

MFS CHARTER INCOME TRUST
Form N-CSR
January 28, 2014
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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 811-05822

MFS CHARTER INCOME TRUST

(Exact name of registrant as specified in charter)

111 Huntington Avenue, Boston, Massachusetts 02199

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

111 Huntington Avenue

Boston, Massachusetts 02199

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: November 30, 2013

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ITEM 1. REPORTS TO STOCKHOLDERS.

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ANNUAL REPORT

November 30, 2013

MFS® CHARTER INCOME TRUST

MCR-ANN

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MFS® CHARTER INCOME TRUST

New York Stock Exchange Symbol: **MCR**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

The global economy continues to grow at a modest pace. U.S. job growth has picked up in recent months, and gross domestic product growth has accelerated each quarter.

The U.K. and eurozone economies are expanding again. China's economy has regained traction, while Japan's government and central bank have revived a once-struggling economy.

However, challenges still exist. The eurozone recovery remains uneven, with France at risk of sliding back into recession, and unemployment rates among the region's northern countries differ substantially with rates in the south. China faces risks in its pursuit of greater domestic consumption. Japan is bracing itself for the national sales tax increase in April. The U.S. Federal Reserve remains a key focus for investors. As the nation's

economy improves, there are rising expectations that the Fed may start to shift away from its accommodative monetary policy.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

January 15, 2014

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

Table of Contents**PORTFOLIO COMPOSITION****Portfolio structure (i)****Fixed income sectors (i)**

| | |
|---------------------------------------|--------|
| High Yield Corporates | 58.2% |
| Emerging Markets Bonds | 11.7% |
| Non-U.S. Government Bonds | 11.2% |
| High Grade Corporates | 10.7% |
| Commercial Mortgage-Backed Securities | 4.9% |
| Mortgage-Backed Securities | 2.9% |
| Floating Rate Loans | 1.0% |
| Municipal Bonds | 0.2% |
| Asset-Backed Securities | 0.2% |
| Collateralized Debt Obligations | 0.1% |
| U.S. Treasury Securities | (0.3)% |

Composition including fixed income credit quality (a)(i)

| | |
|------------------|--------|
| AAA | 4.1% |
| AA | 2.3% |
| A | 7.3% |
| BBB | 18.8% |
| BB | 27.4% |
| B | 28.9% |
| CCC | 9.2% |
| C | 0.1% |
| D (o) | 0.0% |
| U.S. Government | 4.8% |
| Federal Agencies | 2.9% |
| Not Rated | (5.0)% |
| Non-Fixed Income | 0.3% |
| Cash & Other | (1.1)% |

Portfolio facts (i)

| | |
|--------------------------------|----------|
| Average Duration (d) | 4.9 |
| Average Effective Maturity (m) | 7.3 yrs. |

Issuer country weightings (i)(x)

| | |
|-----------------|-------|
| United States | 62.8% |
| United Kingdom | 4.0% |
| Canada | 3.1% |
| Japan | 2.9% |
| Italy | 2.5% |
| France | 2.0% |
| Mexico | 2.0% |
| Russia | 1.9% |
| Luxembourg | 1.7% |
| Other Countries | 17.1% |

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Portfolio Composition continued

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.
- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. The bond component will include any accrued interest amounts.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.
- (o) Less than 0.1%.
- (x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's net assets.
From time to time Cash & Other Net Assets may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Percentages are based on net assets as of 11/30/13.

The portfolio is actively managed and current holdings may be different.

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MANAGEMENT REVIEW

Summary of Results

MFS Charter Income Trust (fund) is a closed-end fund. The fund s investment objective is to seek high current income, but may also consider capital appreciation. MFS normally invests the fund s assets primarily in debt instruments. MFS normally invests the fund s assets in corporate bonds of US and/or foreign issuers, US Government securities, foreign government securities, mortgage-backed and other asset-backed securities of US and/or foreign issuers, and/or debt instruments of issuers located in emerging market countries. MFS allocates the fund s assets across these categories with a view toward broad diversification across and within these categories.

For the twelve months ended November 30, 2013, shares of the MFS Charter Income Trust provided a total return of 4.28%, at net asset value and a total return of 6.13%, at market value. This compares with a return of 8.54% for the fund s benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index. Over the same period, the fund s other benchmark, the MFS Charter Income Trust Blended Index (Blended Index), generated a return of 2.51%. The Blended Index reflects the blended returns of various fixed income market indices, with percentage allocations to each index designed to resemble the fixed income allocations of the fund. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary.

The performance commentary below is based on the net asset value performance of the fund which reflects the performance of the underlying pool of assets held by the fund. The total return at market value represents the return earned by owners of the shares of the fund which are traded publicly on the exchange.

