039	3,500,000	3,950,030
Ohio, State Turnpike Commission, Junior Lien, Infrastructure Projects, Series A-1, 5.25%, 2/15/2039	3,520,000	4,010,230
		<b>15,450,185</b>
<b>Pennsylvania 4.0%</b>		
Allegheny County, PA, Hospital Development Authority Revenue, University of Pittsburgh Medical, 5.625%, 8/15/2039	1,700,000	1,895,908
Franklin County, PA, Industrial Development Authority Revenue, Chambersburg Hospital Project, 5.375%, 7/1/2042	7,000,000	7,639,730
Pennsylvania, Commonwealth Financing Authority, Series A, 5.0%, 6/1/2035	1,560,000	1,730,477
Pennsylvania, State Turnpike Commission Revenue:		
Series A, 5.0%, 12/1/2038	2,030,000	2,268,403
Series C, 5.0%, 12/1/2043	4,000,000	4,462,920
Philadelphia, PA, Airport Revenue, Series A, 5.0%, 6/15/2035	2,835,000	3,168,935
		<b>21,166,373</b>
<b>Puerto Rico 1.0%</b>		
Puerto Rico, Sales Tax Financing Corp., Sales Tax Revenue:		
Series A, 5.5%, 8/1/2042	2,255,000	949,129
Series A, 6.0%, 8/1/2042	3,200,000	1,378,752
Series A, 6.375%, 8/1/2039	6,375,000	2,794,545
		<b>5,122,426</b>
<b>Rhode Island 0.4%</b>		
Rhode Island, Health & Educational Building Corp., Higher Education Facility Revenue, University of Rhode Island, Series A, 6.25%, 9/15/2034	2,000,000	<b>2,253,940</b>
<b>South Carolina 3.6%</b>		
Charleston County, SC, Airport District, Airport System Revenue, Series A, AMT, 5.875%, 7/1/2032	6,560,000	7,709,312
Greenwood County, SC, Hospital Revenue, Self Regional Healthcare, Series B, 5.0%, 10/1/2031	1,000,000	1,105,770
South Carolina, State Ports Authority Revenue, 5.25%, 7/1/2040	2,550,000	2,856,740
South Carolina, State Public Service Authority Revenue, Santee Cooper, Series A, 5.75%, 12/1/2043	6,220,000	7,399,685
		<b>19,071,507</b>
<b>Tennessee 1.7%</b>		
Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue, 5.0%, 12/15/2021, GTY: Merrill Lynch & Co., Inc.	2,000,000	2,307,840

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Jackson, TN, Hospital Revenue, Jackson-Madison Project: 5.625%, 4/1/2038	1,080,000	1,163,743
Prerefunded, 5.625%, 4/1/2038	2,920,000	3,240,003
Sullivan County, TN, Health, Educational & Housing Facilities Board, Hospital Revenue, Wellmont Health Systems Project, Series C, 5.25%, 9/1/2036	2,050,000	2,105,555
		<b>8,817,141</b>
<b>Texas 16.8%</b>		
Central Texas, Regional Mobility Authority Revenue, Senior Lien, Series A, 5.0%, 1/1/2040	1,155,000	1,264,471
Dallas-Fort Worth, International Airport Revenue, Series F, AMT, 5.0%, 11/1/2035	2,000,000	2,222,120
Harris County, TX, Health Facilities Development Corp., Hospital Revenue, Memorial Hermann Healthcare System, Series B, Prerefunded, 7.25%, 12/1/2035	1,000,000	1,185,030
Harris County, TX, Houston Port Authority, Series A, AMT, 6.25%, 10/1/2029	3,000,000	3,387,210
Houston, TX, Airport Revenue, People Mover Project, Series A, AMT, 5.5%, 7/15/2017, INS: AGMC	1,425,000	1,431,142
North Texas, Tollway Authority Revenue: Series B, 5.0%, 1/1/2040	2,060,000	2,278,236
First Tier, Series A, 5.625%, 1/1/2033	1,900,000	2,051,373
First Tier, Series A, Prerefunded, 5.625%, 1/1/2033	1,600,000	1,756,048
Second Tier, Series F, Prerefunded, 5.75%, 1/1/2038	6,500,000	7,150,715
First Tier, 6.0%, 1/1/2043	5,000,000	5,904,150
North Texas, Tollway Authority Revenue, Special Project Systems, Series D, 5.0%, 9/1/2032	2,000,000	2,305,720
Texas, Dallas/Fort Worth International Airport Revenue: Series H, AMT, 5.0%, 11/1/2042	5,425,000	5,877,662
Series F, 5.25%, 11/1/2033	3,500,000	4,078,165
Series A, 5.25%, 11/1/2038	4,000,000	4,540,080
Texas, Grand Parkway Transportation Corp., System Toll Revenue: Series B, 5.0%, 4/1/2053	3,500,000	3,849,125
Series B, 5.25%, 10/1/2051	5,000,000	5,639,850
Texas, Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue: Series B, 0.926%*, 12/15/2026, GTY: Merrill Lynch & Co., Inc.	1,500,000	1,377,645
Series D, 6.25%, 12/15/2026, GTY: Merrill Lynch & Co., Inc.	5,000,000	6,116,500
Texas, SA Energy Acquisition Public Facility Corp., Gas Supply Revenue: 5.5%, 8/1/2021, GTY: The Goldman Sachs Group, Inc.	1,155,000	1,357,749
5.5%, 8/1/2025, GTY: The Goldman Sachs Group, Inc.	7,250,000	8,788,305
Texas, Southwest Higher Education Authority, Inc., Southern Methodist University Project, 5.0%, 10/1/2035	1,600,000	1,814,432
Texas, State Municipal Gas Acquisition & Supply Corp. III Gas Supply Revenue: 5.0%, 12/15/2030	250,000	274,038
5.0%, 12/15/2031	3,165,000	3,458,965
5.0%, 12/15/2032	2,000,000	2,193,620
Texas, State Transportation Commission, Turnpike Systems Revenue, Series C, 5.0%, 8/15/2034	1,235,000	1,370,998
West Harris County, TX, Regional Water Authority, Water Systems Revenue, 5.0%, 12/15/2035	6,500,000	7,231,120
		<b>88,904,469</b>
<b>Virgin Islands 0.5%</b>		
Virgin Islands, Public Finance Authority Revenue, Gross Receipts Tax Loan Notes, Series A, 5.0%, 10/1/2032	2,500,000	<b>2,708,725</b>
<b>Virginia 0.3%</b>		

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Washington County, VA, Industrial Development Authority, Hospital Facility Revenue, Mountain States Health Alliance, Series C, 7.75%, 7/1/2038	1,370,000	<b>1,563,663</b>
<b>Washington 3.8%</b>		
Washington, State Health Care Facilities Authority Revenue, Virginia Mason Medical Center, Series A, 6.125%, 8/15/2037	6,000,000	6,432,360
Washington, State Health Care Facilities Authority, Catholic Health Initiatives, Series A, 5.0%, 2/1/2041	5,000,000	5,389,600
Washington, State Health Care Facilities Authority, Swedish Health Services, Series A, Prerefunded, 6.75%, 11/15/2041	1,825,000	2,339,121
Washington, State Motor Vehicle Tax-Senior 520 Corridor Program, Series C, 5.0%, 6/1/2031	5,000,000	5,794,200
		<b>19,955,281</b>
<b>Wisconsin 0.3%</b>		
Wisconsin, State Health & Educational Facilities Authority Revenue, Prohealth Care, Inc. Obligation Group, Prerefunded, 6.625%, 2/15/2039	1,555,000	<b>1,828,711</b>
<b>Total Municipal Bonds and Notes (Cost \$562,926,214)</b>		<b>638,102,992</b>
<b>Underlying Municipal Bonds of Inverse Floaters (b) 35.2%</b>		
<b>Florida 6.7%</b>		
Miami-Dade County, FL, Transit Sales Surtax Revenue, 5.0%, 7/1/2023, INS: AGMC (c)	3,740,000	4,087,542
Miami-Dade County, FL, Transit Sales Surtax Revenue, 5.0%, 7/1/2024, INS: AGMC (c)	3,915,000	4,278,804
Miami-Dade County, FL, Transit Sales Surtax Revenue, 5.0%, 7/1/2025, INS: AGMC (c)	4,122,500	4,505,586
Miami-Dade County, FL, Transit Sales Surtax Revenue, 5.0%, 7/1/2026, INS: AGMC (c)	4,317,500	4,718,707
Miami-Dade County, FL, Transit Sales Surtax Revenue, 5.0%, 7/1/2032, INS: AGMC (c)	16,470,000	18,000,487
<i>Trust: Miami-Dade County, FL, Transit Improvements, Series 2008-1160, 144A, 9.411%, 7/1/2016, Leverage Factor at purchase date: 2 to 1</i>		
		<b>35,591,126</b>
<b>Massachusetts 4.7%</b>		
Massachusetts, State Water Pollution Abatement Trust, Series 13, 5.0%, 8/1/2032 (c)	18,250,000	19,586,762
Massachusetts, State Water Pollution Abatement Trust, Series 13, 5.0%, 8/28/2037 (c)	5,000,000	5,366,236
<i>Trust: Massachusetts, State Pollution Control, Water Utility Improvements, Series 3159, 144A, 13.831%, 2/1/2017, Leverage Factor at purchase date: 3 to 1</i>		
		<b>24,952,998</b>
<b>Nevada 6.0%</b>		
Clark County, NV, General Obligation, Limited Tax-Bond Bank, 5.0%, 6/1/2028 (c)	9,447,355	10,257,036
Clark County, NV, General Obligation, Limited Tax-Bond Bank, 5.0%, 6/1/2029 (c)	9,919,723	10,769,887
Clark County, NV, General Obligation, Limited Tax-Bond Bank, 5.0%, 6/3/2030 (c)	9,627,878	10,453,030
<i>Trust: Clark County, NV, General Obligation, Series 3158, 144A, 13.833%, 6/1/2016, Leverage Factor at purchase date: 3 to 1</i>		
		<b>31,479,953</b>
<b>New York 8.0%</b>		
New York, State Dormitory Authority, State Personal Income Tax Revenue, Series A, 5.0%, 3/15/2026 (c)	10,000,000	10,564,482
<i>Trust: New York, State Dormitory Authority Revenue, Series 3160, 144A, 13.833%, 9/15/2016, Leverage Factor at purchase date: 3 to 1</i>		
	10,000,000	10,564,200

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New York, State Dormitory Authority, State Personal Income Tax Revenue, Series A, 5.0%, 3/15/2024 (c)

*Trust: New York, State Dormitory Authority Revenue, Secondary Issues, Series 1955-3, 144A, 18.35%, 9/15/2016, Leverage Factor at purchase date: 4 to 1*

New York, State Dormitory Authority Revenues, State Supported Debt, University Dormitory Facilities, 5.0%, 7/1/2025 (c)	5,425,000	5,794,752
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New York, State Dormitory Authority Revenues, State Supported Debt, University Dormitory Facilities, 5.0%, 7/1/2027 (c)	8,080,000	8,630,710
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*Trust: New York, State Dormitory Authority Revenues, Series 3169, 144A, 13.83%, 7/1/2025, Leverage Factor at purchase date: 3 to 1*

New York, Triborough Bridge & Tunnel Authority Revenues, Series C, 5.0%, 11/15/2033 (c)	6,000,000	6,630,480
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*Trust: New York, Triborough Bridge & Tunnel Authority Revenues, Series 2008-1188, 144A, 9.38%, 11/15/2033, Leverage Factor at purchase date: 2 to 1*

**42,184,624**

**Tennessee 6.5%**

Nashville & Davidson County, TN, Metropolitan Government, 5.0%, 1/1/2027 (c)	10,756,695	11,685,848
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*Trust: Nashville & Davidson County, TN, Metropolitan Government, Series 2631-3, 144A, 18.345%, 7/1/2017, Leverage Factor at purchase date: 4 to 1*

Nashville & Davidson County, TN, Metropolitan Government, 5.0%, 1/1/2026 (c)	10,200,000	11,081,076
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*Trust: Nashville & Davidson County, TN, Metropolitan Government, Series 2631-2, 144A, 18.35%, 7/1/2017, Leverage Factor at purchase date: 4 to 1*

Nashville & Davidson County, TN, Metropolitan Government, 5.0%, 1/1/2028 (c)	10,564,925	11,477,520
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*Trust: Nashville & Davidson County, TN, Metropolitan Government, Series 2631-4, 144A, 18.358%, 7/1/2017, Leverage Factor at purchase date: 4 to 1*

**34,244,444**

**Virginia 3.3%**

Virginia, State Resource Authority, Clean Water Revenue, 5.0%, 10/1/2027 (c)	8,190,000	9,119,859
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Virginia, State Resource Authority, Clean Water Revenue, 5.0%, 10/1/2028 (c)	7,630,000	8,496,279
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*Trust: Virginia, State Resource Authority, Clean Water Revenue, Series 2917, 144A, 11.507%, 10/1/2028, Leverage Factor at purchase date: 2.5 to 1*

**17,616,138**

**Total Underlying Municipal Bonds of Inverse Floaters (Cost \$172,108,723)**

**186,069,283**

**% of Net Assets Value (\$)**

<b>Total Investment Portfolio (Cost \$735,034,937)<sup>†</sup></b>	<b>156.0</b>	<b>824,172,275</b>
<b>Floating Rate Notes (b)</b>	<b>(20.9)</b>	<b>(110,401,576)</b>
<b>Series 2018 MTPS, at Liquidation Value</b>	<b>(37.6)</b>	<b>(198,750,000)</b>
<b>Other Assets and Liabilities, Net</b>	<b>2.5</b>	<b>13,223,664</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>100.0</b>	<b>528,244,363</b>

\* Floating rate securities' yields vary with a designated market index or market rate, such as the coupon-equivalent of the U.S. Treasury Bill rate. These securities are shown at their current rate as of November 30, 2015.

<sup>†</sup>The cost for federal income tax purposes was \$621,113,925. At November 30, 2015, net unrealized appreciation for all securities based on tax cost was \$92,656,774. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$98,899,437 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$6,242,663.

(a) When-issued security.

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

(c) 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.

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

NATL: National Public Finance Guarantee Corp.

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 November 30, 2015 in valuing the Fund's investments. For information on the Fund's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Municipal Investments (d)	\$ —	\$ 824,172,275	\$ —	\$ 824,172,275
<b>Total</b>	<b>\$ —</b>	<b>\$ 824,172,275</b>	<b>\$ —</b>	<b>\$ 824,172,275</b>

There have been no transfers between fair value measurement levels during the year ended November 30, 2015.

(d) See Investment Portfolio for additional detailed categorizations.

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



**Statement of Assets and Liabilities**

as of November 30, 2015

**Assets**

Investments in securities, at value (cost \$735,034,937)	\$ 824,172,275
Cash	2,984,658
Interest receivable	11,636,700
Other assets	13,980
Deferred offering costs	232,132
Total assets	839,039,745

**Liabilities**

Payable for investments purchased — when-issued security	1,050,539
Payable for floating rate notes issued	110,401,576
Distribution payable	166,950
Accrued management fee	335,343
Accrued Trustees' fees	8,431
Other accrued expenses and payables	82,543
Series 2018 MTPS, at liquidation value (see page 34 for more details)	198,750,000
Total liabilities	310,795,382

**Net assets applicable to common shareholders, at value** **\$ 528,244,363**

**Net Assets Applicable to Common Shareholders Consist of**

Undistributed net investment income	13,676,531
Net unrealized appreciation (depreciation) on investments	89,137,338
Accumulated net realized gain (loss)	(8,957,444)
Paid-in capital	434,387,938

**Net assets applicable to common shareholders, at value** **\$ 528,244,363**

**Net Asset Value**

**Net Asset Value** per common share ( $\$528,244,363 \div 39,300,734$  outstanding shares of beneficial interest, \$.01 par value, unlimited number of common shares authorized) **\$ 13.44**

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

**Statement of Operations**

for the year ended November 30, 2015

**Investment Income**

Income:

\$ 39,683,471

Interest

Expenses:

4,034,385

Management fee

Services to shareholders

43,077

Custodian fee

12,400

Professional fees

118,858

Reports to shareholders

83,689

Trustees' fees and expenses

34,021

Interest expense

2,835,075

Stock Exchange listing fees

37,309

Offering costs	249,887
Other	96,907
Total expenses	7,545,608
<b>Net investment income</b>	<b>32,137,863</b>
<b>Realized and Unrealized Gain (Loss)</b>	
Net realized gain (loss) from investments	(785,712)
Change in net unrealized appreciation (depreciation) on investments	(13,462,150)
<b>Net gain (loss)</b>	<b>(14,247,862)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 17,890,001</b>
Distributions to Remarketed Preferred Shares	(7,207)
<b>Net increase (decrease) in net assets applicable to common shareholders</b>	<b>\$ 17,882,794</b>
The accompanying notes are an integral part of the financial statements.	

