

EATON VANCE MUNICIPAL INCOME TRUST  
Form N-CSRS  
August 04, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-09141

Eaton Vance Municipal Income Trust  
(Exact name of registrant as specified in charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts  
(Address of principal executive offices)

02109  
(Zip code)

Alan R. Dynner  
The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109  
(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 482-8260

Date of fiscal year end: November 30

Date of reporting period: May 31, 2005

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**Item 1. Reports to Stockholders**

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Semiannual Report May 31, 2005

EATON VANCE  
MUNICIPAL  
INCOME  
TRUST

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**IMPORTANT NOTICES REGARDING PRIVACY,  
DELIVERY OF SHAREHOLDER DOCUMENTS,  
PORTFOLIO HOLDINGS AND PROXY VOTING**

**Privacy.** The Eaton Vance organization is committed to ensuring your financial privacy. Each of the financial institutions identified below has in effect the following policy ("Privacy Policy") with respect to nonpublic personal information about its customers:

Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected. This may include information such as name, address, social security number, tax status, account balances and transactions.

None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account). In the normal course of servicing a customer's account, Eaton Vance may share information with unaffiliated third parties that perform various required services such as transfer agents, custodians and broker/dealers.

Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

We reserve the right to change our Privacy Policy at any time upon proper notification to you. Customers may want to review our Policy periodically for changes by accessing the link on our homepage: [www.eatonvance.com](http://www.eatonvance.com).

Our pledge of privacy applies to the following entities within the Eaton Vance organization: the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Boston Management and Research, and Eaton Vance Distributors, Inc.

In addition, our Privacy Policy only applies to those Eaton Vance customers who are individuals and who have a direct relationship with us. If a customer's account (i.e. fund shares) is held in the name of a third-party financial adviser/broker-dealer, it is likely that only such adviser's privacy policies apply to the customer. This notice supersedes all previously issued privacy disclosures.

For more information about Eaton Vance's Privacy Policy, please call 1-800-262-1122.

**Delivery of Shareholder Documents.** The Securities and Exchange Commission permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called "householding" and it helps eliminate duplicate mailings to shareholders.

**Eaton Vance, or your financial adviser, may household the mailing of your documents indefinitely unless you instruct Eaton Vance, or your financial adviser, otherwise.**

If you would prefer that your Eaton Vance documents not be househanded, please contact Eaton Vance at 1-800-262-1122, or contact your financial adviser.

Your instructions that householding not apply to delivery of your Eaton Vance documents will be effective within 30 days of receipt by Eaton Vance or your financial adviser.

**Portfolio Holdings.** Each Eaton Vance Fund and its underlying Portfolio (if applicable) will file a schedule of its portfolio holdings on Form N-Q with the SEC for the first and third quarters of each fiscal year. The Form N-Q will be available on the Eaton Vance website [www.eatonvance.com](http://www.eatonvance.com), by calling Eaton Vance at 1-800-262-1122 or in the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov). Form N-Q may also be reviewed and copied at the SEC's public reference room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the public reference room).

**Proxy Voting.** From time to time, funds are required to vote proxies related to the securities held by the funds. The Eaton Vance Funds or their underlying Portfolios (if applicable) vote proxies according to a set of policies and procedures approved by the Funds' and Portfolios' Boards. You may obtain a description of these policies and procedures and information on how the Funds or Portfolios voted proxies relating to Portfolio securities during the most recent 12 month period ended June 30, without charge, upon request, by calling 1-800-262-1122. This description is also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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Eaton Vance Municipal Income Trust as of May 31, 2005

**LETTER TO SHAREHOLDERS**

Thomas J. Fetter

President

Like all fixed-income markets, the municipal bond market responds to many factors, from changes in interest rates and economic trends to fluctuations in municipal bond issuance. Another key variable is the policy of the Federal Reserve, the nation's central bank, known popularly as The Fed. In this edition of our educational series, we will discuss the Fed and its importance to the nation's economy and financial markets.

**Founded in the wake of crisis, the Federal Reserve plays a vital role...**

The Federal Reserve System was established by the Federal Reserve Act of 1913 in the wake of a series of financial crises, the most recent of which the Panic of 1907 had caused bank failures, a rash of bankruptcies, a dramatic loss of confidence and a severe economic downturn. Congress was determined to create a central bank that provided a vigilant monetary policy, price stability, a more elastic currency and more careful supervision over the nation's banks.