Market Environment

At the beginning of the period, year-end fiscal cliff negotiations between the Republicans in the US Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline. A last minute political agreement averted the worst-case scenario and markets gravitated towards risk assets again, though the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first half of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve (Fed) would begin tapering its quantitative easing (QE) program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed s decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was

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Management Review continued

short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Detractors from Performance

Relative to the Blended Index, the fund’s lesser exposure to shifts in the long portion (centered around maturities of 10 or more years) of the Japanese yield curve^(r), negatively impacted relative performance as the Japanese yield curve flattened during the period.

Contributors to Performance

During the reporting period, strong bond selection, particularly in the *industrials* sector, strengthened relative returns. The portion of the fund’s return derived from yield, which was greater than that of the Blended Index, was another key contributor to relative performance.

A greater exposure to corporate bonds in the *financial* sector also benefited relative performance as this sector outperformed the broad market over the period. In terms of credit quality, the fund’s greater exposure to BB^(r) and lower rated bonds was a positive factor for relative performance as lower quality credit spreads narrowed during the period.

The fund employs leverage which has been created through the use of loan agreements with a bank. To the extent that investments are purchased through the use of leverage, the fund’s net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. During the reporting period, the fund’s use of leverage enhanced its absolute positive returns.

Respectfully,

Richard Hawkins
Portfolio Manager

William Adams
Portfolio Manager

Ward Brown
Portfolio Manager

David Cole
Portfolio Manager

Pilar Gomez-Bravo
Portfolio Manager

Joshua Marston
Portfolio Manager

Robert Persons
Portfolio Manager

Matthew Ryan
Portfolio Manager

Erik Weisman
Portfolio Manager

(r) Bonds rated BBB-, Baa-, or higher are considered investment grade; bonds rated BB-, Ba-, or below are considered non-investment grade. The source for bond quality ratings is Moody’s Investors Service, Standard & Poor’s and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

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Management Review continued

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

Note to Shareholders: Effective December 1, 2012, Ward Brown, Joshua Marston and Erik Weisman are also Portfolio Managers of the Fund. Effective August 1, 2013, Pilar Gomez-Bravo and Robert Persons are also Portfolio Managers of the Fund.

The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

Table of Contents**PERFORMANCE SUMMARY THROUGH 11/30/13**

The following chart represents the fund's historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares. Performance data shown represents past performance and is no guarantee of future results.

Price Summary for MFS Charter Income Trust

Year Ended 11/30/13

| | Date | Price |
|-------------------------------|--------------------|---------|
| Net Asset Value | 11/30/13 | \$10.17 |
| | 11/30/12 | \$10.40 |
| New York Stock Exchange Price | 11/30/13 | \$8.97 |
| | 1/18/13 (high) (t) | \$10.58 |
| | 8/19/13 (low) (t) | \$8.52 |
| | 11/30/12 | \$10.19 |

Total Returns vs Benchmarks

Year Ended 11/30/13

| | |
|--|---------|
| MFS Charter Income Trust at | |
| New York Stock Exchange Price (r) | (6.13)% |
| Net Asset Value (r) | 4.28% |
| Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f) | 8.54% |
| MFS Charter Income Trust Blended Index (f)(w) | 2.51% |
| Barclays U.S. Credit Bond Index (f) | (1.85)% |
| Barclays U.S. Government/Mortgage Bond Index (f) | (1.58)% |
| Citigroup World Government Bond Non-Dollar Hedged Index (f) | 2.20% |
| JPMorgan Emerging Markets Bond Index Global (f) | (6.26)% |
| (f) Source: FactSet Research Systems Inc. | |

(r) Includes reinvestment of dividends and capital gain distributions.

(t) For the period December 1, 2012 through November 30, 2013.

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Performance Summary continued

(w) MFS Charter Income Trust Blended Index is at a point in time and allocations during the period can change. As of November 30, 2013, the blended index was comprised of 15.2% Citigroup World Government Bond Non-Dollar Hedged Index, 12.8% JPMorgan Emerging Markets Bond Index Global, 42% Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index, 10% Barclays U.S. Credit Bond Index, and 20% Barclays U.S. Government/Mortgage Bond Index.

Benchmark Definitions

Barclays U.S. Credit Bond Index a market capitalization-weighted index that measures the performance of publicly issued, SEC-registered, U.S. corporate and specified foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Barclays U.S. Government/Mortgage Bond Index measures debt issued by the U.S. Government, and its agencies, as well as mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index a component of the Barclays U.S. High-Yield Corporate Bond Index, which measures performance of non-investment grade, fixed rate debt. The index limits the maximum exposure to any one issuer to 2%.