## Statement of Cash Flows

for the year ended November 30, 2015

### Increase (Decrease) in Cash:

#### Cash Flows from Operating Activities

Net increase (decrease) in net assets resulting from operations (excluding distributions to Remarketed Preferred Shareholders)	\$ 17,890,001
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:	(160,478,129)
Purchases of long-term investments	
Net amortization of premium/(accretion of discount)	613,154
Proceeds from sales and maturities of long-term investments	171,214,303
(Increase) decrease in interest receivable	554,590
(Increase) decrease in other assets	428
(Increase) decrease in receivable for investments purchased — when-issued security	1,050,539
Increase (decrease) in accrued expenses and payables	(81,106)
Change in unrealized (appreciation) depreciation on investments	13,462,150
Net realized (gain) loss from investments	785,712
<b>Cash provided (used) by operating activities</b>	<b>45,011,642</b>

#### Cash Flows from Financing Activities

(Increase) decrease in deferred offering cost on Series 2015 MTPS	191,774
(Increase) decrease in deferred offering cost on Series 2018 MTPS	(232,132)
Increase from issuance of Series 2018 MTPS	198,750,000
Decrease from redemption of Series 2015 MTPS	(188,865,000)
Decrease from redemption of Remarketed Preferred Shares	(9,885,000)
Distributions paid (net of reinvestment of distributions)	(33,255,854)
Increase (decrease) in payable for floating rate notes issued	(8,780,000)
<b>Cash provided (used) for financing activities</b>	<b>(42,076,212)</b>
<b>Increase (decrease) in cash</b>	<b>2,935,430</b>
Cash at beginning of period	49,228
<b>Cash at end of period</b>	<b>\$ 2,984,658</b>

#### Supplemental Disclosure

Reinvestment of distributions	\$ 379,236
Interest paid on preferred shares	\$ (2,117,992)
Interest expense and fees on floating rate notes issued	\$ (731,679)

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

# Statement of Changes in Net Assets

	Years Ended November 30,	
Increase (Decrease) in Net Assets	2015	2014
Operations:	\$ 32,137,863	\$ 32,785,138
Net investment income		
Net realized gain (loss)	(785,712)	503,409
Change in net unrealized appreciation (depreciation)	(13,462,150)	44,985,941
Net increase (decrease) in net assets resulting from operations	17,890,001	78,274,488
Distributions to Remarketed Preferred Shareholders	(7,207)	(11,803)
<b>Net increase (decrease) in net assets applicable to common shareholders</b>	<b>17,882,794</b>	<b>78,262,685</b>
Distributions to common shareholders from:		
	(33,000,433)	(32,989,245)
Net investment income		
Net realized gains	(612,854)	(314,183)
Total distributions	(33,613,287)	(33,303,428)
Fund share transactions:	379,236	—
Net proceeds from shares issued to common shareholders in reinvestment of distributions		
Net increase (decrease) in net assets from Fund share transactions	379,236	—
<b>Increase (decrease) in net assets</b>	<b>(15,351,257)</b>	<b>44,959,257</b>
Net assets at beginning of period applicable to common shareholders	543,595,620	498,636,363
Net assets at end of period applicable to common shareholders (including undistributed net investment income of \$13,676,531 and \$15,851,081, respectively)	<b>\$ 528,244,363</b>	<b>\$ 543,595,620</b>
<b>Other Information</b>		
Common shares outstanding at beginning of period	39,272,911	39,272,911
Shares issued to common shareholders in reinvestment of distributions	27,823	—
Common shares outstanding at end of year	39,300,734	39,272,911
The accompanying notes are an integral part of the financial statements.		

## Financial Highlights

	Years Ended November 30,				
	2015	2014	2013	2012	2011
<b>Selected Per Share Data Applicable to Common Shareholders</b>					
<b>Net asset value at beginning of period</b>	<b>\$ 13.84</b>	<b>\$ 12.70</b>	<b>\$ 14.74</b>	<b>\$ 12.56</b>	<b>\$ 12.03</b>
<b>Income (loss) from investment operations:</b>	<b>.83</b>	<b>.85</b>	<b>.89</b>	<b>.93</b>	

Net investment income <sup>a</sup>					
Net realized and	1.16	(2.04)	1.96	.45	
unrealized gain (loss)					
<b>Total</b>					
<b>from</b>	1.99	(1.19)	2.85	1.38	
<b>investment</b>					
<b>operations</b>					
Distributions to remarketed preferred shareholders					
from	(.00)*	(.00)*	(.00)*	(.01)	(.01)
net investment income (common share equivalent)					
<b>Net</b>					
<b>increase</b>					
<b>(decrease)</b>					
<b>in</b>					
<b>net assets</b>					
<b>from</b>	1.99	(1.19)	2.84	1.37	
<b>operations</b>					
<b>applicable</b>					
<b>to</b>					
<b>common</b>					
<b>shareholders</b>					
<i>Less</i>					
<i>distributions</i>					
<i>applicable</i>					
<i>to</i>					
<i>common</i>					
<i>shareholders</i>	(.84)	(.84)	(.84)	(.84)	(.84)
<i>from:</i>					
Net investment income					
Net realized gains	(.01)	(.01)	(.01)	—	
<b>Total</b>	(.85)	(.85)	(.85)	(.84)	
<b>distributions</b>					
—	—	—	.19	—	

NAV  
accretion  
resulting  
from  
Remarketed  
Preferred  
Shares  
tendered  
at  
a  
discount<sup>a</sup>  
**Net**  
**asset**  
**value,**  
**\$ 13.44 \$ 13.84 \$ 12.70 \$ 14.74 \$ 12.56**  
**end**  
**of**  
**period**  
**Market**  
**price,**  
**\$ 13.45 \$ 13.27 \$ 11.80 \$ 15.39 \$ 13.18**  
**end**  
**of**  
**period**  
**Total Return**  
Based  
on  
net.51 16.21 (8.13) 24.85 12.03  
asset  
value (%)<sup>b</sup>  
Based  
on 8.04 19.92 (18.25) 24.22 16.69  
market  
price (%)<sup>b</sup>  
**Ratios to Average Net Assets**  
**Applicable to Common Shareholders**  
**and Supplemental Data**  
Net  
assets,  
end  
528 544 499 578 491  
of  
period  
(\$ millions)  
Ratio  
of  
expenses  
(%) 1.41 1.45 1.36 1.16 1.23  
(including  
interest  
expense)<sup>c,d</sup>  
Ratio .88 .87 .96 .98  
of  
expenses

(%)  
(excluding  
interest  
expense)<sup>e</sup>  
Ratio  
of  
net  
investment  
income (%)<sup>f</sup>  
Portfolio  
turnover  
rate (%)

6.01	6.23	6.25	6.52	7.81
18	32	40	33	

**Financial Highlights** (continued)

**Years Ended November 30,**  
**2015 2014 2013 2012 2011**

**Senior Securities**

Preferred  
Shares  
information  
at  
period  
end,  
aggregate  
amount  
outstanding:

10	10	10	199	
----	----	----	-----	--

Remarketed  
Preferred  
Shares  
(\$ millions)  
Series  
MIPS  
(\$ millions)  
Asset  
coverage  
per  
share (\$) <sup>g</sup>  
Liquidation  
and  
maturity  
price  
per share (\$)

189	189	189	—	
18,289	18,675	17,544	19,538	17,354
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 price reflects changes in market price.  
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>c</sup> Interest expense represents interest and fees on short-term floating rate notes issued in conjunction with inverse floating rate securities and interest paid to shareholders of Series 2015 MTPS and Series 2018 MTPS.

<sup>d</sup> The ratio of expenses (based on net assets of common and Preferred Shares, including interest expense) were 1.03%, 1.05%, 0.99%, 0.84% and 0.87% for the periods ended November 30, 2015, 2014, 2013, 2012 and 2011, respectively.

<sup>e</sup> The ratio of expenses (based on net assets of common and Preferred Shares, excluding interest expense) were 0.64%, 0.64%, 0.63%, 0.71% and 0.69% for the periods ended November 30, 2015, 2014, 2013, 2012 and 2011, respectively.

<sup>f</sup> The ratio of net investment income after distributions paid to Remarketed Preferred Shareholders were 6.01%, 6.23%, 6.25%, 6.46% and 7.72% for the periods ended November 30, 2015, 2014, 2013, 2012 and 2011, respectively.

<sup>g</sup> Asset coverage per share equals net assets of common shares plus the liquidation value of the Preferred Shares divided by the total number of Preferred Shares outstanding at the end of the period.

\* Amount is less than \$.005.

## Notes to Financial Statements

### A. Organization and Significant Accounting Policies

Deutsche 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.

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.

Municipal debt securities are valued at prices supplied by independent pricing services approved by the Fund's Board, whose valuations are intended to reflect the mean between the bid and asked prices. 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. 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 prices, as applicable, obtained from one or more broker-dealers. These securities are generally categorized as Level 2.

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 Board and are generally categorized as Level 3. In accordance with the Fund's valuation procedures, factors considered in determining value may include, but are not limited to, the type of the security; the size of the holding; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; the price and extent of public trading in similar securities of the issuer or of comparable companies; quotations or evaluated prices from broker-dealers and/or pricing services; information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities); an analysis of the company's or issuer's financial statements; an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold; and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Fund's Investment Portfolio.

**When Issued/Delayed Delivery Securities.** The Fund may purchase or sell 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 or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase



transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment. Additionally, the Fund may be required to post securities and/or cash collateral in accordance with the terms of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery transactions 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.

**Inverse Floaters.** The Fund invests in inverse floaters. Inverse floaters are debt instruments with a weekly floating rate of interest that bears an inverse relationship to changes in the short-term interest rate market. Inverse floaters are created by depositing a fixed-rate long-term municipal bond into a special purpose Tender Offer Bond trust (the "TOB Trust"). In turn the TOB Trust issues a short-term floating rate note and an inverse floater. The short-term floating rate note is issued in a face amount equal to some fraction of the underlying bond's par amount and is sold to a third party, usually a tax-exempt money market fund. The Fund receives the proceeds from the sale of the short-term floating rate note and uses the cash proceeds to make additional investments. The short-term floating rate note represents leverage to the Fund. The Fund, as the holder of the inverse floater, has full exposure to any increase or decrease in the value of the underlying bond. The income stream from the underlying bond in the TOB Trust is divided between the floating rate note and the inverse floater. The inverse floater earns all of the interest from the underlying long-term fixed-rate bond less the amount of interest paid on the floating rate note and the expenses of the TOB Trust. The floating rate notes issued by the TOB Trust are valued at cost, which approximates fair value.

By holding the inverse floater, the Fund has the right to collapse the TOB Trust by causing the holders of the floating rate instrument to tender their notes at par and have the broker transfer the underlying bond to the Fund. The floating rate note holder can also elect to tender the note for redemption at par at each reset date. The Fund accounts for these transactions 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 under the caption "Payable for floating rate notes issued" in the Statement of Assets and Liabilities. Income earned on the underlying bond is included in interest income, and interest paid on the floaters and the expenses of the TOB Trust are included in "Interest expense" in the Statement of Operations. For the year ended November 30, 2015, interest expense related to floaters amounted to \$731,679. The weighted average outstanding daily balance of the floating rate notes issued during the year ended November 30, 2015 was approximately \$118,412,000, with a weighted average interest rate of 0.62%.

The Fund may enter into shortfall and forbearance agreements by which the Fund agrees to reimburse the TOB Trust, in certain circumstances, for the difference between the liquidation value of the underlying bond held by the TOB Trust and the liquidation value of the floating rate notes plus any shortfalls in interest cash flows. This could potentially expose the Fund to losses in excess of the value of the Fund's inverse floater investments. In addition, the value of inverse floaters may decrease significantly when interest rates increase. The market for inverse floaters may be more volatile and less liquid than other municipal bonds of comparable maturity. The TOB Trust could be terminated outside of the Fund's control, resulting in a reduction of leverage and disposal of portfolio investments at inopportune times and prices. Investments in inverse floaters generally involve greater risk than in an investment in fixed-rate bonds.

The final rules implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule") preclude banking entities from sponsoring and/or providing services to TOB Trusts. In response to these rules, investment market participants have developed and are developing new TOB Trust structures that are designed to ensure that banking entities do not sponsor TOB Trusts in violation of the Volcker Rule. The Fund currently participates in a number of pre-2014 TOB Trusts (each, a "Legacy TOB Trust") that will need to be restructured to conform to Volcker Rule requirements by the applicable compliance date, currently expected to be July 17, 2017, or unwound. Any new TOB Trust structures must currently comply with the Volcker Rule. A Volcker-compliant TOB Trust structure is similar to traditional TOB Trust structures, with certain key differences. The basic features of the new Volcker-compliant TOB Trust structure currently intended to be implemented by the

funds are as follows:

- Portfolio management continues to make certain basic investment determinations, such as which bonds are placed in the TOB Trust, the amount of leverage for any given transaction, whether the transaction is structured as non-recourse or recourse, etc.
- Similar to traditional TOB Trust structures, the fund continues to be the holder of the TOB Inverse Floater Residual Interests.
- Unlike traditional TOB Trust structures, a bank or financial institution no longer serves as the sponsor, depositor, or trust administrator nor does it have any discretionary decision making authority with respect to the TOB Trust.
- Consistent with traditional TOB Trust structures, a bank or financial institution serves as the trustee, liquidity provider, and remarketing agent.
- A third-party administrative agent retained by the fund performs certain of the roles and responsibilities historically provided by banking entities in traditional TOB Trust structures, including certain historical sponsor/administrative roles and responsibilities.

The ultimate impact of the new rules on the inverse floater market and the municipal market generally is not yet certain. Such changes could make early unwinds of TOB Trusts more likely in adverse market scenarios, may make the use of TOB Trusts more expensive, and may make it more difficult to use TOB Trusts in general. The new rules may also expose the Fund to additional risks, including, but not limited to, compliance, securities law and operational risks.

**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.

Under the Regulated Investment Company Modernization Act of 2010, net capital losses incurred post-enactment may be carried forward indefinitely, and their character is retained as short-term and/or long-term. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

At November 30, 2015, the Fund had a net tax basis capital loss carryforward of approximately \$12,232,000, including \$6,630,000 of pre-enactment losses, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until November 30, 2016 (\$1,969,000), November 30, 2017 (\$2,864,000), November 30, 2018 (\$500,000) and November 30, 2019 (\$1,297,000), the respective expiration dates, whichever occurs first; and \$5,602,000 of post-enactment losses, which may be applied against realized net taxable capital gains indefinitely, including short-term losses (\$3,937,000) and long-term losses (\$1,665,000).

The Fund has reviewed the tax positions for the open tax years as of November 30, 2015 and has determined that no provision for income tax and/or uncertain tax provisions is required in the Fund's financial statements. The Fund's federal tax returns for the prior three fiscal years remain open subject to examination by the Internal Revenue Service.

**Distribution of Income and Gains.** Distributions from net investment income of the Fund are 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 Fund may also make additional distributions for tax purposes if necessary.

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The timing and characterization of certain income and capital gain 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, reclassification of distributions 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, 2015, the Fund's components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed tax-exempt income	\$ 13,676,531
Capital loss carryforwards	\$ (12,232,000)
Net unrealized appreciation (depreciation) on investments	\$ 92,656,774

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

	<b>Years Ended November 30,</b>	
	<b>2015</b>	<b>2014</b>
Distributions from ordinary income*	\$ 595,084	\$ 314,183
Distributions from tax-exempt income	\$ 33,018,203	\$ 32,989,245

\* For tax purposes, short-term capital gain distributions are considered ordinary income distributions.