**The Open Market Committee: influencing the money supply and credit conditions...**

The Fed has a number of tools at its disposal to adjust monetary policy. Of these, the most commonly used tools are open market operations. The Federal Open Market Committee (FOMC) meets regularly to review inflation, credit conditions and the overall health of the economy. The Fed uses its own research, as well as that of other key economic agencies, to review its various policy options. Treasury, corporate and municipal bond investors alike eagerly await the transcripts of FOMC meetings for a hint of future interest rate trends.

If it deems a change necessary in short-term rates, the Fed will announce an adjustment to its target for the Federal Funds rate its primary market instrument. To effect that change, the FOMC issues a directive to the trading desk of the Federal Reserve Bank of New York, whose responsibility it is to implement the policy.

**Open market operations:**

**The Fed intervenes...**

If the Fed sees weakness in the economy and little threat of inflation, it may make outright purchases of Treasury securities either from the street or privately from foreign central banks thus adding reserves to the banking system. This action tends to lower interest rates, increase loans and stimulate economic activity. In so doing, the Fed is said to be *easing* monetary policy.

On the other hand, if the Fed sees the economy overheating and inflation looming, it may sell Treasury securities, thus draining reserves from the system. This action tends to raise rates, discourage consumer and business borrowing and dampen economic activity. In this case, the Fed is said to be *tightening* monetary policy.

While changes in Fed policy primarily affect short-term rates, long-term rates are determined by inflationary expectations. However, the Fed's actions can have a significant effect on market psychology and, over time, impact market rates across the borrowing spectrum for homebuyers seeking mortgages, businesses seeking bank loans and municipal bond issuers.

**Fed-watching: A continuing**

**pre-occupation of the market...**

Interpreting the Federal Reserve's actions has long been of keen interest to bond market investors. Until the mid-1990s, analysts needed to keep daily tabs on bank reserves and the Fed's daily open market activity to determine a change in monetary policy. Starting in February 1994, however, the Fed began to indicate specifically its target Federal Funds rate. That marked a significant change, as analysts were now free to focus less on current policy and more on future potential changes in policy.

Throughout its history, the Federal Reserve has contributed to a more stable and safer monetary system. As that history unfolds, investors will surely continue to monitor its activities closely.

Sincerely,

Thomas J. Fetter  
President  
July 6, 2005

Trust shares are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested.



**Eaton Vance Municipal Income Trust as of May 31, 2005**

**INVESTMENT UPDATE**

Thomas M. Metzold

Manager

**The Trust**

**Performance for the Past Year**

Based on share price (the Trust is a closed-end fund traded on the New York Stock Exchange), the Trust had a total return of 7.40% for the six-month period ended May 31, 2005. That return was the result of an increase in share price from \$16.15 on November 30, 2004, to \$16.69 on May 31, 2005, and the reinvestment of \$0.59 per share in regular monthly dividends.(1)

Based on net asset value, the Trust had a total return of 8.02% for the six-month period ended May 31, 2005. That return was the result of an increase in net asset value per share from \$13.95 on November 30, 2004, to \$14.50 on May 31, 2005, and the reinvestment of \$0.59 per share in regular monthly dividends.

Based on the most recent dividend and a share price of \$16.69, the Trust had a market yield of 6.77% at May 31, 2005.(2) The Trust's market yield is equivalent to a taxable yield of 10.42%. The dividend declared on June 30, 2005, reflects a reduction of the monthly dividend of \$0.01 per share.(3)

**Management Discussion**



The U.S. economy continued to generate moderate growth during the six months ended May 31, 2005, although slowing in the first quarter of 2005. Surging energy prices were chiefly responsible for the slower growth rate. The nation's Gross Domestic Product grew by 3.8% in the first quarter of 2005, according to preliminary Commerce Department figures, matching a 3.8% rise in the fourth quarter of 2004. Manufacturing slowed in some areas, most notably in the auto sector. Consumer spending and a strong housing market remained the twin pillars of growth, although signs of strain were evident in those areas. Consumers were increasingly hard-pressed by soaring oil prices, which translated to higher costs for heating oil and gasoline, as well as lower savings rates.

Against this backdrop, the municipal bond market generated solid gains for the period. For the six months ended May 31, 2005, the Lehman Brothers Municipal Bond Index—an unmanaged index of longer-term, investment-grade, municipal debt securities made up of issues larger than \$50 million—had a total return of 3.51%\*.(4)

Insured\* transportation bonds represented the Trust's largest sector weighting at May 31, 2005. These bonds are issued to help finance major projects throughout the nation's air and highway transportation infrastructure. The Trust's holdings included issues that financed projects for a number of airport and turnpike projects in the U.S., as well as an issue for the Puerto Rico Highway and Transportation Authority.