Citigroup World Government Bond Non-Dollar Hedged Index a market capitalization-weighted index that is designed to represent the currency-hedged performance of the international developed government bond markets, excluding the United States.

JPMorgan Emerging Markets Bond Index Global measures the performance of U.S.-dollar- denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund's shares may trade at a discount or premium to net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation.

The fund's monthly distributions may include a return of capital to shareholders to the extent that distributions are in excess of the fund's net investment income and net capital gains, determined in accordance with federal income tax regulations. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

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Performance Summary continued

Net asset values and performance results based on net asset value per share do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the Statement of Assets and Liabilities or the Financial Highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

Table of Contents**PORTFOLIO MANAGERS PROFILES**

| Portfolio Manager | Primary Role | Since | Title and Five Year History |
|--------------------------|---|--------------|---|
| Richard Hawkins | Lead Portfolio Manager | 2004 | Investment Officer of MFS; employed in the investment management area of MFS since 1988. |
| William Adams | Lower Quality Debt Instruments Portfolio Manager | 2011 | Investment Officer of MFS; employed in the investment management area of MFS since 2009; Credit Analyst at MFS from 1997 to 2005. |
| Ward Brown | Emerging Markets Debt Instruments Portfolio Manager | 2012 | Investment Officer of MFS; employed in the investment management area of MFS since 2005. |
| David Cole | Lower Quality Debt Instruments Portfolio Manager | 2006 | Investment Officer of MFS; employed in the investment management area of MFS since 2004. |
| Pilar Gomez-Bravo | Global Debt Instruments Portfolio Manager | August 2013 | Investment Officer of MFS; employed in the investment management area of MFS since 2013; Imperial Capital from May 2012 to March 2013; Negentropy Capital from June 2011 to April 2012; Marengo Asset Management from June 2010 to April 2011; Neuberger Berman from June 2006 to May 2010. |
| Joshua Marston | Structured Securities Portfolio Manager | 2012 | Investment Officer of MFS; employed in the investment management area of MFS since 1999. |
| Robert Persons | Investment Grade Debt Instruments Portfolio Manager | August 2013 | Investment Officer of MFS; employed in the investment management area of MFS since 2000. |
| Matthew Ryan | Emerging Markets Debt Instruments Portfolio Manager | 2004 | Investment Officer of MFS; employed in the investment management area of MFS since 1997. |
| Erik Weisman | Sovereign Debt Obligations Portfolio Manager | 2012 | Investment Officer of MFS; employed in the investment management area of MFS since 2002. |

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Generally, purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a price of either the net asset value or 95% of the market price, whichever is greater. You can also buy shares on a quarterly basis in any amount \$100 and over. The Plan Agent will purchase shares under the Cash Purchase Plan on the 15th of January, April, July, and October or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. Dividends and capital gains distributions are taxable whether received in cash or reinvested in additional shares the automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent's website at www.computershare.com, by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078. Please have available the name of the fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account, the Plan Agent will sell your shares and send the proceeds to you, or you may transfer your full shares to your investment professional who can hold or sell them. Additionally, the Plan Agent will sell your fractional shares and send the proceeds to you.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078.