**Preferred Shares.** On June 1, 2015, the Fund issued 39,750 shares of a new series of Floating Rate Municipal Term Preferred Shares ("Series 2018 MTPS") in a private offering with an aggregate liquidation preference of \$198,750,000 (\$5,000 per share). The Series 2018 MTPS are floating rate preferred shares with a mandatory term redemption date of June 1, 2018, unless extended. Dividends on the Series 2018 MTPS are set weekly to a fixed spread (dependent on the then current rating of the Series 2018 MTPS) to the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index. The average annualized dividend rate on the Series 2018 MTPS for the period June 1, 2015 through November 30, 2015 was 1.03%. In the Fund's Statement of Assets and Liabilities, the Series 2018 MTPS' aggregate liquidation preference is shown as a liability since the Series 2018 MTPS have a stated mandatory redemption date. Dividends paid on the Series 2018 MTPS are treated as interest expense and recorded as incurred. For the period June 1, 2015 through November 30, 2015, interest expense related to Series 2018 MTPS amounted to \$1,031,586. Costs directly related to the issuance of Series 2018 MTPS have been deferred and are being amortized over the life of the MTPS. The Series 2018 MTPS are senior in priority to the Fund's outstanding common shares as to payments of dividends and distributions upon liquidation. The Fund used a portion of the proceeds from the sale of its Series 2018 MTPS to fund the redemption on June 1, 2015 of all of its outstanding Floating Rate Municipal Term Preferred Shares ("Series 2015 MTPS") and used the remaining portion of its Series 2018 MTPS offering proceeds to fund the redemption of all of its outstanding Series B, C and E remarketed preferred shares ("Remarketed Preferred Shares"). The redemption date for the Fund's Series B and C Remarketed Preferred Shares was June 12, 2015, and the redemption date for its Series E Remarketed Preferred Shares was June 15, 2015. The Remarketed Preferred Shares were redeemed at their respective liquidation preferences per share plus dividends owed to, but excluding, the applicable redemption dates.

Prior to June 1, 2015, the Fund had issued and outstanding 37,773 Series 2015 MTPS and 321 Series B, 1,652 Series C, and 4 Series E Remarketed Preferred Shares, each with a liquidation preference of \$5,000 per share. With respect to the payment of dividends and to the distribution of assets upon the dissolution, liquidation or winding up of the affairs of the Fund, the Series 2015 MTPS and the Remarketed Preferred Shares ranked on parity with each other, and were both senior in priority to the Fund's outstanding common shares.

The Series 2015 MTPS were a floating rate form of preferred shares with a term redemption date of December 1, 2015, unless extended by the holders of the Series 2015 MTPS. Dividends were set weekly to a fixed spread (dependent on the then current rating of the Series 2015 MTPS) against the SIFMA Municipal Swap Index. The average annualized dividend rate on the Series 2015 MTPS for the period December 1, 2014 through May 31, 2015 was 1.14%. Dividends paid on the Series 2015 MTPS were treated as interest expense and recorded as incurred. For the period December 1, 2014 through May 31, 2015, interest expense related to the Series 2015 MTPS amounted to \$1,071,810.

The Remarketed Preferred Shares were preferred shares whose dividend rate was set through a remarketing process, with the dividends generally paid every seven days. For remarketing to be successful, the number of Remarketed Preferred Shares bid must meet or exceed the number of Remarketed Preferred Shares being offered for sale. Since February 2008, remarketings of the Remarketed Preferred Shares failed. In the event of a failed remarketing, the Remarketed Preferred Shares' dividend rate adjusted to a "maximum rate." The maximum rate was 125% of the Commercial Paper Rate (generally defined as the 60-day AA/Aa commercial paper rate). While prolonged remarketing failures affected the liquidity for the Remarketed Preferred Shares, a failed remarketing did not represent a default on or loss of capital of, the Remarketed Preferred Shares and the remarketed preferred shareholders continued to receive dividends at the previously defined "maximum rate." For the period December 1, 2014 through May 31, 2015, the dividend rates ranged from 0.025% to 0.213% for Series B, 0.025% to 0.213% for Series C and 0.113% to 0.225% for Series E.

As a result of its Series 2018 MTPS issuance and the redemption of the outstanding Series 2015 MTPS and Remarketed Preferred Shares, the Fund's leverage attributable to preferred shares remains unchanged.

Under the terms of a purchase agreement between the Fund and the initial purchaser of the Series 2018 MTPS, the Fund is subject to various investment restrictions that are substantially similar to those that were in place with respect to the Series 2015 MTPS. These investment restrictions are, in certain respects, more restrictive than those to which the Fund is otherwise subject in accordance with its investment objective and policies. Such restrictions may limit the investment flexibility that might otherwise be pursued by the Fund if the Series 2018 MTPS were not outstanding. In addition, the Fund is subject to certain restrictions on its investments imposed by guidelines of the rating agencies that rate the Series 2018 MTPS, which guidelines may be changed by the applicable rating agency, in its sole discretion, from time to time. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. Moreover, the Fund is required to maintain various asset coverage ratios with respect to the Series 2018 MTPS in accordance with the Fund's charter documents and the 1940 Act.

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, each preferred shareholder is entitled to one vote and preferred shareholders will vote together with common shareholders as a single class.

Leverage involves risks and special considerations for the Fund's common shareholders, including the likelihood of greater volatility of net asset value and market price of, and dividends on, the Fund's common shares than a comparable portfolio without leverage; the risk that fluctuations in interest rates will reduce the return to common shareholders; and the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of the Fund's common shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Fund's common shares. Changes in the value of the Fund's portfolio will be borne entirely by the common shareholders. If there is a net decrease (or increase) in the value of the Fund's investment portfolio, leverage will decrease (or increase) the net asset value per share to a greater extent than if leverage were not used. It is also possible that the Fund will be required to sell assets at a time when it would otherwise not do so, possibly at a loss, in order to redeem preferred shares to comply with asset coverage or other restrictions imposed by the rating agencies

that rate the preferred shares. There is no assurance that the Fund's leveraging strategy will be successful.

**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 cash amount shown in the Statement of Cash Flows represents the cash position at the Fund's custodian bank at November 30, 2015.

**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, 2015, purchases and sales of investment securities (excluding short-term investments) aggregated \$160,478,129 and \$171,214,303, 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. Average weekly net assets, for purposes of determining the management fee, means the average weekly value of the total assets of the Fund, minus the sum of accrued liabilities of the Fund (other than the liquidation value of the Remarketed Preferred Shares, Series 2015 MTPS and Series 2018 MTPS).

**Service Provider Fees.** DeAWM Service Company ("DSC"), 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 DSC and DST Systems, Inc. ("DST"), DSC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DSC compensates DST out of the shareholder servicing fee it receives from the Fund. For the year ended November 30, 2015, the amount charged to the Fund by DSC aggregated \$23,592, of which \$5,812 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, 2015, the amount charged to the Fund by DIMA included in the Statement of Operations under "Reports to shareholders" aggregated \$13,533, of which \$7,539 is unpaid.

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

**Other Related Parties.** Until their redemption, Deutsche Bank Trust Company Americas, an affiliate of the Advisor, charged an administration fee for the Remarketed Preferred Shares and the Series 2015 MTPS. For the period December 1, 2014 through May 31, 2015, the amount charged to the Fund by Deutsche Bank Trust Company Americas included in the Statement of Operations under "Other" aggregated \$5,000.

#### **D. Share Repurchases**

The Board has authorized the Fund to effect periodic repurchases of its outstanding shares in the open market from time to time when the Fund's shares trade at a discount to their net asset value. During the year ended November 30, 2015 and the year ended November 30, 2014, the Fund did not repurchase shares in the open market.

On September 11, 2015, the Fund announced that the Fund's Board of Trustees extended the Fund's existing open market share repurchase program for an additional 12-month period. The Fund may continue to purchase outstanding shares of common stock in open-market transactions over the period from December 1, 2015 until November 30, 2016, when the Fund's shares trade at a discount to net asset value. The Board's authorization of the repurchase program extension follows the previous repurchase program, which commenced on August 1, 2014 and ran until November 30, 2015.

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

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

We have audited the accompanying statement of assets and liabilities of Deutsche Municipal Income Trust (the "Fund"), including the investment portfolio, as of November 30, 2015, and the related statements of operations and cash flows for the year then ended, the statements 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, 2015, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers 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 Deutsche Municipal Income Trust at November 30, 2015, 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 25, 2016

## Tax Information (Unaudited)

Of the dividends paid from net investment income for the taxable year ended November 30, 2015, 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) 728-3337.

## Shareholder Meeting Results (Unaudited)

The Annual Meeting of Shareholders (the "Meeting") of Deutsche Municipal Income Trust (the "Fund") was held on September 30, 2015. At the close of business on July 8, 2015, the record date for the determination of shareholders entitled to vote at the Meeting, there were issued and outstanding 39,291,581 common shares and 39,750 preferred shares, each share being entitled to one vote, constituting all of the Fund's outstanding voting securities. At the Meeting, the holders of 35,374,282 common and preferred shares were represented in person or by proxy, constituting a quorum. The following matter was voted upon by the shareholders of the Fund.

1. To elect the following five individuals as Trustees of the Fund:

All of the nominees received a sufficient number of votes to be elected (the resulting votes are presented below):

Class I Trustees — elected by Common and Preferred Shareholders voting together

	<b>Number of Votes:</b>	
	<b>For</b>	<b>Withheld</b>
Dawn-Marie Driscoll	34,254,586	1,119,697
Richard J. Herring	34,249,422	1,124,860
William N. Searcy, Jr.	34,241,269	1,133,013
Trustees — elected by Preferred Shareholders only		

	<b>Number of</b>	
	<b>Votes:</b>	
	<b>For</b>	<b>Withheld</b>
Keith R. Fox	39,7500	
Paul K. Freeman	39,7500	

## Dividend Reinvestment and Cash Purchase Plan

The Board of Trustees of the Fund has established a Dividend Reinvestment and Cash Purchase Plan (the "Plan") for shareholders that elect to have all dividends and distributions automatically reinvested in shares of the Fund (each a "Participant"). DST Systems, Inc. (the "Plan Agent") has been appointed by the Fund's Board of Trustees to act as agent for each Participant.

A summary of the Plan is set forth below. Shareholders may obtain a copy of the entire Dividend Reinvestment and Cash Purchase Plan by visiting the Fund's Web site at [deutschefunds.com](http://deutschefunds.com) or by calling (800) 294-4366.

If you wish to participate in the Plan and your shares are held in your own name, contact DeAWM Service Company (the "Transfer Agent") at P.O. Box 219066, Kansas City, Missouri 64121-9066 or (800) 294-4366 for the appropriate form. Current shareholders may join the Plan by either enrolling their shares with the Transfer Agent or making an initial cash deposit of at least \$250 with the Transfer Agent. First-time investors in the Fund may join the Plan by making an initial cash deposit of at least \$250 with the Transfer Agent. Initial cash deposits will be invested within approximately 30 days. If your shares are held in the name of a broker or other nominee, you should contact the

broker or nominee in whose name your shares are held to determine whether and how you may participate in the Plan.

The Transfer Agent will establish a Dividend Investment Account (the "Account") for each Participant in the Plan. The Transfer Agent will credit to the Account of each Participant any cash dividends and capital gains distributions (collectively, "Distributions") paid on shares of the Fund (the "Shares") and any voluntary cash contributions made pursuant to the Plan. Shares in a Participant's Account are transferable upon proper written instructions to the Transfer Agent.

If, on the valuation date for a Distribution, Shares are trading at a discount from net asset value per Share, the Plan Agent shall apply the amount of such Distribution payable to a Participant (less a Participant's pro rata share of brokerage commissions incurred with respect to open-market purchases in connection with the reinvestment of such Distribution) to the purchase on the open market of Shares for a Participant's Account. If, on the valuation date for a Distribution, 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 valuation date to the Transfer Agent in the aggregate amount of the funds credited to a Participant's Account. 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 valuation date if the net asset value per Share of the Shares on the valuation date is less than 95% of the fair market value of the Shares on the valuation date. The valuation date will be the payment date for Distributions. Open-market purchases will be made on or shortly after the valuation date for Distributions, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities law.

A Participant may from time to time make voluntary cash contributions to his or her Account in a minimum amount of \$100 in any month (with a \$36,000 annual limit) for the purchase on the open market of Shares for the Participant's Account. Such voluntary contributions will be invested by the Plan Agent on or shortly after the 15th of each month and in no event more than 30 days after such dates, except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities law. Voluntary cash contributions received from a Participant on or prior to the fifth day preceding the 15th of each month will be applied by the Plan Agent to the purchase of additional Shares as of that investment date. No interest will be paid on voluntary cash contributions held until investment. Consequently, Participants are strongly urged to ensure that their payments are received by the Transfer Agent on or prior to the fifth day preceding the 15th of any month. Voluntary cash contributions should be made in U.S. dollars and be sent by first-class mail, postage prepaid only to the following address (deliveries to any other address do not constitute valid delivery):

Deutsche Municipal Income Trust  
Dividend Reinvestment and Cash Purchase Plan  
c/o DeAWM Service Company  
P.O. Box 219066  
Kansas City, MO 64121-9066  
(800) 294-4366

Participants may withdraw their entire voluntary cash contribution by written notice received by the Transfer Agent not less than 48 hours before such payment is to be invested.

The cost of Shares acquired for each Participant's Account in connection with the Plan shall be determined by the average cost per Share, including brokerage commissions, of the Shares acquired. 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 open market purchases.

The reinvestment of Distributions does not relieve the Participant of any tax that may be payable on the Distributions. The Transfer Agent will report to each Participant the taxable amount of Distributions credited to his or her Account. Participants will be treated for federal income tax purposes as receiving the amount of the Distributions



made by the Fund, which amount generally will be either equal to the amount of the cash distribution the Participant would have received if the Participant had elected to receive cash or, for Shares issued by the Fund, the fair market value of the Shares issued to the Participant.

The Fund may amend the Plan at any time or times but, only by mailing to each Participant appropriate written notice at least 90 days prior to the effective date thereof except when 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 Plan also may be terminated by the Fund.

Shareholders may withdraw from the Plan at any time by giving the Transfer Agent a written notice. A notice of withdrawal will be effective immediately following receipt of the notice by the Transfer Agent provided the notice is received by the Transfer Agent at least ten calendar days prior to the record date for the Distribution; otherwise such withdrawal will be effective after the investment of the current Distribution. When a Participant withdraws from the Plan, or when the Plan is terminated by the Fund, 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 the Plan Agent to sell his or her Shares in the Plan and send the proceeds to the Participant, less brokerage commissions.

All correspondence and inquiries concerning the Plan, and requests for additional information about the Plan, should be directed to DeAWM Service Company at P.O. Box 219066, Kansas City, Missouri 64121-9066 or (800) 294-4366.

#### **Advisory Agreement Board Considerations and Fee Evaluation**

The Board of Trustees approved the renewal of Deutsche Municipal Income Trust's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DIMA") in September 2015.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2015, all of the Fund's Trustees were independent of DIMA and its affiliates.
- The Trustees met frequently during the past year to discuss fund matters and dedicated a substantial amount of time to contract review matters. Over the course of several months, the Board's Contract Committee reviewed comprehensive materials received from DIMA, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability from a fee consultant retained by the Fund's Independent Trustees (the "Fee Consultant"). The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with counsel to discuss contract review and other matters. In addition, the Independent Trustees were advised by the Fee Consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the Fee Consultant in connection with their deliberations.
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Board. The Board then reviewed the Contract Committee's findings and recommendations.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DIMA 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 chose to invest or remain invested in the Fund knowing that DIMA managed the Fund. DIMA is part of Deutsche Bank AG's ("Deutsche Bank") Asset and Wealth Management ("Deutsche AWM") division. Deutsche AWM is a global asset management business that offers a wide range of investing expertise and resources, including research capabilities in many countries throughout the world. Deutsche Bank has advised the Independent Trustees that the U.S. asset management business continues to be a critical and integral part of Deutsche Bank, and that Deutsche Bank will continue to make significant investments in Deutsche AWM, including ongoing enhancements to Deutsche AWM's investment platform. Deutsche Bank also has confirmed its commitment to maintaining strong legal and compliance groups within the Deutsche AWM division.