The Trust also had a large commitment in insured\* general obligations (GOs). Given the nation's mixed economy, management focused on school district bonds in U.S. communities with a relatively strong local job climate and a solid tax base.

While maintaining a significant weighting in the hospital sector, the Trust remained selective in its holdings in this area, given that industry's continuing challenges. Investments represented a broad geographical mix across the country facilities with marketable health care specialties and what we believe are sound fundamentals.

At May 31, 2005, the Trust had leverage in the amount of approximately 33% of the Trust's total assets. The Trust is leveraged through the issuance of preferred shares. Use of financial leverage creates an opportunity for increased income, but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price of common shares).

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\* Private insurance does not remove the risk of principal fluctuations associated with insured investments.

*The views expressed throughout this report are those of the portfolio manager and are current only through the end of the period of the report as stated on the cover. These views are subject to change at any time based upon market or other conditions, and the investment adviser disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a fund are based on many factors, may not be*

*relied on as an indication of trading intent on behalf of any Eaton Vance fund.*

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- (1) A portion of the Trust's income may be subject to federal income and/or alternative minimum tax and state income tax.
  - (2) The Trust's market yield is calculated by dividing the most recent dividend per share by the share price at the end of the period and annualizing the result.
  - (3) Taxable-equivalent figures assume a maximum 35.0% federal income tax rate. A lower rate would result in a lower tax-equivalent figure.
  - (4) It is not possible to invest directly in an Index. The Index's total return does not reflect the expenses that would have been incurred if an investor individually purchased or sold the securities represented in the Index.

Eaton Vance Municipal Income Trust as of May 31, 2005

**TRUST PERFORMANCE**

**Performance\***

Average Annual Total Returns (by share price, New York Stock Exchange)

One Year	21.55%
Five Years	17.97%
Life of Trust (1/29/99)	9.15%

Average Annual Total Returns (by net asset value)

One Year	17.03%
Five Years	14.15%
Life of Trust (1/29/99)	6.76%

\* Performance results reflect the effect of leverage resulting from the Trust's issuance of Auction Preferred Shares.

*Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Trust performance during certain periods reflects the strong bond market performance and/or the strong performance of bonds held during those periods. This performance is not typical and may not be repeated. Performance is for the stated time period only; due to market volatility, the Trust's current performance may be lower or higher than the quoted return.*

**Rating Distribution\*\***

**By total investments**

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*\*\* Rating Distribution subject to change due to active management.*

## Eaton Vance Municipal Income Trust as of May 31, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited)

Tax-Exempt Investments - 154.6%			
Principal Amount (000's omitted)		Security	Value
	Cogeneration - 1.2%		
\$	2,950	Maryland Energy Cogeneration, (AES Warrior Run), (AMT), 7.40%, 9/1/19	\$ 3,015,165
			\$ 3,015,165
	Education - 2.7%		
\$	2,250	California Educational Facilities Authority, Stanford University, Residual Certificates, Variable Rate, 14.67%, 12/1/32 <sup>(1)(2)</sup>	\$ 2,904,390
	3,430	Massachusetts Development Finance Agency, (Boston University), 5.45%, 5/15/59	3,881,319
			\$ 6,785,709
	Electric Utilities - 11.7%		
\$	6,500	Brazos River Authority, TX, (Reliant Energy, Inc.), 7.75%, 12/1/18	\$ 7,225,660
	2,000	Brazos River Authority, TX, PCR (Texas Energy Co.), (AMT), 6.75%, 4/1/38	2,291,320
	3,550	Mississippi Business Finance Corp., (System Energy Resources, Inc.), 5.90%, 5/1/22	3,613,296
	7,250	North Carolina Municipal Power Agency, (Catawba), 6.50%, 1/1/20	8,144,940
	1,000	Pennsylvania EDA, (Reliant Energy, Inc.), (AMT), 6.75%, 12/1/36	1,076,530
	3,400	Pennsylvania EDA, (Reliant Energy, Inc.), (AMT), 6.75%, 12/1/36	3,660,202
	2,550	Pennsylvania EDA, (Reliant Energy, Inc.), (AMT), 6.75%, 12/1/36	2,745,151
			\$ 28,757,099
	Escrowed / Prerefunded - 8.1%		
\$	35,000	Dawson Ridge, CO, Metropolitan District #1, Escrowed to Maturity, 0.00%, 10/1/22	\$ 15,750,700
	95	Delaware County, PA, IDA, (Glen Riddle), Escrowed to Maturity, (AMT), 8.125%, 9/1/05	96,242
	2,000		2,086,120