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11/30/13

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

| Bonds - 103.3% | | |
|---|-------------------|-------------------|
| Issuer | Shares/Par | Value (\$) |
| Aerospace - 1.5% | | |
| Alliant Techsystems, Inc., 5.25%, 2021 (n) | \$ 350,000 | \$ 351,750 |
| BE Aerospace, Inc., 5.25%, 2022 | 250,000 | 256,250 |
| Bombardier, Inc., 7.5%, 2018 (n) | 1,040,000 | 1,180,400 |
| Bombardier, Inc., 7.75%, 2020 (n) | 375,000 | 426,563 |
| Bombardier, Inc., 6.125%, 2023 (n) | 905,000 | 900,475 |
| CPI International, Inc., 8%, 2018 | 985,000 | 1,019,475 |
| Huntington Ingalls Industries, Inc., 7.125%, 2021 | 2,275,000 | 2,479,750 |
| Kratos Defense & Security Solutions, Inc., 10%, 2017 | 1,790,000 | 1,937,675 |
| | | \$ 8,552,338 |
| Airlines - 0.0% | | |
| Continental Airlines, Inc., 7.25%, 2021 | \$ 181,737 | \$ 207,634 |
| Apparel Manufacturers - 0.8% | | |
| Hanesbrands, Inc., 6.375%, 2020 | \$ 875,000 | \$ 955,938 |
| Jones Group, Inc., 6.875%, 2019 | 1,040,000 | 1,063,400 |
| PVH Corp., 7.375%, 2020 | 1,305,000 | 1,425,713 |
| PVH Corp., 4.5%, 2022 | 830,000 | 780,200 |
| | | \$ 4,225,251 |
| Asset-Backed & Securitized - 5.3% | | |
| Anthracite Ltd., A , CDO, FRN, 0.526%, 2019 (n) | \$ 96,100 | \$ 95,803 |
| Banc of America Commercial Mortgage, Inc., FRN, 5.937%, 2051 | 1,500,000 | 1,678,115 |
| Bayview Financial Acquisition Trust, FRN, 5.483%, 2041 | 128,482 | 130,211 |
| Bayview Financial Revolving Mortgage Loan Trust, FRN, 1.771%, 2040 (z) | 714,251 | 339,004 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust, FRN, 5.366%, 2049 | 1,605,000 | 1,670,982 |
| Commercial Mortgage Pass-Through Certificates, FRN, 5.969%, 2046 | 230,000 | 248,027 |
| Countrywide Asset-Backed Certificates, FRN, 5.147%, 2033 | 637,911 | 646,122 |
| Crest Ltd., CDO, 7%, 2040 (a)(d) | 2,549,834 | 127,492 |
| First Union-Lehman Brothers Bank of America, FRN, 0.696%, 2035 (i) | 6,757,361 | 132,620 |
| Goldman Sachs Mortgage Securities Corp., FRN, 5.994%, 2045 | 1,757,216 | 1,943,400 |
| Greenwich Capital Commercial Funding Corp., 5.475%, 2039 | 954,545 | 1,017,513 |
| JPMorgan Chase Commercial Mortgage Securities Corp., A3 , FRN, 6.002%, 2049 | 1,000,000 | 1,023,132 |