As part of the contract review process, the Board carefully considered the fees and expenses of each Deutsche fund overseen by the Board in light of the fund's performance. In many cases, this led to the negotiation and implementation of expense caps. As part of these negotiations, the Board indicated that it would consider relaxing these caps in future years following sustained improvements in performance, among other considerations.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DIMA's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

**Nature, Quality and Extent of Services.** The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DIMA provides portfolio management services and administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DIMA to attract and retain high-quality personnel, and the organizational depth and stability of DIMA. 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 index(es) and a peer universe compiled using information supplied by Morningstar Direct ("Morningstar"), an independent fund data service. The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to a peer universe), and receives additional reporting from DIMA regarding such funds and, where appropriate, DIMA's plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2014, the Fund's net asset value performance was in the 4th quartile, 2nd quartile and 1st quartile, respectively, of the applicable Morningstar universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has outperformed its benchmark in the one-, three- and five-year periods ended December 31, 2014. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DIMA the factors contributing to such underperformance and actions being taken to improve performance. The Board recognized the efforts by DIMA in recent years to enhance its investment platform and improve long-term performance across the Deutsche fund complex.

**Fees and Expenses.** The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper Inc. ("Lipper") and the Fee Consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2014). The Board noted that the Fund's total (net) operating expenses excluding certain investment related expenses and based on managed assets were expected to be lower than the median (1st quartile) of the applicable Lipper expense universe (based on Lipper data provided as of December 31, 2014). The Board also considered the Fund's management fee rate as compared to fees charged by DIMA to comparable Deutsche U.S. registered funds ("Deutsche Funds") and considered differences between the Fund and the comparable Deutsche Funds. The information requested by the Board as part of its review of fees and expenses also included information about institutional accounts (including any

sub-advised funds and accounts) and funds offered primarily to European investors ("Deutsche Europe funds") managed by Deutsche AWM. The Board noted that DIMA indicated that Deutsche AWM does not manage any institutional accounts or Deutsche Europe funds comparable to the Fund.

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 DIMA. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DIMA of such economies of scale as may exist in the management of the Fund at current asset levels.

**Profitability.** The Board reviewed detailed information regarding revenues received by DIMA under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DIMA from advising the Deutsche 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 enterprise-wide profitability of DIMA and its affiliates with respect to all fund services in totality and by fund. The Board and the Fee Consultant reviewed DIMA's methodology in allocating its costs to the management of the Fund. 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. The Board also reviewed certain publicly available information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited (and in some cases is not necessarily prepared on a comparable basis), DIMA and its affiliates' overall profitability with respect to the Deutsche Funds (after taking into account distribution and other services provided to the funds by DIMA and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.

**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. The Board also considered benefits to DIMA related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DIMA related to Deutsche Funds advertising and cross-selling opportunities among DIMA products and services. The Board considered these benefits in reaching its conclusion that the Fund's management fees were reasonable.

**Compliance.** The Board considered the significant attention and resources dedicated by DIMA to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of the individual serving as DIMA's and the Fund's chief compliance officer; (ii) the large number of DIMA compliance personnel; and (iii) the substantial commitment of resources by DIMA and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain of which were in executive session with only the Independent Trustees and counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the Agreement.

### **Board Members and Officers**

The following table presents certain information regarding the Board Members and Officers of the fund. Each Board Member's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each Board Member 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 Independent Board Member is c/o Kenneth C. Froewiss, Chairman, Deutsche Mutual Funds, P.O. Box 390601, Cambridge, MA 02139. The Board is divided into three classes of Board Members, Class I, Class II and Class III. At each annual meeting of shareholders of the Trust, the class of Board Members elected at such meeting is elected to hold office until the annual meeting held in the third

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succeeding year and until the election and qualification of such Board Member's successor, if any, or until such Board Member sooner dies, resigns, retires or is removed. In addition, at each annual meeting of shareholders of the Trust, two Board Members are elected by the holders of Preferred Shares, voting as a separate class ("Preferred Class"), to serve until the next annual meeting and until the election and qualification of such Board Member's successor, if any, or until such Board Member sooner dies, resigns, retires or is removed. The Board Members may also serve in similar capacities with other funds in the fund complex.

Class I Board Members were last elected in 2015 and will serve until the 2018 Annual Meeting of Shareholders. Class II Board Members were last elected in 2013 and will serve until the 2016 Annual Meeting of Shareholders. Class III Board Members were last elected in 2014 and will serve until the 2017 Annual Meeting of Shareholders. Preferred Class Board Members were last elected in 2015 and will serve until the 2016 Annual Meeting of Shareholders.

## Independent Board Members

<b>Name, Year of Birth, Position with the Fund and Length of Time Served<sup>1</sup></b>	<b>Business Experience and Directorships During the Past Five Years</b>	<b>Number of Funds in Deutsche Fund Complex Overseen</b>	<b>Other Directorships Held by Board Member</b>
Kenneth C. Froewiss (1945)			
Class III Chairperson since 2013, and Board Member since 2001 William McClayton (1944)	Retired Clinical Professor of Finance, NYU Stern School of Business (1997–2014); Member, Finance Committee, Association for Asian Studies (2002–present); Director, Mitsui Sumitomo Insurance Group (US) (2004–present); prior thereto, Managing Director, J.P. Morgan (investment banking firm) (until 1996)	106	—
Class II Vice Chairperson since 2013, and Board Member since 2004	Private equity investor (since October 2009); previously, Managing Director, Diamond Management & Technology Consultants, Inc. (global consulting firm) (2001–2009); Directorship: Board of Managers, YMCA of Metropolitan Chicago; formerly: Senior Partner, Arthur Andersen LLP (accounting) (1966–2001); Trustee, Ravinia Festival	106	—
John W. Ballantine (1946)	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); former	106	Portland General Electric <sup>2</sup> (utility company) (2003–present)
Class III Board Member since 1999	Directorships: Director and former Chairman of the Board, Healthways, Inc. <sup>2</sup> (provider of disease and care management services) (2003–2014); Stockwell Capital Investments PLC (private equity); First Oak Brook Bancshares, Inc. and Oak Brook Bank; Prisma Energy International		

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Henry P. Becton, Jr. (1943)	Vice Chair and former President, WGBH Educational Foundation. Directorships: Public Radio International; Public Radio Exchange (PRX); former Directorships: Belo Corporation <sup>2</sup> (media company); The PBS Foundation; Association of Public Television Stations; Boston Museum of Science; American	106	Director, Becton Dickinson and Company <sup>2</sup> (medical technology company)
Class II	Public Television; Concord Academy; New England Aquarium; Mass. Corporation for Educational Telecommunications;		
Board Member since 1990	Committee for Economic Development; Public Broadcasting Service; Connecticut College; North Bennett Street School (Boston)		
Dawn-Marie Driscoll (1946)	Emeritus Executive Fellow, Center for Business Ethics, Bentley University; formerly: President, Driscoll Associates (consulting firm); Partner, Palmer & Dodge (law firm) (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (retail) (1978–1988). Directorships: Director of ICI Mutual Insurance Company (since 2007); Advisory Board, Center for	106	—
Class I	Business Ethics, Bentley University; Trustee and former Chairman of the Board, Southwest Florida Community		
Board Member since 1987	Foundation (charitable organization); former Directorships: Sun Capital Advisers Trust (mutual funds) (2007–2012), Investment Company Institute (audit, executive, nominating committees) and Independent Directors Council (governance, executive committees)		
Keith R. Fox, CFA (1954)	Managing General Partner, Exeter Capital Partners (a series of private investment funds) (since 1986). Directorships: Progressive International Corporation (kitchen goods importer and distributor); The Kennel Shop (retailer); former Chairman, National Association of Small Business Investment Companies;	106	—
Preferred Class	former Directorships: BoxTop Media Inc. (advertising); Sun Capital Advisers Trust (mutual funds) (2011–2012)		
Board Member since 1996	Consultant, World Bank/Inter-American Development Bank; Chair, Independent Directors Council; Investment Company Institute (executive and nominating committees); formerly, Chairman of Education Committee of Independent Directors		
Paul K. Freeman (1950)	Council; Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998);	106	—
Preferred Class	Directorships: Denver Zoo Foundation (December 2012–present); former Directorships: Prisma Energy International		
Board Member since 1993	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of		
Richard J. Herring (1946)	Pennsylvania (since July 1972); Co-Director, Wharton Financial Institutions Center; Co-Chair, U.S. Shadow Financial Regulatory		Director, Aberdeen Singapore and Japan Funds (since 2007);
Class I	Committee; Executive Director, Financial Economists Roundtable; formerly: Vice Dean and Director, Wharton	106	Independent Director of Barclays Bank Delaware (since September 2010)
Board Member since 1990	Undergraduate Division (July 1995–June 2000); Director, Lauder Institute of International Management Studies (July 2000–June 2006)		
Rebecca W. Rimel (1951)	President and Chief Executive Officer, The Pew Charitable Trusts (charitable organization) (1994 to present); formerly:	106	Director, Becton Dickinson and

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Class III Board Member since 1995	Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–2007); Director, Viasys Health Care <sup>2</sup> (January 2007–June 2007); Trustee, Thomas Jefferson Foundation (charitable organization) (1994–2012)	Company <sup>2</sup> (medical technology company) (2012– present); Director, BioTelemetry Inc. <sup>2</sup> (health care) (2009– present)
William N. Searcy, Jr. (1946)	Private investor since October 2003; formerly: Pension & Savings Trust Officer, Sprint Corporation <sup>2</sup> (telecommunications) (November 1989–September 2003); Trustee, Sun Capital Advisers Trust (mutual funds) (1998–2012)	106 —
Class I Board Member since 1993		
Jean Gleason Stromberg (1943)	Retired. Formerly, Consultant (1997–2001); Director, Financial Markets U.S. Government Accountability Office (1996–1997); Partner, Norton Rose Fulbright, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation (charitable organization); former Directorships: Service Source, Inc. (nonprofit), Mutual Fund Directors Forum (2002–2004),	106 —
Class II Board Member since 1997	American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	

**Officers<sup>4</sup>**

**Name, Year of Birth, Position with the Fund and Length of Time Served<sup>5</sup>**

**Business Experience and Directorships During the Past Five Years**

Brian E. Binder <sup>8</sup> (1972)	Managing Director <sup>3</sup> and Head of Fund Administration, Deutsche Asset & Wealth Management (2013–present); formerly: Head of Business Management and Consulting at Invesco, Ltd. (2010–2012); Chief Administrative Officer, Van Kampen Funds Inc. (2008–2010); and Chief Administrative Officer, Morgan Stanley Investment Management Americas Distribution (2003–2008)
President and Chief Executive Officer, 2013–present John Millette <sup>7</sup> (1962)	
Vice President and Secretary, 1999–present Melinda Morrow <sup>6</sup> (1970)	Director, <sup>3</sup> Deutsche Asset & Wealth Management
Vice President, 2012–present Paul H. Schubert <sup>6</sup> (1963)	Director, <sup>3</sup> Deutsche Asset & Wealth Management
Chief Financial Officer, 2004–present	Managing Director, <sup>3</sup> Deutsche Asset & Wealth 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)
Treasurer, 2005–present Caroline Pearson <sup>7</sup> (1962)	
Chief Legal Officer, 2010–present Robert Kloby <sup>6</sup> (1962)	Managing Director, <sup>3</sup> Deutsche Asset & Wealth Management; formerly: Assistant Secretary for DWS family of funds (1997–2010)
	Managing Director, <sup>3</sup> Deutsche Asset & Wealth Management

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Chief Compliance Officer,  
2006–present  
Wayne Salit<sup>6</sup> (1967)

Director,<sup>3</sup> Deutsche Asset & Wealth Management; formerly: Managing Director, AML Compliance Officer at BNY Mellon (2011–2014); and Director, AML Compliance Officer at Deutsche Bank (2004–2011)

Anti-Money Laundering  
Compliance Officer, 2014–present  
Hepsen Uzcan<sup>6</sup> (1974)

Director,<sup>3</sup> Deutsche Asset & Wealth Management

Assistant Secretary, 2013–present  
Paul Antosca<sup>7</sup> (1957)

Director,<sup>3</sup> Deutsche Asset & Wealth Management

Assistant Treasurer, 2007–present  
Jack Clark<sup>7</sup> (1967)

Director,<sup>3</sup> Deutsche Asset & Wealth Management

Assistant Treasurer, 2007–present  
Diane Kenneally<sup>7</sup> (1966)

Director,<sup>3</sup> Deutsche Asset & Wealth Management

Assistant Treasurer, 2007–present

<sup>1</sup> The length of time served represents the year in which the Board Member joined the board of one or more Deutsche funds currently overseen by the Board.

<sup>2</sup> A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

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

<sup>4</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>5</sup> The length of time served represents the year in which the officer was first elected in such capacity for one or more Deutsche funds.

<sup>6</sup> Address: 60 Wall Street, New York, NY 10005.

<sup>7</sup> Address: One Beacon Street, Boston, MA 02108.

<sup>8</sup> Address: 222 South Riverside Plaza, Chicago, IL 60606.

### Additional Information

#### Automated Information Line

**Deutsche AWM**  
**Closed-End Fund Info Line**

**(800) 349-4281**  
**deutschefunds.com**

#### Web Site

Obtain fact sheets, financial reports, press releases and webcasts when available.

#### Written Correspondence

**Deutsche Asset & Wealth Management**

Attn: Secretary of the  
Deutsche Funds

One Beacon Street

Boston, MA 02108  
**Vedder Price P.C.**

**Legal Counsel**

222 North LaSalle Street

Chicago, IL 60601  
**DST Systems, Inc.**

**Dividend Reinvestment Plan Agent**

333 W. 11th Street, 5th Floor

Kansas City, MO 64105  
**DeAWM Service Company**

P.O. Box 219066

**Shareholder Service Agent and Transfer Agent**

Kansas City, MO  
64121-9066

**(800) 294-4366**  
**State Street Bank and**  
**Trust Company**

**Custodian**

State Street Financial Center

One Lincoln Street

Boston, MA 02111  
**Ernst & Young LLP**

**Independent Registered Public Accounting Firm** 200 Clarendon Street

**Proxy Voting**

Boston, MA 02116  
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 are available on our  
Web site — [deutschefunds.com](http://deutschefunds.com)  
(click on "proxy voting" at  
the bottom of the page) — or on  
the SEC's Web site — [sec.gov](http://sec.gov).  
To obtain a written copy of  
the fund's policies and



procedures without charge,  
upon request, call us toll free  
at (800) 728-3337.

Following the fund's fiscal  
first and third quarter-end, a  
complete portfolio holdings  
listing is filed with the SEC  
on Form N-Q. This form will  
be available on the SEC's  
Web site at sec.gov, and it  
also may be reviewed and  
copied at the SEC's Public  
Reference Room in  
Washington, D.C.

### **Portfolio Holdings**

Information on the operation  
of the SEC's Public  
Reference Room may be  
obtained by calling  
(800) SEC-0330. The fund's  
portfolio holdings as of the  
month-end are posted on  
deutschefunds.com on or  
after the last day of the  
following month. More  
frequent posting of portfolio  
holdings information may be  
made from time to time on  
deutschefunds.com.

### **Investment Management**

Deutsche Investment  
Management Americas Inc.  
("DIMA" or the "Advisor"),  
which is part of Deutsche  
Asset & Wealth  
Management, is the  
investment advisor for the  
fund. 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 both institutional  
and retail clients.

DIMA is an indirect, wholly  
owned subsidiary of  
Deutsche Bank AG.  
Deutsche Bank AG is a  
major global banking  
institution engaged in a wide  
variety of financial services,

including investment management, retail, private and commercial banking, investment banking and insurance.

Deutsche Asset & Wealth Management is the retail brand name in the U.S. for the wealth management and asset management activities of Deutsche Bank AG and DIMA. Deutsche Asset & Wealth Management is committed to delivering the investing expertise, insight and resources of this global investment platform to American investors.

KTF

Common Shares 25160C 106

**NYSE Symbol**  
**CUSIP Numbers**  
**Notes**

**Notes**

**Notes**

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**ITEM**  
**2. CODE OF ETHICS**

As of the end of the period covered by this report, the registrant has adopted 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 audit committee is comprised solely of trustees who are "independent" (as such term has been defined by the Securities and Exchange Commission ("SEC") in regulations implementing Section 407 of the Sarbanes-Oxley Act (the "Regulations")). The fund's Board of Trustees has determined that there are several "audit committee financial experts" (as such term has been defined by the Regulations) serving on the fund's audit committee including Mr. Paul K. Freeman, the chair of the fund's audit committee. An "audit committee financial expert" is not an "expert" for any purpose, including for purposes of Section 11 of the Securities Act of 1933 and the designation or identification of a person as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification. In accordance with New York Stock Exchange requirements, the Board believes that all members of the fund's audit committee are financially literate, as such qualification is interpreted by the Board in its business judgment, and that at least one member of the audit committee has accounting or related financial management expertise.