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		Delaware County, PA, IDA, (Glen Riddle), Prerefunded to 9/1/05, (AMT), 8.625%, 9/1/25	
	2,000	Kershaw County, SC, School District, Prerefunded to 2/1/10, 5.00%, 2/1/18	2,130,260
			\$ 20,063,322
	General Obligations - 9.6%		
\$	1,500	California, 5.25%, 11/1/29	\$ 1,621,245
	4,950	California, 5.50%, 11/1/33	5,508,162
Principal Amount (000's omitted)		Security	Value
	General Obligations (continued)		
\$	3,100	California, (AMT), 5.05%, 12/1/36	\$ 3,203,540
	5,000	New York, NY, 5.00%, 6/1/30 <sup>(3)</sup>	5,275,800
	1,200	New York, NY, Variable Rate, 8.959%, 6/1/28 <sup>(1)(2)</sup>	1,476,144
	5,000	Puerto Rico, Variable Rate, 7.696%, 7/1/29 <sup>(1)(4)</sup>	6,598,600
			\$ 23,683,491
	Health Care-Miscellaneous - 1.2%		
\$	608	Tax Exempt Securities Trust, Community Health Provider, Pooled Loan Program, 6.00%, 12/1/36	\$ 617,795
	1,605	Tax Exempt Securities Trust, Community Health Provider, Pooled Loan Program, 6.25%, 12/1/36	1,717,276
	609	Tax Exempt Securities Trust, Community Health Provider, Pooled Loan Program, 7.20%, 12/1/36	617,166
			\$ 2,952,237
	Hospital - 18.0%		
\$	2,500	California Health Facilities Authority, (Cedars Sinai Medical Center), Variable Rate, 9.084%, 12/1/34 <sup>(1)(4)</sup>	\$ 2,954,575
	895	Chautauqua County, NY, IDA, (Women's Christian Association), 6.35%, 11/15/17	914,887
	975	Chautauqua County, NY, IDA, (Women's Christian Association), 6.40%, 11/15/29	983,658
	1,000	Halifax, FL, Medical Center, 7.25%, 10/1/24	1,137,540
	6,000	Henderson, NV, Health Care Facility, 5.625%, 7/1/24	6,500,820
	2,725	Highland County, OH, (Joint Township Hospital District), 6.75%, 12/1/29	2,776,530
	5,000	Illinois Health Facility Authority, (Loyola University Health System), 6.00%, 7/1/21	5,384,050
	2,575	Louisiana Public Facilities Authority, (Tuoro Infirmary),	2,687,167

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		5.625%, 8/15/29	
		Martin County, MN, (Fairmont Community Hospital Association), 6.625%, 9/1/22	2,123,460
	2,000	Mecosta County, MI, General Hospital, 5.75%, 5/15/09	969,513
	945	Mecosta County, MI, General Hospital, 6.00%, 5/15/18	2,499,900
	2,500	New Jersey Health Care Facilities Financing Authority, (Trinitas Hospital), 7.50%, 7/1/30	1,701,540
	1,500	North Central, TX, Health Facility Development Corp., (Baylor Healthcare System), 5.125%, 5/15/29	5,172,100
	5,000	Oneonta, AL, Eastern Health Care Facility Financing Authority, (Eastern Health Systems, Inc.), 7.75%, 7/1/21	1,592,800
	1,420	Rhode Island HEFA, (St. Joseph Health Services), 5.50%, 10/1/29	6,996,640
	7,000		\$ 44,395,180
	Housing - 12.7%		
		California Statewide Communities Development Authority, (AMT), Variable Rate, 28.421%, 12/1/34 <sup>(1)(4)(5)</sup>	\$ 993,554
\$	990		\$

See notes to financial statements

Eaton Vance Municipal Income Trust as of May 31, 2005

PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

Principal Amount (000's omitted)		Security	Value
<b>Housing (continued)</b>			
\$	4,000	Charter Mac Equity Trust, TN, 6.00%, 4/30/19	\$ 4,329,960
	4,000	Charter Mac Equity Trust, TN, (AMT), 6.625%, 6/30/09	4,392,880
	3,185	Florida Capital Projects Finance Authority, Student Housing Revenue, (Florida University), 7.75%, 8/15/20	2,933,098
	880	Lake Creek, CO, Affordable Housing Corp., Multifamily, 7.00%, 12/1/23	802,463
	4,435	Louisiana Public Facilities Authority, (Eden Point), 6.25%, 3/1/34	4,063,170