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Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|--------------|---------------|
| Bonds - continued | | |
| Asset-Backed & Securitized - continued | | |
| JPMorgan Chase Commercial Mortgage Securities Corp., A3 , FRN, 6.119%, 2051 | \$ 6,000,000 | \$ 6,064,602 |
| JPMorgan Chase Commercial Mortgage Securities Corp., A4 , FRN, 6.002%, 2049 | 2,346,110 | 2,636,901 |
| JPMorgan Chase Commercial Mortgage Securities Corp., C , FRN, 6.191%, 2051 | 185,000 | 98,291 |
| JPMorgan Chase Commercial Mortgage Trust, 2007-LD11, AM , FRN, 6.002%, 2049 | 2,142,300 | 2,196,871 |
| Merrill Lynch Mortgage Trust, FRN, 6.047%, 2050 | 1,350,000 | 1,509,716 |
| Morgan Stanley Capital I Trust, AM , FRN, 5.874%, 2049 | 2,137,000 | 2,219,347 |
| Multi Security Asset Trust, A3 , CDO, 5%, 2035 (n) | 514,445 | 516,502 |
| Spirit Master Funding LLC, 5.05%, 2023 (z) | 1,099,836 | 1,118,093 |
| Wachovia Bank Commercial Mortgage Trust, A4 , FRN, 6.122%, 2051 | 3,625,000 | 4,015,278 |
| | | \$ 29,428,022 |
| Automotive - 2.2% | | |
| Accuride Corp., 9.5%, 2018 | \$ 1,445,000 | \$ 1,434,163 |
| Allison Transmission, Inc., 7.125%, 2019 (n) | 1,655,000 | 1,783,263 |
| FCE Bank PLC, 1.875%, 2016 | EUR 100,000 | 137,966 |
| Ford Motor Credit Co. LLC, 1.7%, 2016 | \$ 300,000 | 303,927 |
| General Motors Financial Co., Inc., 4.75%, 2017 (n) | 380,000 | 402,800 |
| General Motors Financial Co., Inc., 6.75%, 2018 | 795,000 | 900,338 |
| General Motors Financial Co., Inc., 4.25%, 2023 (n) | 615,000 | 585,788 |
| Goodyear Tire & Rubber Co., 6.5%, 2021 | 1,415,000 | 1,499,900 |
| Goodyear Tire & Rubber Co., 7%, 2022 | 350,000 | 377,125 |
| Jaguar Land Rover PLC, 7.75%, 2018 (n) | 430,000 | 464,400 |
| Jaguar Land Rover PLC, 8.125%, 2021 (n) | 2,065,000 | 2,338,613 |
| Jaguar Land Rover PLC, 5.625%, 2023 (n) | 465,000 | 461,513 |
| Lear Corp., 8.125%, 2020 | 952,000 | 1,051,960 |
| Lear Corp., 4.75%, 2023 (n) | 285,000 | 271,463 |
| RCI Banque S.A., 4%, 2016 | EUR 150,000 | 216,191 |
| TRW Automotive, Inc., 4.45%, 2023 (n) | \$ 184,000 | 182,620 |
| | | \$ 12,412,030 |
| Biotechnology - 0.0% | | |
| Life Technologies Corp., 6%, 2020 | \$ 200,000 | \$ 227,914 |
| Broadcasting - 3.1% | | |
| AMC Networks, Inc., 7.75%, 2021 | \$ 843,000 | \$ 948,375 |
| Clear Channel Communications, Inc., 9%, 2021 | 1,163,000 | 1,174,630 |
| Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 | 190,000 | 195,700 |
| Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 | 850,000 | 879,750 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Broadcasting - continued | | |
| Clear Channel Worldwide Holdings, Inc., A , 7.625%, 2020 | \$ 50,000 | \$ 52,250 |
| Clear Channel Worldwide Holdings, Inc., B , 7.625%, 2020 | 440,000 | 464,200 |
| Discovery Communications, Inc., 4.875%, 2043 | 200,000 | 186,506 |
| Hughes Network Systems LLC, 7.625%, 2021 | 765,000 | 843,413 |
| IAC/InterActive Corp., 4.875%, 2018 (z) | 175,000 | 178,719 |
| IAC/InterActive Corp., 4.75%, 2022 | 535,000 | 494,875 |
| Inmarsat Finance PLC, 7.375%, 2017 (n) | 790,000 | 821,600 |
| Intelsat Jackson Holdings S.A., 6.625%, 2022 (n) | 990,000 | 1,009,800 |
| Intelsat Jackson Holdings S.A., 6.625%, 2022 | 595,000 | 606,900 |
| Intelsat S.A., 8.125%, 2023 (n) | 1,465,000 | 1,545,575 |
| Liberty Media Corp., 8.5%, 2029 | 820,000 | 872,275 |
| Liberty Media Corp., 8.25%, 2030 | 210,000 | 222,863 |
| Myriad International Holdings B.V., 6%, 2020 (n) | 1,301,000 | 1,372,555 |
| Netflix, Inc., 5.375%, 2021 (n) | 930,000 | 946,275 |