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

Deutsche Municipal income Trust  
form n-csr disclosure re: AUDIT FEES

The following table shows the amount of fees that Ernst & Young LLP ("EY"), the Fund's Independent Registered Public Accounting Firm, 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 EY provided to the Fund.

Services that the Fund's Independent Registered Public Accounting Firm 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,				
2015	\$74,036	\$0	\$6,879	\$0
2014	\$67,007	\$0	\$6,551	\$0

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

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

The following table shows the amount of fees billed by EY to Deutsche Investment Management Americas, Inc. ("DIMA" or the "Adviser"), and any entity controlling, controlled by or under common control with DIMA ("Control

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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 November 30,	Audit-Related Fees Billed to Adviser and Affiliated Fund Service Providers	Tax Fees Billed to Adviser and Affiliated Fund Service Providers	All Other Fees Billed to Adviser and Affiliated Fund Service Providers
2015	\$0	\$563,986	\$2,350,151
2014	\$0	\$274,022	\$7,431,158

The above “Tax Fees” were billed in connection with tax compliance services and agreed upon procedures. All other engagement fees were billed for services in connection with agreed upon procedures for DIMA and other related entities.

### Non-Audit Services

The following table shows the amount of fees that EY billed during the Fund’s last two fiscal years for non-audit services. The Audit Committee pre-approved all non-audit services that EY 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 EY about any non-audit services that EY rendered during the Fund’s last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating EY’s independence.

Fiscal Year Ended November 30,	Total Non-Audit Fees Billed to Fund (A)	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (engagements related directly to the operations and financial reporting of the Fund) (B)	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (all other engagements) (C)	Total of (A), (B) and (C)
2015	\$6,879	\$2,914,137	\$880,336	\$3,801,352
2014	\$6,551	\$7,705,180	\$265,425	\$7,977,156

All other engagement fees were billed for services in connection with agreed upon procedures and tax compliance for DIMA and other related entities.

**Audit Committee Pre-Approval Policies and Procedures.** Generally, each Fund’s Audit Committee must pre approve (i) all services to be performed for a Fund by a Fund’s Independent Registered Public Accounting Firm and (ii) all non-audit services to be performed by a Fund’s Independent Registered Public Accounting Firm for the DIMA Entities

with respect to operations and financial reporting of the Fund, except that the Chairperson or Vice Chairperson of each Fund's Audit Committee may grant the pre-approval for non-audit services described in items (i) and (ii) above for non-prohibited services for engagements of less than \$100,000. All such delegated pre approvals shall be presented to each Fund's Audit Committee no later than the next Audit Committee meeting.

There were no amounts that were approved by the Audit Committee pursuant to the de minimis exception under Rule 2-01 of Regulation S-X.

According to the registrant's principal Independent Registered Public Accounting Firm, substantially all of the principal Independent Registered Public Accounting Firm's hours spent on auditing the registrant's financial statements were attributed to work performed by full-time permanent employees of the principal Independent Registered Public Accounting Firm.

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In connection with the audit of the 2014 and 2015 financial statements, the Fund entered into an engagement letter with EY. The terms of the engagement letter required by EY, 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, for the 2014 audit, an exclusion of punitive damages.

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**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 Paul K. Freeman (Chair), William McClayton (Vice Chair), Henry P. Becton, Jr., Richard J. Herring and John W. Ballantine.

**ITEM 6. SCHEDULE OF INVESTMENTS**

Not applicable

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

**PROXY VOTING POLICY AND GUIDELINES**

**1. INTRODUCTION**

Deutsche Asset Management ("AM") has adopted and implemented the following policies and procedures, which it believes are reasonably designed to ensure that proxies are voted in the best economic interest of clients, in

accordance with its fiduciary duties and local regulation. This Proxy Voting Policy and Guidelines - AWM (the "Policy") shall apply to all accounts managed by US domiciled advisers and to all US client accounts managed by non-US regional offices. Non-US regional offices are required to maintain procedures and to vote proxies as may be required by law on behalf of their non-US clients. In addition, AM's proxy policies reflect the fiduciary standards and responsibilities for ERISA accounts.

The attached guidelines represent a set of global recommendations that were determined by the Global Proxy Voting Sub-Committee (the "GPVSC"). These guidelines were developed to provide AM with a comprehensive list of recommendations that represent how AM will generally vote proxies for its clients. The recommendations derived from the application of these guidelines are not intended to influence the various AM legal entities either directly or indirectly by parent or affiliated companies. In addition, the organizational structures and documents of the various AM legal entities allows, where necessary or appropriate, the execution by individual AM subsidiaries of the proxy voting rights independently of any DB parent or affiliated company. This applies in particular to non-US fund management companies. The individuals that make proxy voting decisions are also free to act independently, subject to the normal and customary supervision by the Management/Boards of these AM legal entities.

## 2. AM'S PROXY VOTING RESPONSIBILITIES

Proxy votes are the property of AM's advisory clients.<sup>1</sup> As such, AM's authority and responsibility to vote such proxies depend upon its contractual relationships with its clients or other delegated authority. AM has delegated responsibility for effecting its advisory clients' proxy votes to Institutional Shareholder Services ("ISS"), an independent third-party proxy voting specialist. ISS votes AM's advisory clients' proxies in accordance with AM's proxy guidelines or AM's specific instructions. Where a client has given specific instructions as to how a proxy should be voted, AM will notify ISS to carry out those instructions. Where no specific instruction exists, AM will follow the procedures in voting the proxies set forth in this document. Certain Taft-Hartley clients may direct AM to have ISS vote their proxies in accordance with Taft Hartley voting Guidelines.

Clients may in certain instances contract with their custodial agent and notify AM that they wish to engage in securities lending transactions. In such cases, it is the responsibility of the custodian to deduct the number of shares that are on loan so that they do not get voted twice.

For purposes of this document, "clients" refers to persons or entities: for which AM serves as investment

1 adviser or sub-adviser; for which AM votes proxies; and that have an economic or beneficial ownership interest in the portfolio securities of issuers soliciting such proxies.

## 3. POLICIES

### 3.1. PROXY VOTING ACTIVITIES ARE CONDUCTED IN THE BEST ECONOMIC INTEREST OF CLIENTS

AM has adopted the following policies and procedures to ensure that proxies are voted in accordance with the best economic interest of its clients, as determined by AM in good faith after appropriate review.

### 3.2. THE GLOBAL PROXY VOTING SUB-COMMITTEE

The Global Proxy Voting Sub-Committee (the "GPVSC") is an internal working group established by the applicable AM's Investment Risk Oversight Committee pursuant to a written charter. The GPVSC is responsible for overseeing AM's proxy voting activities, including:

- (i) Adopting, monitoring and updating guidelines, attached as Attachment A (the "Guidelines"), that provide how AM will generally vote proxies pertaining to a comprehensive list of common proxy voting matters; Voting proxies where (A) the issues are not covered by specific client instruction or the Guidelines; (B) the
- (ii) Guidelines specify that the issues are to be determined on a case-by-case basis; or (C) where an exception to the Guidelines may be in the best economic interest of AM's clients; and
- (iii) Monitoring Proxy Vendor Oversight's proxy voting activities (see below).

AM's Proxy Vendor Oversight, a function of AM's Operations Group, is responsible for coordinating with ISS to administer AM's proxy voting process and for voting proxies in accordance with any specific client instructions or, if there are none, the Guidelines, and overseeing ISS' proxy responsibilities in this regard.

### 3.3 AVAILABILITY OF PROXY VOTING POLICY AND GUIDELINES AND PROXY VOTING RECORD

Copies of this Policy, as it may be updated from time to time, is made available to clients as required by law and otherwise at AM's discretion. Clients may also obtain information on how their proxies were voted by AM as required by law and otherwise at AM's discretion; however, AM must not selectively disclose its investment company clients' proxy voting records. Proxy Vendor Oversight will make proxy voting reports available to advisory

clients upon request. The investment companies' proxy voting records will be disclosed to shareholders by means of publicly-available annual filings of each company's proxy voting record for 12-month periods ended June 30 (see Recordkeeping, below), if so required by relevant law.

#### 4. PROCEDURES

The key aspects of AM's proxy voting process are as follows:

##### 4.1. THE GPVSC'S PROXY VOTING GUIDELINES

The Guidelines set forth the GPVSC's standard voting positions on a comprehensive list of common proxy voting matters. The GPVSC has developed, and continues to update the Guidelines based on consideration of current corporate governance principles, industry standards, client feedback, and the impact of the matter on issuers and the value of the investments.

The GPVSC will review the Guidelines as necessary to support the best economic interests of AM's clients and, in any event, at least annually. The GPVSC will make changes to the Guidelines, whether as a result of the annual review or otherwise, taking solely into account the best economic interests of clients. Before changing the Guidelines, the GPVSC will thoroughly review and evaluate the proposed change and the reasons therefore, and the GPVSC Chair will ask GPVSC members whether anyone outside of the AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM advisory client has requested or attempted to influence the proposed change and whether any member has a conflict of interest with respect to the proposed change. If any such matter is reported to the GPVSC Chair, the Chair will promptly notify the Conflicts of Interest Management Sub-Committee (see below) and will defer the approval, if possible. Lastly, the GPVSC will fully document its rationale for approving any change to the Guidelines.

The Guidelines may reflect a voting position that differs from the actual practices of the public company(ies) within the Deutsche Bank organization or of the investment companies for which AM or an affiliate serves as investment adviser or sponsor. Investment companies, particularly closed-end investment companies, are different from traditional operating companies. These differences may call for differences in voting positions on the same matter. Further, the manner in which AM votes investment company proxies may differ from proposals for which an AM-advised or sponsored investment company solicits proxies from its shareholders. As reflected in the Guidelines, proxies solicited by closed-end (and open-end) investment companies are generally voted in accordance with the pre-determined guidelines of ISS.

Funds ("Underlying Funds") in which Topiary Fund Management Fund of Funds (each, a "Fund") invest, may from time to time seek to revise their investment terms (i.e. liquidity, fees, etc.) or investment structure. In such event, the Underlying Funds may require approval/consent from its investors to effect the relevant changes. Topiary Fund Management has adopted Proxy Voting Procedures which outline the process for these approvals.

##### 4.2. SPECIFIC PROXY VOTING DECISIONS MADE BY THE GPVSC

Proxy Vendor Oversight will refer to the GPVSC all proxy proposals (i) that are not covered by specific client instructions or the Guidelines; or (ii) that, according to the Guidelines, should be evaluated and voted on a case-by-case basis.

Additionally, if Proxy Vendor Oversight, the GPVSC Chair or any member of the GPVSC, a portfolio manager, a research analyst or a sub-adviser believes that voting a particular proxy in accordance with the Guidelines may not be in the best economic interests of clients, that individual may bring the matter to the attention of the GPVSC Chair and/or Proxy Vendor Oversight.<sup>2</sup>

If Proxy Vendor Oversight refers a proxy proposal to the GPVSC or the GPVSC determines that voting a particular proxy in accordance with the Guidelines is not in the best economic interests of clients, the GPVSC will evaluate and vote the proxy, subject to the procedures below regarding conflicts.

The GPVSC endeavors to hold meetings to decide how to vote particular proxies sufficiently before the voting deadline so that the procedures below regarding conflicts can be completed before the GPVSC's voting determination.

<sup>2</sup> Proxy Vendor Oversight generally monitors upcoming proxy solicitations for heightened attention from the press or the industry and for novel or unusual proposals or circumstances, which may prompt Proxy Vendor Oversight to bring the solicitation to the attention of the GPVSC Chair. AM portfolio managers, AM research analysts and sub-advisers also may bring a particular proxy vote to the attention of the GPVSC Chair, as a result of their ongoing monitoring of portfolio securities held by advisory clients and/or their review of the

periodic proxy voting record reports that the GPVSC Chair distributes to AM portfolio managers and AM research analysts.

#### 4.3. CERTAIN PROXY VOTES MAY NOT BE CAST

In some cases, the GPVSC may determine that it is in the best economic interests of its clients not to vote certain proxies. If the conditions below are met with regard to a proxy proposal, AM will abstain from voting:

- Neither the Guidelines nor specific client instructions cover an issue;
  - ISS does not make a recommendation on the issue; or
- The GPVSC cannot convene on the proxy proposal at issue to make a determination as to what would be in the client's best interest. (This could happen, for example, if the Conflicts of Interest Management Sub-Committee found that there was a material conflict or if despite all best efforts being made, the GPVSC quorum requirement could not be met).

In addition, it is AM's policy not to vote proxies of issuers subject to laws of those jurisdictions that impose restrictions upon selling shares after proxies are voted, in order to preserve liquidity. In other cases, it may not be possible to vote certain proxies, despite good faith efforts to do so. For example, some jurisdictions do not provide adequate notice to shareholders so that proxies may be voted on a timely basis. Voting rights on securities that have been loaned to third-parties transfer to those third-parties, with loan termination often being the only way to attempt to vote proxies on the loaned securities. Lastly, the GPVSC may determine that the costs to the client(s) associated with voting a particular proxy or group of proxies outweighs the economic benefits expected from voting the proxy or group of proxies.

Proxy Vendor Oversight will coordinate with the GPVSC Chair regarding any specific proxies and any categories of proxies that will not or cannot be voted. The reasons for not voting any proxy shall be documented.

#### 4.4. CONFLICT OF INTEREST PROCEDURES

##### 4.4.1. PROCEDURES TO ADDRESS CONFLICTS OF INTEREST AND IMPROPER INFLUENCE

*Overriding Principle.* In the limited circumstances where the GPVSC votes proxies<sup>3</sup>, the GPVSC will vote those proxies in accordance with what it, in good faith, determines to be the best economic interests of AM's clients.<sup>4</sup>

*Independence of the GPVSC.* As a matter of Compliance policy, the GPVSC and Proxy Vendor Oversight are structured to be independent from other parts of Deutsche Bank. Members of the GPVSC and the employee responsible for Proxy Vendor Oversight are employees of AM. As such, they may not be subject to the supervision or control of any employees of Deutsche Bank Corporate and Investment Banking division ("CIB"). Their compensation cannot be based upon their contribution to any business activity outside of AM without prior approval of Legal and Compliance. They can have no contact with employees of Deutsche Bank outside of the Private Client and Asset Management division ("PCAM") regarding specific clients, business matters or initiatives without the prior approval of Legal and Compliance. They furthermore may not discuss proxy votes with any person outside of AM (and within AM only on a need to know basis).

*Conflict Review Procedures.* There will be a committee (the "Conflicts of Interest Management Sub-Committee") established within AM that will monitor for potential material conflicts of interest in connection with proxy proposals that are to be evaluated by the GPVSC. Promptly upon a determination that a vote shall be presented to the GPVSC, the GPVSC Chair shall notify the Conflicts of Interest Management Sub-Committee. The Conflicts of Interest Management Sub-Committee shall promptly collect and review any information deemed reasonably appropriate to evaluate, in its reasonable judgment, if AM or any person participating in the proxy voting process has, or has the appearance of, a material conflict of interest. For the purposes of this policy, a conflict of interest shall be considered "material" to the extent that a reasonable person could expect the conflict to influence, or appear to influence, the GPVSC's decision on the particular vote at issue. GPVSC should provide the Conflicts of Interest Management Sub-Committee a reasonable amount of time (no less than 24 hours) to perform all necessary and appropriate reviews. To the extent that a conflicts review cannot be sufficiently completed by the Conflicts of Interest Management Sub-Committee the proxies will be voted in accordance with the standard guidelines.

The information considered by the Conflicts of Interest Management Sub-Committee may include without limitation information regarding (i) AM client relationships; (ii) any relevant personal conflict known by the Conflicts of Interest Management Sub-Committee or brought to the attention of that sub-committee; (iii) any communications with members of the GPVSC (or anyone participating or providing information to the GPVSC) and any person outside of the AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an



AM advisory client regarding the vote at issue. In the context of any determination, the Conflicts of Interest Management Sub-Committee may consult with, and shall be entitled to rely upon, all applicable outside experts, including legal counsel.

Upon completion of the investigation, the Conflicts of Interest Management Sub-Committee will document its findings and conclusions. If the Conflicts of Interest Management Sub-Committee determines that (i) AM has a material conflict of interest that would prevent it from deciding how to vote the proxies concerned without further client consent; or (ii) certain individuals should be recused from participating in the proxy vote at issue, the Conflicts of Interest Management Sub-Committee will so inform the GPVSC chair.

If notified that AM has a material conflict of interest as described above, the GPVSC chair will obtain instructions as to how the proxies should be voted either from (i) if time permits, the affected clients, or (ii) in accordance with the standard guidelines. If notified that certain individuals should be recused from the proxy vote at issue, the GPVSC Chair shall do so in accordance with the procedures set forth below.

3 As mentioned above, the GPVSC votes proxies (i) where neither a specific client instruction nor a Guideline directs how the proxy should be voted, (ii) where the Guidelines specify that an issue is to be determined on a case by case basis or (iii) where voting in accordance with the Guidelines may not be in the best economic interests of clients.

4 Proxy Vendor Oversight, who serves as the non-voting secretary of the GPVSC, may receive routine calls from proxy solicitors and other parties interested in a particular proxy vote. Any contact that attempts to exert improper pressure or influence shall be reported to the Conflicts of Interest Management Sub-Committee.

Note: Any AM employee who becomes aware of a potential, material conflict of interest in respect of any proxy vote to be made on behalf of clients shall notify Compliance. Compliance shall call a meeting of the Conflict Review Committee to evaluate such conflict and determine a recommended course of action.

*Procedures to be followed by the GPVSC.* At the beginning of any discussion regarding how to vote any proxy, the GPVSC Chair (or his or her delegate) will inquire as to whether any GPVSC member (whether voting or ex officio) or any person participating in the proxy voting process has a personal conflict of interest or has actual knowledge of an actual or apparent conflict that has not been reported to the Conflicts of Interest Management Sub-Committee. The GPVSC Chair also will inquire of these same parties whether they have actual knowledge regarding whether any Director, officer or employee outside of the AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM advisory client, has: (i) requested that AM, Proxy Vendor Oversight (or any member thereof) or a GPVSC member vote a particular proxy in a certain manner; (ii) attempted to influence AM, Proxy Vendor Oversight (or any member thereof), a GPVSC member or any other person in connection with proxy voting activities; or (iii) otherwise communicated with a GPVSC member or any other person participating or providing information to the GPVSC regarding the particular proxy vote at issue, and which incident has not yet been reported to the Conflicts of Interest Management Sub-Committee.

If any such incidents are reported to the GPVSC Chair, the Chair will promptly notify the Conflicts of Interest Management Sub-Committee and, if possible, will delay the vote until the Conflicts of Interest Management Sub-Committee can complete the conflicts report. If a delay is not possible, the Conflicts of Interest Management Sub-Committee will instruct the GPVSC whether anyone should be recused from the proxy voting process, or whether AM should vote the proxy in accordance with the standard guidelines, seek instructions as to how to vote the proxy at issue from ISS or, if time permits, the effected clients. These inquiries and discussions will be properly reflected in the GPVSC's minutes.

*Duty to Report.* Any AM employee, including any GPVSC member (whether voting or ex officio), that is aware of any actual or apparent conflict of interest relevant to, or any attempt by any person outside of the AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM advisory client to influence, how AM votes its proxies has a duty to disclose the existence of the situation to the GPVSC Chair (or his or her designee) and the details of the matter to the Conflicts of Interest Management Sub-Committee. In the case of any person participating in the deliberations on a specific vote, such disclosure should be made before engaging in any activities or participating in any discussion pertaining to that vote.

*Recusal of Members.* The GPVSC will recuse from participating in a specific proxy vote any GPVSC members (whether voting or ex officio) and/or any other person who (i) are personally involved in a material conflict of interest; or (ii) who, as determined by the Conflicts of Interest Management Sub-Committee, have actual knowledge

of a circumstance or fact that could affect their independent judgment, in respect of such vote. The GPVSC will also exclude from consideration the views of any person (whether requested or volunteered) if the GPVSC or any member thereof knows, or if the Conflicts of Interest Management Sub-Committee has determined, that such other person has a material conflict of interest with respect to the particular proxy or has attempted to influence the vote in any manner prohibited by these policies.

If, after excluding all relevant GPVSC voting members pursuant to the paragraph above, there are three or more GPVSC voting members remaining, those remaining GPVSC members will determine how to vote the proxy in accordance with these Policy and Procedures. If there are fewer than three GPVSC voting members remaining, the GPVSC Chair will vote the proxy in accordance with the standard guidelines, will obtain instructions as to how to have the proxy voted from, if time permits, the effected clients and otherwise from ISS.

#### 4.4.2. INVESTMENT COMPANIES AND AFFILIATED PUBLIC COMPANIES

*Investment Companies.* As reflected in the Guidelines, all proxies solicited by open-end and closed-end investment companies are voted in accordance with the pre-determined guidelines of ISS, unless the investment company client directs AM to vote differently on a specific proxy or specific categories of proxies. However, regarding investment companies for which AM or an affiliate serves as investment adviser or principal underwriter, such proxies are voted in the same proportion as the vote of all other shareholders (i.e., "mirror" or "echo" voting). Master Fund proxies solicited from feeder Funds are voted in accordance with applicable provisions of Section 12 of the Investment Company Act of 1940.

Subject to participation agreements with certain Exchange Traded Funds ("ETFs") issuers that have received exemptive orders from the US Securities and Exchange Commission ("SEC") allowing investing Deutsche funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the Investment Company Act of 1940, AM will echo vote proxies for ETFs in which Deutsche Bank holds more than 25% of outstanding voting shares globally when required to do so by participation agreements and SEC orders.

*Affiliated Public Companies.* For proxies solicited by non-investment company issuers of or within the Deutsche Bank organization, (e.g., Deutsche Bank itself), these proxies will be voted in the same proportion as the vote of other shareholders (i.e., "mirror" or "echo" voting).

Note: With respect to the Central Cash Management Fund (registered under the Investment Company Act of 1940), the Fund is not required to engage in echo voting and the investment adviser will use these Guidelines and may determine, with respect to the Central Cash Management Fund, to vote contrary to the positions in the Guidelines, consistent with the Fund's best interest.

#### 4.4.3. OTHER PROCEDURES THAT LIMIT CONFLICTS OF INTEREST

AM and other entities in the Deutsche Bank organization have adopted a number of policies, procedures and internal controls that are designed to avoid various conflicts of interest, including those that may arise in connection with proxy voting, including but not limited to:

- Code of Business Conduct and Ethics - DB Group;
- Conflicts of Interest Policy - DB Group;
- Information Sharing Procedures - DeAM;
- Code of Ethics - DeAM; and
- Code of Professional Conduct - US.

The GPVSC expects that these policies, procedures and internal controls will greatly reduce the chance that the GPVSC (or, its members) would be involved in, aware of, or influenced by an actual or apparent conflict of interest.

#### 5. RECORDKEEPING

At a minimum, the following types of records must be properly maintained and readily accessible in order to evidence compliance with this Policy.

- AM will maintain a record of each vote cast by AM that includes among other things, company name, meeting date, proposals presented, vote cast and shares voted.
- Proxy Vendor Oversight maintains records for each of the proxy ballots it votes. Specifically, the records include, but are not limited to:
  - The proxy statement (and any additional solicitation materials) and relevant portions of annual statements.
  - Any additional information considered in the voting process that may be obtained from an issuing company, its agents, or proxy research firms.

- Analyst worksheets created for stock option plan and share increase analyses; And
- Proxy Edge print-screen of actual vote election.

AM will (i) retain this Policy and the Guidelines; (ii) will maintain records of client requests for proxy voting information; and (iii) will retain any documents Proxy Vendor Oversight or the GPVSC prepared that were material to making a voting decision or that memorialized the basis for a proxy voting decision.

The GPVSC also will create and maintain appropriate records documenting its compliance with this Policy, including records of its deliberations and decisions regarding conflicts of interest and their resolution.

With respect to AM's investment company clients, ISS will create and maintain records of each company's proxy voting record for 12-month periods ended June 30. AM will compile the following information for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the company was entitled to vote:

- The name of the issuer of the portfolio security;
- The exchange ticker symbol of the portfolio security (if symbol is available through reasonably practicable means);
- The Council on Uniform Securities Identification Procedures ("CUSIP") number for the portfolio security (if the number is available through reasonably practicable means);
- The shareholder meeting date;
- A brief identification of the matter voted on;
- Whether the matter was proposed by the issuer or by a security holder;
- Whether the company cast its vote on the matter;
- How the company cast its vote (e.g., for or against proposal, or abstain; for or withhold regarding election of Directors); and
- Whether the company cast its vote for or against Management.

Note: This list is intended to provide guidance only in terms of the records that must be maintained in accordance with this policy. In addition, please note that records must be maintained in accordance with the applicable Records Management Policy - US.

With respect to electronically stored records, "properly maintained" is defined as complete, authentic (unalterable) usable and backed-up. At a minimum, records should be retained for a period of not less than six years (or longer, if necessary to comply with applicable regulatory requirements), the first three years in an appropriate AM office.

#### 6. THE GPVSC'S OVERSIGHT ROLE

In addition to adopting the Guidelines and making proxy voting decisions on matters referred to it as set forth above, the GPVSC will monitor the proxy voting process by reviewing summary proxy information presented by ISS. The GPVSC will use this review process to determine, among other things, whether any changes should be made to the Guidelines. This review will take place at least quarterly and will be documented in the GPVSC's minutes.

#### ATTACHMENT A - GLOBAL PROXY VOTING GUIDELINES

##### DEUTSCHE ASSET WEALTH MANAGEMENT

##### GLOBAL PROXY VOTING GUIDELINES

##### AS AMENDED FEBRUARY 2013

[GRAPHIC OMITTED]

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These Guidelines may reflect a voting position that differs from the actual practices of the public company(ies) within the Deutsche Bank organization or of the investment companies for which AM or an affiliate serves as investment adviser or sponsor.

**NOTE:** Because of the unique structure and regulatory scheme applicable to closed-end investment companies, the voting guidelines (particularly those related to governance issues) generally will be inapplicable to holdings of closed-end investment companies. As a result, determinations on the appropriate voting recommendation for closed-end investment company shares will be made on a case-by-case basis.

## I. BOARD OF DIRECTORS AND EXECUTIVES

### A. ELECTION OF DIRECTORS

**Routine:** AM Policy is to vote "for" the uncontested election of Directors. Votes for a Director in an uncontested election will be withheld in cases where a Director has shown an inability to perform his/her duties in the best interests of the shareholders.

**Proxy contest:** In a proxy contest involving election of Directors, a case-by-case voting decision will be made based upon analysis of the issues involved and the merits of the incumbent and dissident slates of Directors. AM will incorporate the decisions of a third party proxy research vendor, currently, Institutional Shareholder Services ("ISS") subject to review by the Proxy Voting Sub-Committee ("GPVSC") as set forth in the AM's Proxy Voting Policy and Guidelines.

**Rationale:** The large majority of corporate Directors fulfill their fiduciary obligation and in most cases support for Management's nominees is warranted. As the issues relevant to a contested election differ in each instance, those cases must be addressed as they arise.

### B. CLASSIFIED BOARDS OF DIRECTORS

AM policy is to vote against proposals to classify the Board and for proposals to repeal classified Boards and elect Directors annually.

**Rationale:** Directors should be held accountable on an annual basis. By entrenching the incumbent Board, a classified Board may be used as an anti-takeover device to the detriment of the shareholders in a hostile take-over situation.

### C. BOARD AND COMMITTEE INDEPENDENCE

AM policy is to vote:

1. "For" proposals that require that a certain percentage (majority up to 66 2/3%) of members of a Board of Directors be comprised of independent or unaffiliated Directors.
2. "For" proposals that require all members of a company's compensation, audit, nominating, or other similar committees be comprised of independent or unaffiliated Directors.
3. "Against" shareholder proposals to require the addition of special interest, or constituency, representatives to Boards of Directors.
4. "For" separation of the Chairman and CEO positions.
5. "Against" proposals that require a company to appoint a Chairman who is an independent Director.

**Rationale:** Board independence is a cornerstone of effective governance and accountability. A Board that is sufficiently independent from Management assures that shareholders' interests are adequately represented. However, the Chairman of the Board must have sufficient involvement in and experience with the operations of the company to perform the functions required of that position and lead the company.

No Director qualifies as "independent" unless the Board of Directors affirmatively determines that the Director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

Whether a Director is in fact not "independent" will depend on the laws and regulations of the primary market for the security and the exchanges, if any, on which the security trades.

### D. LIABILITY AND INDEMNIFICATION OF DIRECTORS

AM policy is to vote "for" Management proposals to limit Directors' liability and to broaden the indemnification of Directors, unless broader indemnification or limitations on Directors' liability would affect shareholders' interests in pending litigation.

**Rationale:** While shareholders want Directors and officers to be responsible for their actions, it is not in the best interests of the shareholders for them to be too risk averse. If the risk of personal liability is too great, companies may not be able to find capable Directors willing to serve. We support expanding coverage only for actions taken in good faith and not for serious violations of fiduciary obligation or negligence.

**E. QUALIFICATION OF DIRECTORS**

AM policy is to follow Management's recommended vote on either Management or shareholder proposals that set retirement ages for Directors or require specific levels of stock ownership by Directors.

**Rationale:** As a general rule, the Board of Directors, and not the shareholders, is most qualified to establish qualification policies.

**F. REMOVAL OF DIRECTORS AND FILLING OF VACANCIES**

AM policy is to vote "against" proposals that include provisions that Directors may be removed only for cause or proposals that include provisions that only continuing Directors may fill Board vacancies.

**Rationale:** Differing state statutes permit removal of Directors with or without cause. Removal of Directors for cause usually requires proof of self-dealing, fraud or misappropriation of corporate assets, limiting shareholders' ability to remove Directors except under extreme circumstances. Removal without cause requires no such showing. Allowing only incumbent Directors to fill vacancies can serve as an anti-takeover device, precluding shareholders from filling the Board until the next regular election.

**G. PROPOSALS TO FIX THE SIZE OF THE BOARD**

AM policy is to vote:

1. "For" proposals to fix the size of the Board unless: (a) no specific reason for the proposed change is given; or (b) the proposal is part of a package of takeover defenses.
2. "Against" proposals allowing Management to fix the size of the Board without shareholder approval.

**Rationale:** Absent danger of anti-takeover use, companies should be granted a reasonable amount of flexibility in fixing the size of its Board.

**H. PROPOSALS TO RESTRICT CHIEF EXECUTIVE OFFICER'S SERVICE ON MULTIPLE BOARDS**

AM policy is to vote "for" proposals to restrict a Chief Executive Officer from serving on more than three outside Boards of Directors.

**Rationale:** Chief Executive Officer must have sufficient time to ensure that shareholders' interests are represented adequately.

**Note:** A Director's service on multiple closed-end fund Boards within a fund complex are treated as service on a single Board for the purpose of the proxy voting guidelines.

**I. PROPOSALS TO RESTRICT SUPERVISORY BOARD MEMBERS SERVICE ON MULTIPLE BOARDS (FOR FFT SECURITIES)**

AM policy is to vote "for" proposals to restrict a Supervisory Board Member from serving on more than five Supervisory Boards.

**Rationale:** We consider a strong, independent and knowledgeable Supervisory Board as important counter-balance to executive Management to ensure that the interests of shareholders are fully reflected by the company.

Full information should be disclosed in the annual reports and accounts to allow all shareholders to judge the success of the Supervisory Board controlling their company.

Supervisory Board Members must have sufficient time to ensure that shareholders' interests are represented adequately.

**Note:** A Director's service on multiple closed-end fund Boards within a fund complex are treated as service on a single Board for the purpose of the proxy voting guidelines

**J. PROPOSALS TO ESTABLISH AUDIT COMMITTEES (FOR FFT AND US SECURITIES)**

AM policy is to vote "for" proposals that require the establishment of audit committees.

**Rationale:** The audit committee should deal with accounting and risk management related questions, verifies the independence of the auditor with due regard to possible conflicts of interest. It also should determine the procedure of the audit process

**II. CAPITAL STRUCTURE**

**A. AUTHORIZATION OF ADDITIONAL SHARES (FOR US SECURITIES)**

AM policy is to vote "for" proposals to increase the authorization of existing classes of stock that do not exceed a 3:1 ratio of shares authorized to shares outstanding for a large cap company, and do not exceed a 4:1 ratio of shares authorized to shares outstanding for a small-midcap company (companies having a market capitalization under one billion US dollars).

**Rationale:** While companies need an adequate number of shares in order to carry on business, increases requested for general financial flexibility must be limited to protect shareholders from their potential use as an anti-takeover device. Requested increases for specifically designated, reasonable business purposes (stock split, merger, etc.) will be considered in light of those purposes and the number of shares required.