| Nexstar Broadcasting, Inc., 6.875%, 2020 | 685,000 | 724,388 |
| SIRIUS XM Radio, Inc., 4.25%, 2020 (n) | 30,000 | 28,650 |
| SIRIUS XM Radio, Inc., 5.875%, 2020 (n) | 120,000 | 123,750 |
| SIRIUS XM Radio, Inc., 5.75%, 2021 (n) | 185,000 | 187,313 |
| SIRIUS XM Radio, Inc., 5.25%, 2022 (n) | 350,000 | 354,375 |
| Univision Communications, Inc., 6.875%, 2019 (n) | 855,000 | 921,263 |
| Univision Communications, Inc., 7.875%, 2020 (n) | 535,000 | 595,188 |
| Univision Communications, Inc., 8.5%, 2021 (n) | 710,000 | 786,325 |
| Vivendi S.A., 4%, 2017 | EUR 150,000 | 221,116 |
| WPP Finance, 3.625%, 2022 | \$ 338,000 | 325,043 |
| | | \$ 17,083,672 |
| Brokerage & Asset Managers - 0.4% | | |
| E*TRADE Financial Corp., 6.375%, 2019 | \$ 2,140,000 | \$ 2,289,800 |
| Building - 2.3% | | |
| Allegion U.S. Holding Co., Inc., 5.75%, 2021 (n) | \$ 505,000 | \$ 523,938 |
| Boise Cascade Co., 6.375%, 2020 | 505,000 | 530,250 |
| Building Materials Holding Corp., 6.875%, 2018 (n) | 790,000 | 843,325 |
| Building Materials Holding Corp., 7%, 2020 (n) | 600,000 | 645,000 |
| Building Materials Holding Corp., 6.75%, 2021 (n) | 675,000 | 727,313 |
| CEMEX Espana S.A., 9.25%, 2020 (n) | 925,000 | 1,004,781 |
| CEMEX S.A.B. de C.V., 5.875%, 2019 (n) | 253,000 | 247,940 |
| CEMEX S.A.B. de C.V., 6.5%, 2019 (n) | 284,000 | 287,550 |
| CEMEX S.A.B. de C.V., 9.25%, 2020 | 560,000 | 608,300 |
| CEMEX S.A.B. de C.V., 7.25%, 2021 (n) | 423,000 | 428,816 |
| CRH Finance Ltd., 3.125%, 2023 | EUR 150,000 | 204,244 |
| Gibraltar Industries, Inc., 6.25%, 2021 | \$ 60,000 | 61,800 |
| HD Supply, Inc., 8.125%, 2019 | 495,000 | 552,544 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Building - continued | | |
| HD Supply, Inc., 7.5%, 2020 | \$ 855,000 | \$ 906,300 |
| Holcim GB Finance Ltd., 8.75%, 2017 | GBP 100,000 | 197,454 |
| Lafarge S.A., 6.625%, 2018 | EUR 200,000 | 310,260 |
| Mohawk Industries, Inc., 3.85%, 2023 | \$ 134,000 | 127,603 |
| Nortek, Inc., 8.5%, 2021 | 1,375,000 | 1,519,375 |
| Owens Corning, Inc., 4.2%, 2022 | 250,000 | 242,299 |
| Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (n) | 760,000 | 855,000 |
| USG Corp., 6.3%, 2016 | 1,328,000 | 1,427,600 |
| USG Corp., 7.875%, 2020 (n) | 480,000 | 531,600 |
| USG Corp., 5.875%, 2021 (n) | 235,000 | 243,225 |
| | | \$ 13,026,517 |
| Business Services - 1.2% | | |
| Equinix, Inc., 4.875%, 2020 | \$ 520,000 | \$ 518,700 |
| Equinix, Inc., 5.375%, 2023 | 300,000 | 294,750 |
| Fidelity National Information Services, Inc., 5%, 2022 | 700,000 | 715,750 |
| First Data Corp., 10.625%, 2021 (n) | 780,000 | 842,400 |
| iGate Corp., 9%, 2016 | 1,608,000 | 1,718,550 |
| Iron Mountain, Inc., 8.375%, 2021 | 746,000 | 805,680 |
| Iron Mountain, Inc., 6%, 2023 | 125,000 | 127,500 |
| Lender Processing Services, Inc., 5.75%, 2023 | 300,000 | 312,000 |
| NeuStar, Inc., 4.5%, 2023 | 870,000 | 780,825 |
| Tencent Holdings Ltd., 3.375%, 2018 (n) | 449,000 | 458,957 |
| | | \$ 6,575,112 |
| Cable TV - 2.5% | | |
| CCO Holdings LLC, 8.125%, 2020 | \$ 1,045,000 | \$ 1,141,663 |
| CCO Holdings LLC, 7.375%, 2020 | 250,000 | 271,875 |
| CCO Holdings LLC, 6.5%, 2021 | 1,460,000 | 1,523,875 |
| CCO Holdings LLC/CCO Capital Corp., 5.75%, 2024 | 395,000 | 372,288 |
| Cequel Communications Holdings, 6.375%, 2020 (n) | 675,000 | 696,938 |
| Cequel Communications Holdings I LLC, 5.125%, 2021 (n) | 180,000 | 171,000 |
| Comcast Corp., 4.65%, 2042 | 200,000 | 183,927 |
| DIRECTV Holdings LLC, 5.15%, 2042 | 389,000 | 343,153 |
| DISH DBS Corp., 7.875%, 2019 | 240,000 | 277,800 |
| DISH DBS Corp., 6.75%, 2021 | 1,000,000 | 1,077,500 |
| DISH DBS Corp., 5%, 2023 | 630,000 | 600,075 |
| Lynx I Corp., 5.375%, 2021 (n) | 380,000 | 386,650 |
| Lynx II Corp., 6.375%, 2023 (n) | 295,000 | 304,588 |
| Nara Cable Funding Ltd., 8.875%, 2018 (n) | 475,000 | 509,438 |
| Nara Cable Funding Ltd., 8.875%, 2018 | EUR 150,000 | 220,841 |
| ONO Finance II PLC, 10.875%, 2019 (n) | \$ 300,000 | 325,500 |
| Shaw Communications, Inc., 5.65%, 2019 | CAD 215,000 | 225,158 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Cable TV - continued | | |
| Telenet Finance Luxembourg, 6.375%, 2020 (n) | EUR 435,000 | \$ 633,791 |
| Time Warner Cable, Inc., 5%, 2020 | \$ 300,000 | 304,091 |
| Time Warner Cable, Inc., 5.75%, 2031 | GBP 100,000 | 143,000 |
| Unitymedia Hessen, 5.5%, 2023 (n) | \$ 700,000 | 682,500 |
| UPC Holding B.V., 9.875%, 2018 (n) | 1,175,000 | 1,261,656 |
| UPCB Finance III Ltd., 6.625%, 2020 (n) | 1,104,000 | 1,175,760 |
| Virgin Media Finance PLC, 8.375%, 2019 | 318,000 | 347,018 |
| Ziggo Bond Co. B.V., 8%, 2018 (n) | EUR 635,000 | 918,720 |
| | | \$ 14,098,805 |
| Chemicals - 1.7% | | |
| Celanese U.S. Holdings LLC, 6.625%, 2018 | \$ 385,000 | \$ 413,394 |
| Celanese U.S. Holdings LLC, 5.875%, 2021 | 544,000 | 580,720 |
| Celanese U.S. Holdings LLC, 4.625%, 2022 | 210,000 | 201,600 |
| Dow Chemical Co., 8.55%, 2019 | 200,000 | 258,808 |
| Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 2021 (n) | 455,000 | 482,300 |
| FMC Corp., 4.1%, 2024 | 175,000 | 175,281 |
| Hexion U.S. Finance Corp., 6.625%, 2020 | 330,000 | 336,188 |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018 | 830,000 | 862,163 |
| Huntsman International LLC, 8.625%, 2021 | 1,740,000 | 1,948,800 |
| INEOS Finance PLC, 8.375%, 2019 (n) | 1,000,000 | 1,111,250 |
| INEOS Group Holdings S.A., 6.125%, 2018 (n) | 515,000 | 518,219 |
| LYB International Finance B.V., 4%, 2023 | 135,000 | 134,879 |
| NOVA Chemicals Corp., 5.25%, 2023 (n) | 550,000 | 566,500 |
| Polypore International, Inc., 7.5%, 2017 | 365,000 | 386,900 |
| Sociedad Quimica y Minera de Chile S.A., 5.5%, 2020 (n) | 414,000 | 424,689 |
| Tronox Finance LLC, 6.375%, 2020 | 1,220,000 | 1,221,525 |
| | | \$ 9,623,216 |
| Computer Software - 0.5% | | |
| Infor (US), Inc., 11.5%, 2018 | \$ 995,000 | \$ 1,149,225 |
| Syniverse Holdings, Inc., 9.125%, 2019 | 1,225,000 | 1,338,313 |
| VeriSign, Inc., 4.625%, 2023 | 375,000 | 359,063 |
| | | \$ 2,846,601 |
| Computer Software - Systems - 0.5% | | |
| Audatex North America, Inc., 6%, 2021 (n) | \$ 1,315,000 | \$ 1,374,175 |
| Audatex North America, Inc., 6.125%, 2023 (n) | 210,000 | 216,825 |
| CDW LLC/CDW Finance Corp., 12.535%, 2017 | 61,000 | 63,898 |
| CDW LLC/CDW Finance Corp., 8.5%, 2019 | 1,060,000 | 1,177,925 |
| | | \$ 2,832,823 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|--------------|
| Bonds - continued | | |
| Conglomerates - 1.7% | | |
| Alstom S.A., 2.25%, 2017 | EUR 100,000 | \$ 139,134 |
| Amsted Industries, Inc., 8.125%, 2018 (n) | \$ 1,655,000 | 1,746,025 |
| BC Mountain LLC, 7%, 2021 (n) | 570,000 | 567,150 |
| Dynacast International LLC, 9.25%, 2019 | 890,000 | 979,000 |
| Griffon Corp., 7.125%, 2018 | 1,635,000 | 1,745,363 |
| Metalloinvest Finance Ltd., 5.625%, 2020 (n) | 619,000 | 602,751 |
| Renaissance Acquisition, 6.875%, 2021 (n) | 1,345,000 | 1,348,363 |
| Rexel S.A., 6.125%, 2019 (n) | 520,000 | 540,800 |
| Rexel S.A., 5.25%, 2020 (n) | 220,000 | 222,750 |