**B. AUTHORIZATION OF "BLANK CHECK" PREFERRED STOCK (FOR US SECURITIES)**

AM policy is to vote:

- "Against" proposals to create blank check preferred stock or to increase the number of authorized shares of
1. blank check preferred stock unless the company expressly states that the stock will not be used for anti-takeover purposes and will not be issued without shareholder approval.
  2. "For" proposals mandating shareholder approval of blank check stock placement.

**Rationale:** Shareholders should be permitted to monitor the issuance of classes of preferred stock in which the Board of Directors is given unfettered discretion to set voting, dividend, conversion and other rights for the shares issued.

**C. STOCK SPLITS/REVERSE STOCK SPLITS**

AM policy is to vote "for" stock splits if a legitimate business purpose is set forth and the split is in the shareholders' best interests. A vote is cast "for" a reverse stock split only if the number of shares authorized is reduced in the same proportion as the reverse split or if the effective increase in authorized shares (relative to outstanding shares) complies with the proxy guidelines for common stock increases.

**Rationale:** Generally, stock splits do not detrimentally affect shareholders. Reverse stock splits, however, may have the same result as an increase in authorized shares and should be analyzed accordingly.

**D. DUAL CLASS/SUPERVOTING STOCK**

AM policy is to vote "against" proposals to create or authorize additional shares of super-voting stock or stock with unequal voting rights.

**Rationale:** The "one share, one vote" principal ensures that no shareholder maintains a voting interest exceeding their equity interest in the company.

**E. LARGE BLOCK ISSUANCE (FOR US SECURITIES)**

AM policy is to address large block issuances of stock on a case-by-case basis, incorporating the recommendation of an independent third party proxy research firm (currently ISS) subject to review by the GPVSC as set forth in AM's Proxy Voting Policy and Guidelines.

Additionally, AM supports proposals requiring shareholder approval of large block issuances.

**Rationale:** Stock issuances must be reviewed in light of the business circumstances leading to the request and the potential impact on shareholder value.

**F. RECAPITALIZATION INTO A SINGLE CLASS OF STOCK**

AM policy is to vote "for" recapitalization plans to provide for a single class of common stock, provided the terms are fair, with no class of stock being unduly disadvantaged

**Rationale:** Consolidation of multiple classes of stock is a business decision that may be left to the Board and/or Management if there is no adverse effect on shareholders.

**G. SHARE REPURCHASES**

AM policy is to vote "for" share repurchase plans provided all shareholders are able to participate on equal terms.

**Rationale:** Buybacks are generally considered beneficial to shareholders because they tend to increase returns to the remaining shareholders.

**H. REDUCTIONS IN PAR VALUE**

AM policy is to vote "for" proposals to reduce par value, provided a legitimate business purpose is stated (e.g., the reduction of corporate tax responsibility).

**Rationale:** Usually, adjustments to par value are a routine financial decision with no substantial impact on shareholders.

**III. CORPORATE GOVERNANCE ISSUES**

**A. CONFIDENTIAL VOTING**

AM policy is to vote "for" proposals to provide for confidential voting and independent tabulation of voting results and to vote "against" proposals to repeal such provisions.

Rationale: Confidential voting protects the privacy rights of all shareholders. This is particularly important for employee-shareholders or shareholders with business or other affiliations with the company, who may be vulnerable to coercion or retaliation when opposing Management. Confidential voting does not interfere with the ability of corporations to communicate with all shareholders, nor does it prohibit shareholders from making their views known directly to Management.

#### B. CUMULATIVE VOTING (FOR US SECURITIES)

AM policy is to vote "against" shareholder proposals requesting cumulative voting and "for" Management proposals to eliminate it. The protections afforded shareholders by cumulative voting are not necessary when a company has a history of good performance and does not have a concentrated ownership interest. Accordingly, a vote is cast "against" cumulative voting and "for" proposals to eliminate it if:

- a) The company has a five year return on investment greater than the relevant industry index,
- b) All Directors and executive officers as a group beneficially own less than 10% of the outstanding stock, and
- c) No shareholder (or voting block) beneficially owns 15% or more of the company. Thus, failure of any one of the three criteria results in a vote for cumulative voting in accordance with the general policy.

Rationale: Cumulative voting is a tool that should be used to ensure that holders of a significant number of shares may have Board representation; however, the presence of other safeguards may make their use unnecessary.

#### C. SUPERMAJORITY VOTING REQUIREMENTS

AM policy is to vote "against" Management proposals to require a supermajority vote to amend the charter or by-laws and to vote "for" shareholder proposals to modify or rescind existing supermajority requirements.

- \* Exception made when company holds a controlling position and seeks to lower threshold to maintain control and/or make changes to corporate by-laws.

Rationale: Supermajority voting provisions violate the democratic principle that a simple majority should carry the vote. Setting supermajority requirements may make it difficult or impossible for shareholders to remove egregious by-law or charter provisions. Occasionally, a company with a significant insider held position might attempt to lower a supermajority threshold to make it easier for Management to approve provisions that may be detrimental to shareholders. In that case, it may not be in the shareholders interests to lower the supermajority provision.

#### D. SHAREHOLDER RIGHT TO VOTE

AM policy is to vote "against" proposals that restrict the right of shareholders to call special meetings, amend the bylaws, or act by written consent. AM Policy is to vote "for" proposals that remove such restrictions.

Rationale: Any reasonable means whereby shareholders can make their views known to Management or affect the governance process should be supported.

### IV. COMPENSATION

Annual Incentive Plans or Bonus Plans are often submitted to shareholders for approval. These plans typically award cash to executives based on company performance. Deutsche Bank believes that the responsibility for executive compensation decisions rest with the Board of Directors and/or the compensation committee, and its policy is not to second-guess the Board's award of cash compensation amounts to executives unless a particular award or series of awards is deemed excessive. If stock options are awarded as part of these bonus or incentive plans, the provisions must meet Deutsche Bank's criteria regarding stock option plans, or similar stock-based incentive compensation schemes, as set forth below.

#### A. ESTABLISHMENT OF A REMUNERATION COMMITTEE (FOR US SECURITIES)

AM policy is to vote "for" proposals that require the establishment of a remuneration committee.

Rationale: Corporations should disclose in each annual report or proxy statement their policies on remuneration. Essential details regarding executive remuneration including share options, long-term incentive plans and bonuses, should be disclosed in the annual report, so that investors can judge whether corporate pay policies and practices meet the standard.

The remuneration committee shall not comprise any Board members and should be sensitive to the wider scene on executive pay. It should ensure that performance-based elements of executive pay are designed to align the interests of shareholders.

#### B. EXECUTIVE AND DIRECTOR STOCK OPTION PLANS



AM policy is to vote "for" stock option plans that meet the following criteria:

The resulting dilution of existing shares is less than (a) 15% of outstanding shares for large capital corporations; or (b) 20% of outstanding shares for small-mid capital companies (companies having a market capitalization under one billion US dollars).

The transfer of equity resulting from granting options at less than FMV is no greater than 3% of the over-all market capitalization of large capital corporations or 5% of market cap for small-mid capital companies.

The plan does not contain express repricing provisions and, in the absence of an express statement that options will not be repriced, the company does not have a history of repricing options.

The plan does not grant options on super-voting stock.

AM will support performance-based option proposals as long as (a) they do not mandate that all options granted by the company must be performance based; and (b) only certain high-level executives are subject to receive the performance based options.

AM will support proposals to eliminate the payment of outside Director pensions.

Rationale: Determining the cost to the company and to shareholders of stock-based incentive plans raises significant issues not encountered with cash-based compensation plans. These include the potential dilution of existing shareholders' voting power, the transfer of equity out of the company resulting from the grant and execution of options at less than fair market value ("FMV") and the authority to reprice or replace underwater options. Our stock option plan analysis model seeks to allow reasonable levels of flexibility for a company yet still protect shareholders from the negative impact of excessive stock compensation. Acknowledging that small mid-capital corporations often rely more heavily on stock option plans as their main source of executive compensation and may not be able to compete with their large capital competitors with cash compensation, we provide slightly more flexibility for those companies.

#### C. EMPLOYEE STOCK OPTION/PURCHASE PLANS

AM policy is to vote for employee stock purchase plans ("ESPPs") when the plan complies with Internal Revenue Code Section 423, allowing non-Management employees to purchase stock at 85% of FMV.

AM policy is to vote "for" employee stock option plans ("ESOPs") provided they meet the standards for stock option plans in general. However, when computing dilution and transfer of equity, ESOPs are considered independently from executive and Director option plans.

Rationale: ESOPs and ESPPs encourage rank-and-file employees to acquire an ownership stake in the companies they work for and have been shown to promote employee loyalty and improve productivity.

#### D. GOLDEN PARACHUTES

AM policy is to vote "for" proposals to require shareholder approval of golden parachutes and for proposals that would limit golden parachutes to no more than three times base compensation. AM Policy is to vote "against" more restrictive shareholder proposals to limit golden parachutes.

Rationale: In setting a reasonable limitation, AM considers that an effective parachute should be less attractive than continued employment and that the IRS has opined that amounts greater than three times annual salary, are excessive.

#### E. PROPOSALS TO LIMIT BENEFITS OR EXECUTIVE COMPENSATION

AM policy is to vote "against"

1. Proposals to limit benefits, pensions or compensation and
2. Proposals that request or require disclosure of executive compensation greater than the disclosure required by Securities and Exchange Commission (SEC) regulations.

Rationale: Levels of compensation and benefits are generally considered to be day-to-day operations of the company, and are best left unrestricted by arbitrary limitations proposed by shareholders.

#### F. OPTION EXPENSING

AM policy is to support proposals requesting companies to expense stock options.

Rationale: Although companies can choose to expense options voluntarily, the Financial Accounting Standards Board ("FASB") does not yet require it, instead allowing companies to disclose the theoretical value of options as a footnote. Because the expensing of stock options lowers earnings, most companies elect not to do so. Given the fact that options have become an integral component of compensation and their exercise results in a transfer of shareholder value, AM agrees that their value should not be ignored and treated as "no cost" compensation. The expensing of stock options would promote more modest and appropriate use of stock options in executive

compensation plans and present a more accurate picture of company operational earnings.

**G. MANAGEMENT BOARD ELECTION AND MOTION (FOR FFT SECURITIES)**

AM policy is to vote "against":

- The election of Board members with positions on either remuneration or audit committees;
- The election of Supervisory Board members with too many Supervisory Board mandates; and
- "Automatic" election of former Board members into the Supervisory Board.

**Rationale:** Management as an entity, and each of its members, are responsible for all actions of the company, and are - subject to applicable laws and regulations - accountable to the shareholders as a whole for their actions.

Sufficient information should be disclosed in the annual company report and account to allow shareholders to judge the success of the company.

**H. REMUNERATION (VARIABLE PAY) (FOR FFT SECURITIES)**

**EXECUTIVE REMUNERATION FOR MANAGEMENT BOARD**

AM policy is to vote "for" remuneration for Management Board that is transparent and linked to results.

**Rationale:** Executive compensation should motivate Management and align the interests of Management with the shareholders. The focus should be on criteria that prevent excessive remuneration; but enable the company to hire and retain first-class professionals.

Shareholder interests are normally best served when Management is remunerated to optimize long-term returns.

Criteria should include suitable measurements like return on capital employed or economic value added.

Interests should generally also be correctly aligned when Management own shares in the company - even more so if these shares represent a substantial portion of their own wealth.

Its disclosure shall differentiate between fixed pay, variable (performance related) pay and long-term incentives, including stock option plans with valuation ranges as well as pension and any other significant arrangements.

**EXECUTIVE REMUNERATION FOR SUPERVISORY BOARD**

AM policy is to vote "for" remuneration for Supervisory Board that is at least 50% in fixed form.

**Rationale:** It would normally be preferable if performance linked compensation were not based on dividend payments, but linked to suitable result based parameters. Consulting and procurement services should also be published in the company report.

**I. LONG-TERM INCENTIVE PLANS (FOR FFT SECURITIES)**

AM policy is to vote "for" long-term incentive plans for members of Management Boards that reward for above average company performance.

**Rationale:** Incentive plans will normally be supported if they:

- Directly align the interests of members of Management Boards with those of shareholders;
- Establish challenging performance criteria to reward only above average performance;
- Measure performance by total shareholder return in relation to the market or a range of comparable companies;
- Are long-term in nature and encourage long-term ownership of the shares once exercised through minimum holding periods; and
- Do not allow a repricing of the exercise price in stock option plans.

**J. SHAREHOLDER PROPOSALS CONCERNING "PAY FOR SUPERIOR PERFORMANCE"**

AM policy is to address pay for superior performance proposals on a case-by-case basis, incorporating the recommendation of an independent third party proxy research firm (currently ISS) subject to review by the GPVSC as set forth in AM's Proxy Policy and Guidelines.

**Rationale:** While AM agrees that compensation issues are better left to the discretion of Management, they appreciate the need to monitor for excessive compensation practices on a case by case basis. If, after a review of the ISS metrics, AM is comfortable with ISS's applying this calculation and will vote according to their recommendation.

**K. EXECUTIVE COMPENSATION ADVISORY**

AM policy is to follow Management's recommended vote on shareholder proposals to propose an advisory resolution seeking to ratify the compensation of the company's named executive officers (NEOs) on an annual basis.

**Rationale:** AM believes that controls exist within senior Management and corporate compensation committees, ensuring fair compensation to executives. This might allow shareholders to require approval for all levels of Management's compensation.

**L. ADVISORY VOTES ON EXECUTIVE COMPENSATION**

AM policy is to evaluate Executive Compensation proposals on a case-by-case basis, where locally defined this may be done by incorporating the recommendation of an independent third party proxy research firm. AM will oppose Advisory Votes on Executive Compensation if:

- There is a significant misalignment between CEO pay and company performance;
- The company maintains significant problematic pay practices; and
- The Board exhibits a significant level of poor communication and responsiveness to shareholders.

Rationale: AM believes that annual advisory vote gives shareholders the opportunity to express any compensation concerns to the Executive Compensation proposal which is an advisory voting.

## V. ANTI-TAKEOVER RELATED ISSUES

### A. SHAREHOLDER RIGHTS PLANS ("POISON PILLS")

AM policy is to vote "for" proposals to require shareholder ratification of poison pills or that request Boards to redeem poison pills, and to vote "against" the adoption of poison pills if they are submitted for shareholder ratification.

Rationale: Poison pills are the most prevalent form of corporate takeover defenses and can be (and usually are) adopted without shareholder review or consent. The potential cost of poison pills to shareholders during an attempted takeover outweighs the benefits.

### B. REINCORPORATION

AM policy is to examine reincorporation proposals on a case-by-case basis. The voting decision is based on: Differences in state law between the existing state of incorporation and the proposed state of incorporation; and Differences between the existing and the proposed charter/bylaws/articles of incorporation and their effect on shareholder rights.

If changes resulting from the proposed reincorporation violate the corporate governance principles set forth in these guidelines, the reincorporation will be deemed contrary to shareholder's interests and a vote cast "against."

Rationale: Reincorporations can be properly analyzed only by looking at the advantages and disadvantages to their shareholders. Care must be taken that anti-takeover protection is not the sole or primary result of a proposed change.

### C. FAIR-PRICE PROPOSALS

AM policy is to vote "for" Management fair-price proposals, provided that:

The proposal applies only to two-tier offers;

The proposal sets an objective fair-price test based on the highest price that the acquirer has paid for a company's shares;

The supermajority requirement for bids that fail the fair-price test is no higher than two-thirds of the outstanding shares; and

The proposal contains no other anti-takeover provisions or provisions that restrict shareholders rights.

A vote is cast for shareholder proposals that would modify or repeal existing fair-price requirements that do not meet these standards.

Rationale: While fair price provisions may be used as anti-takeover devices, if adequate provisions are included, they provide some protection to shareholders who have some say in their application and the ability to reject those protections if desired.

### D. EXEMPTION FROM STATE TAKEOVER LAWS

AM policy is to vote "for" shareholder proposals to opt out of state takeover laws and to vote "against" Management proposals requesting to opt out of state takeover laws.

Rationale: Control share statutes, enacted at the state level, may harm long-term share value by entrenching Management. They also unfairly deny certain shares their inherent voting rights.

### E. NON-FINANCIAL EFFECTS OF TAKEOVER BIDS

Policy is to vote "against" shareholder proposals to require consideration of non-financial effects of merger or acquisition proposals.

Rationale: Non-financial effects may often be subjective and are secondary to AM's stated purpose of acting in its client's best economic interest.

## VI. MERGERS & ACQUISITIONS

Evaluation of mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) are performed on a case-by-case basis incorporating information

from an independent proxy research source (currently ISS.) Additional resources including portfolio management and research analysts may be considered as set forth in AM's policies and procedures.

## VII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

Environmental, social and governance issues (ESG) are becoming increasingly important to corporate success. We incorporate ESG considerations into both our investment decisions and our proxy voting decisions - particularly if the financial performance of the company could be impacted. Companies or states that seriously contravene internationally accepted ethical principles will be subject to heightened scrutiny.

### A. PRINCIPLES FOR RESPONSIBLE INVESTMENT

AM policy is to actively engage with companies on ESG issues and participate in ESG initiatives. In this context, AM (a) votes "for" increased disclosure on ESG issues; (b) is willing to participate in the development of policy, regulation and standard setting (such as promoting and protecting shareholder rights); (c) could support shareholder initiatives and also file shareholder resolutions with long term ESG considerations and improved ESG disclosure, when applicable; (d) could support standardized ESG reporting and issues to be integrated within annual financial reports; and (e) on a case by case basis, will generally follow Management's recommended vote on other matters related to ESG issues.

Rationale: ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

### B. ESG ISSUES

AM policy is to vote in line with the CERES recommendation on Environmental matters covered under the CERES Principles and Social and Sustainability issues not specifically addressed elsewhere in the Guidelines. AM will rely on ISS to identify shareholder proposals addressing CERES Principles and proxies will be voted in accordance with ISS's predetermined voting guidelines on CERES Principles.

Any matter that is to be voted on, consented to or approved by the voting members, may take place in person, telephonically or via other electronic means. In addition, voting members may act in writing, including without limitation, via e-mail.

Rationale: AM supports the CERES Principles and as such generally votes proxies in line with the CERES recommendation.

### C. LABOR & HUMAN RIGHTS

AM policy is to vote "against" adopting global codes of conduct or workplace standards exceeding those mandated by law.

Rationale: Additional requirements beyond those mandated by law are deemed unnecessary and potentially burdensome to companies

### D. DIVERSITY & EQUALITY

1. AM policy is to vote "against" shareholder proposals to force equal employment opportunity, affirmative action or Board diversity.

Rationale: Compliance with State and Federal legislation along with information made available through filings with the Equal Employment Opportunity Commission ("EEOC") provides sufficient assurance that companies act responsibly and make information public.

2. AM policy is also to vote "against" proposals to adopt the MacBride Principles. The MacBride Principles promote fair employment, specifically regarding religious discrimination.

Rationale: Compliance with the Fair Employment Act of 1989 makes adoption of the MacBride Principles redundant. Their adoption could potentially lead to charges of reverse discrimination.

### E. HEALTH & SAFETY

1. AM policy is to vote "against" adopting a pharmaceutical price restraint policy or reporting pricing policy changes.

Rationale: Pricing is an integral part of business for pharmaceutical companies and should not be dictated by shareholders (particularly pursuant to an arbitrary formula). Disclosing pricing policies may also jeopardize a company's competitive position in the marketplace.

2. AM policy is to vote "against" shareholder proposals to control the use or labelling of and reporting on genetically engineered products.

**Rationale:** Additional requirements beyond those mandated by law are deemed unnecessary and potentially burdensome to companies.

**F. GOVERNMENT/MILITARY**

AM policy is to vote against shareholder proposals regarding the production or sale of military arms or nuclear

1. or space-based weapons, including proposals seeking to dictate a company's interaction with a particular foreign country or agency.

**Rationale:** Generally, Management is in a better position to determine what products or industries a company can and should participate in. Regulation of the production or distribution of military supplies is, or should be, a matter of government policy.

2. AM policy is to vote "against" shareholder proposals regarding political contributions and donations.

**Rationale:** The Board of Directors and Management, not shareholders, should evaluate and determine the recipients of any contributions made by the company.

3. AM policy is to vote "against" shareholder proposals regarding charitable contributions and donations.

**Rationale:** The Board of Directors and Management, not shareholders, should evaluate and determine the recipients of any contributions made by the company.

**G. TOBACCO**

AM policy is to vote "against" shareholder proposals requesting additional standards or reporting requirements

1. for tobacco companies as well as "against" requesting companies to report on the intentional manipulation of nicotine content.

**Rationale:** Where a tobacco company's actions meet the requirements of legal and industry standards, imposing additional burdens may detrimentally affect a company's ability to compete. The disclosure of nicotine content information could affect the company's rights in any pending or future litigation.

2. Shareholder requests to spin-off or restructure tobacco businesses will be opposed.

**Rationale:** These decisions are more appropriately left to the Board and Management, and not to shareholder mandate.

**VIII. MISCELLANEOUS ITEMS**

**A. RATIFICATION OF AUDITORS**

AM policy is to vote "for" (a) the Management recommended selection of auditors and (b) proposals to require shareholder approval of auditors.

**Rationale:** Absent evidence that auditors have not performed their duties adequately, support for Management's nomination is warranted.

**B. LIMITATION OF NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITOR**

AM policy is to support proposals limiting non-audit fees to 50% of the aggregate annual fees earned by the firm retained as a company's independent auditor.

**Rationale:** In the wake of financial reporting problems and alleged audit failures at a number of companies, AM supports the general principle that companies should retain separate firms for audit and consulting services to avoid potential conflicts of interest. However, given the protections afforded by the Sarbanes-Oxley Act of 2002 (which requires Audit Committee pre-approval for non-audit services and prohibits auditors from providing specific types of services), and the fact that some non-audit services are legitimate audit-related services, complete separation of audit and consulting fees may not be warranted. A reasonable limitation is appropriate to help ensure auditor independence and it is reasonable to expect that audit fees exceed non-audit fees.

**C. AUDIT FIRM ROTATION**

AM policy is to vote against proposals seeking audit firm rotation.

**Rationale:** While the Sarbanes-Oxley Act mandates that the lead audit partner be switched every five years, AM believes that rotation of the actual audit firm would be costly and disruptive.

**D. TRANSACTION OF OTHER BUSINESS**

AM policy is to vote "against" transaction of other business proposals.

**Rationale:** This is a routine item to allow shareholders to raise other issues and discuss them at the meeting. As the nature of these issues may not be disclosed prior to the meeting, we recommend a vote against these proposals. This protects shareholders voting by proxy (and not physically present at a meeting) from having action taken at the meeting that they did not receive proper notification of or sufficient opportunity to consider.

**E. MOTIONS TO ADJOURN THE MEETING**

AM Policy is to vote "against" proposals to adjourn the meeting.

Rationale: Management may seek authority to adjourn the meeting if a favorable outcome is not secured.

Shareholders should already have had enough information to make a decision. Once votes have been cast, there is no justification for Management to continue spending time and money to press shareholders for support.

**F. BUNDLED PROPOSALS**

AM policy is to vote against bundled proposals if any bundled issue would require a vote against it if proposed individually.

Rationale: Shareholders should not be forced to "take the good with the bad" in cases where the proposals could reasonably have been submitted separately.

**G. CHANGE OF COMPANY NAME**

AM policy is to support Management on proposals to change the company name.

Rationale: This is generally considered a business decision for a company.

**H. PROPOSALS RELATED TO THE ANNUAL MEETING**

AM Policy is to vote "for" Management for proposals related to the conduct of the annual meeting (meeting time, place, etc.)

Rationale: These are considered routine administrative proposals.

**I. REIMBURSEMENT OF EXPENSES INCURRED FROM CANDIDATE NOMINATION**

AM policy is to follow Management's recommended vote on shareholder proposals related to the amending of company bylaws to provide for the reimbursement of reasonable expenses incurred in connection with nominating one or more candidates in a contested election of Directors to the corporation's Board of Directors.

Rationale: Corporations should not be liable for costs associated with shareholder proposals for Directors.

**J. INVESTMENT COMPANY PROXIES**

Proxies solicited by investment companies are voted in accordance with the recommendations of an independent third party, currently ISS. However, regarding investment companies for which AM or an affiliate serves as investment adviser or principal underwriter, such proxies are voted in the same proportion as the vote of all other shareholders. Proxies solicited by master funds from feeder funds will be voted in accordance with applicable provisions of Section 12 of the Investment Company Act of 1940.

Investment companies, particularly closed-end investment companies, are different from traditional operating companies. These differences may call for differences in voting positions on the same matter. For example, AM could vote "for" staggered Boards of closed-end investment companies, although AM generally votes "against" staggered Boards for operating companies. Further, the manner in which AM votes investment company proxies may differ from proposals for which an AM-advised investment company solicits proxies from its shareholders. As reflected in the Guidelines, proxies solicited by closed-end (and open-end) investment companies are voted in accordance with the pre-determined guidelines of an independent third-party.

Subject to participation agreements with certain Exchange Traded Funds ("ETF") issuers that have received exemptive orders from the US Securities and Exchange Commission allowing investing Deutsche funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the Investment Company Act of 1940, DeAM will echo vote proxies for ETFs in which Deutsche Bank holds more than 25% of outstanding voting shares globally when required to do so by participation agreements and SEC orders.

Note: With respect to the Central Cash Management Fund (registered under the Investment Company Act of 1940), the Fund is not required to engage in echo voting and the investment adviser will use these Guidelines, and may determine, with respect to the Central Cash Management Fund, to vote contrary to the positions in the Guidelines, consistent with the Fund's best interest.

**K. INTERNATIONAL PROXY VOTING**

The above guidelines pertain to issuers organized in the United States, Canada and Germany. Proxies solicited by other issuers are voted in accordance with international guidelines or the recommendation of ISS and in accordance with applicable law and regulation.

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

### Portfolio Manager Disclosure

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.

Ashton P. Goodfield, CFA, Managing Director of Deutsche Asset & Wealth Management and Co-Lead Portfolio Manager of the Fund.

- Joined Deutsche Asset & Wealth Management in 1986 and the Fund in 2014.
- Co-Head of Municipal Bonds.
- BA, Duke University.

Michael J. Generazo, Director of Deutsche Asset & Wealth Management and Co-Lead Portfolio Manager of the Fund.

- Joined Deutsche Asset & Wealth Management in 1999 and the Fund in 2010.
- BS, Bryant College; MBA, Suffolk

Rebecca L. Flinn, Director of Deutsche Asset & Wealth Management and Portfolio Manager of the Fund.

- Joined Deutsche Asset & Wealth Management in 1986 and the Fund in 2014.
- BA, University of Redlands, California.

### Compensation of Portfolio Managers

Portfolio managers are paid on a Total Compensation basis, which includes: (i) fixed pay (base salary), which is linked to job function, responsibilities and internal and external peer comparison, and (ii) variable compensation, which is linked to investment performance, individual contribution, and the overall financial results of both Deutsche Asset & Wealth Management and Deutsche Bank AG. Variable compensation can be delivered via a short-term and/or

long-term vehicle, namely cash, equity upfront awards, restricted equity awards, and/or restricted incentive awards. Additionally, to better align the interests of investors and portfolio managers, a portion of the long term variable compensation that portfolio managers receive will be designated for investments in shares of the funds they manage, where possible. Variable compensation comprises a greater proportion of total compensation as the portfolio manager's seniority and total compensation level increase. The proportion of variable compensation delivered via a long-term incentive award, which is subject to clawback, increases significantly as the amount of variable compensation increases. All variable compensation delivered via a long-term incentive award is subject to clawback.

To evaluate its investment professionals, Deutsche Asset & Wealth Management reviews investment performance for all accounts managed in relation to both account peer group and benchmark related data (i.e., appropriate Morningstar peer group universes and/or benchmark index(es) with respect to each account). The ultimate goal of this process is to evaluate the degree to which investment professionals deliver investment performance that meets or exceeds their clients' risk and return objectives. When determining Total Compensation, Deutsche Asset & Wealth Management considers a number of quantitative and qualitative factors:

Quantitative measures (e.g. one-, three- and five-year pre-tax returns versus the benchmark and appropriate peer group, taking risk targets into account) are utilized to measure performance.

Qualitative measures (e.g. adherence to, as well as contributions to, the enhancement of the investment process) are included in the performance review.

Other factors (e.g. non-investment related performance, teamwork, adherence to compliance rules, risk management and "living the values" of Deutsche Asset & Wealth Management) are included as part of a discretionary component of the review process, giving management the ability to consider additional markers of performance on a subjective basis.

#### Fund Ownership of Portfolio Managers

The following table shows the dollar range of Fund shares owned beneficially and of record by each member of the Fund's portfolio management team as well as in all US registered Deutsche Funds advised by Deutsche Investment Management Americas Inc.

(DIMA) as a group, 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 Fund Shares Owned	Dollar Range of All Deutsche Fund Shares Owned
Ashton P. Goodfield	\$10,001-\$50,000	\$500,001 - \$1,000,000
Michael J. Generazo	-	\$50,001-\$100,000
Rebecca L. Flinn	-	\$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. For Funds subadvised by subadvisors unaffiliated with DIMA, total assets of Funds managed may only include assets allocated to the portfolio manager and not the total assets of each Fund managed. 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 Registered Investment Companies	Total Assets of Registered Investment Companies	Number of Investment Company Accounts with Performance Based Fee	Total Assets of Performance- Based Fee Accounts
Ashton P. Goodfield	9	\$10,924,041,851	-	-
Michael J. Generazo	3	\$6,210,659,243	-	-
Rebecca L. Flinn	4	\$2,448,829,101	-	-

#### Other Pooled Investment Vehicles Managed:

Name of Portfolio Manager	Number of Pooled Investment Vehicles	Total Assets of Pooled Investment Vehicles	Number of Pooled Investment Vehicle Accounts with Performance-Based Fee	Total Assets of Performance- Based Fee Accounts
Ashton P. Goodfield	-	-	-	-
Michael J. Generazo	-	-	-	-
Rebecca L. Flinn	-	-	-	-

#### Other Accounts Managed:

Name of Portfolio Manager	Number of Other Accounts	Total Assets of Other Accounts	Number of Other Accounts with Performance- Based Fee	Total Assets of Performance- Based Fee Accounts
Ashton P. Goodfield	1	\$612,818,509	-	-
	5	\$154,605,274	-	-

Michael J.

Generazo

Rebecca L. Flinn -

-

-

-

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.

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 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 each Fund may manage other mutual funds and separate accounts on a long only or 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 and other potential conflicts of interest. Included in these procedures are specific guidelines developed to provide fair and equitable treatment for all clients whose accounts are managed by each Fund’s portfolio management team.

## Edgar Filing: DEUTSCHE MUNICIPAL INCOME TRUST - Form N-CSR

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 in addition to managing asset management accounts, such wide ranging 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. The Advisor may take investment positions in securities in which other clients or related persons within the Firm have different investment positions. There may be instances in which the Advisor is purchasing or selling for its client accounts, or pursuing an outcome in the context of a workout or restructuring with respect to, securities in which the Firm is undertaking the same or differing strategy in other businesses or other client 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, including the Fund. 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 a Fund's Board.

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

	(a)	(b)	(c) Total Number of	(d) Maximum Number of
Period	Total Number of Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs	Shares that May Yet Be Purchased Under the Plans or Programs
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
April 1 through April 30	-	n/a	n/a	n/a
May 1 through May 31	-	n/a	n/a	n/a
June 1 through June 30	-	n/a	n/a	n/a
July 1 through July 31	-	n/a	n/a	n/a
August 1 through August 31	-	n/a	n/a	n/a
September 1 through September 30	-	n/a	n/a	n/a
October 1 through October 31	-	n/a	n/a	n/a
November 1 through November 30	-	n/a	n/a	n/a

Total	-	n/a	n/a	n/a
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The Fund may from time to time repurchase shares in the open market.

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

There were no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board. 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 Guidelines. Shareholders may recommend candidates for Board positions by forwarding their correspondence by U.S. mail or courier service to Kenneth C. Froewiss, Independent Chairman, Deutsche Mutual Funds, P.O. Box 390601, Cambridge, MA 02139.

**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 second fiscal quarter of the period covered by this 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.

**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 Municipal Income Trust

/s/Brian E. Binder

By: Brian E. Binder

President

Date: January 29, 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: January 29, 2016

/s/Paul Schubert

By: Paul Schubert

Chief Financial Officer and Treasurer

Date: January 29, 2016