| Roper Industries, Inc., 1.85%, 2017 | 200,000 | 199,792 |
| Siemens Financierings N.V., 5.25 to 2016, FRN to 2066 | EUR 100,000 | 146,310 |
| Siemens Financierings N.V., 6.125 to 2016, FRN to 2066 | GBP 75,000 | 133,053 |
| Silver II Borrower, 7.75%, 2020 (n) | \$ 715,000 | 754,325 |
| Votorantim Cimentos S.A., 5.25%, 2017 | EUR 100,000 | 146,907 |
| WESCO Distribution, Inc., 5.375%, 2021 (z) | \$ 135,000 | 136,013 |
| | | \$ 9,407,736 |
| Construction - 0.0% | | |
| Empresas ICA S.A.B. de C.V., 8.9%, 2021 | \$ 145,000 | \$ 138,475 |
| Consumer Products - 0.8% | | |
| Elizabeth Arden, Inc., 7.375%, 2021 | \$ 1,215,000 | \$ 1,325,869 |
| Henkel AG & Co. KGaA, 5.375% to 2015, FRN to 2104 | EUR 100,000 | 144,531 |
| Jarden Corp., 7.5%, 2020 | \$ 1,355,000 | 1,466,788 |
| Prestige Brands, Inc., 8.125%, 2020 | 257,000 | 285,591 |
| Prosegur Compania de Seguridad S.A., 2.75%, 2018 | EUR 200,000 | 276,499 |
| Spectrum Brands Escrow Corp., 6.375%, 2020 (n) | \$ 685,000 | 729,525 |
| | | \$ 4,228,803 |
| Consumer Services - 0.8% | | |
| ADT Corp., 6.25%, 2021 (n) | \$ 560,000 | \$ 584,500 |
| ADT Corp., 4.125%, 2023 | 60,000 | 53,120 |
| Monitronics International, Inc., 9.125%, 2020 | 145,000 | 152,975 |
| Monitronics International, Inc., 9.125%, 2020 (n) | 715,000 | 754,325 |
| QVC, Inc., 7.375%, 2020 (n) | 485,000 | 524,798 |
| Service Corp. International, 7%, 2017 | 1,955,000 | 2,194,488 |
| Western Union Co., 3.35%, 2019 | 72,000 | 72,655 |
| | | \$ 4,336,861 |
| Containers - 2.1% | | |
| Ardagh Packaging Finance PLC, 7.375%, 2017 (n) | \$ 990,000 | \$ 1,064,250 |
| Ardagh Packaging Finance PLC, 9.125%, 2020 (n) | 1,645,000 | 1,768,375 |
| Ball Corp., 5%, 2022 | 543,000 | 536,213 |
| Ball Corp., 4%, 2023 | 15,000 | 13,463 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Containers - continued | | |
| Berry Plastics Group, Inc., 9.5%, 2018 | \$ 220,000 | \$ 237,600 |
| Berry Plastics Group, Inc., 9.75%, 2021 | 390,000 | 453,863 |
| Crown American LLC, 4.5%, 2023 | 1,180,000 | 1,094,450 |
| Exopack Holdings S.A., 7.875%, 2019 (n) | 400,000 | 402,000 |
| Greif, Inc., 6.75%, 2017 | 850,000 | 942,438 |
| Greif, Inc., 7.75%, 2019 | 1,000,000 | 1,135,000 |
| Reynolds Group, 7.125%, 2019 | 1,135,000 | 1,214,450 |
| Reynolds Group, 9.875%, 2019 | 410,000 | 455,100 |
| Reynolds Group, 5.75%, 2020 | 790,000 | 809,750 |
| Reynolds Group, 8.25%, 2021 | 1,460,000 | 1,536,650 |
| | | \$ 11,663,602 |
| Defense Electronics - 0.3% | | |
| BAE Systems Holdings, Inc., 5.2%, 2015 (n) | \$ 450,000 | \$ 479,998 |
| BAE Systems PLC, 4.125%, 2022 | GBP 150,000 | 250,342 |
| Ducommun, Inc., 9.75%, 2018 | \$ 644,000 | 718,060 |
| | | \$ 1,448,400 |
| Electrical Equipment - 0.1% | | |
| Avaya, Inc., 9.75%, 2015 | \$ 460,000 | \$ 460,000 |
| Avaya, Inc., 7%, 2019 (n) | 190,000 | 184,775 |
| | | \$ 644,775 |
| Electronics - 0.5% | | |
| Nokia Corp., 5.375%, 2019 | \$ 500,000 | \$ 518,125 |
| Nokia Corp., 6.625%, 2039 | 190,000 | 188,100 |
| NXP B.V., 5.75%, 2023 (n) | 630,000 | 644,175 |
| Sensata Technologies B.V., 6.5%, 2019 (n) | 1,130,000 | 1,217,575 |
| Tyco Electronics Group S.A., 2.375%, 2018 | 44,000 | 44,016 |
| | | \$ 2,611,991 |
| Emerging Market Quasi-Sovereign - 2.9% | | |
| Banco de Reservas de La Republica Dominicana, 7%, 2023 (n) | \$ 621,000 | \$ 589,950 |
| Banco do Estado Rio Grande do Sul S.A., 7.375%, 2022 (n) | 828,000 | 838,350 |
| CNPC (HK) Overseas Capital Ltd., 4.5%, 2021 (n) | 547,000 | 567,158 |
| CNPC General Capital Ltd., 3.4%, 2023 (n) | 227,000 | 210,697 |
| Dolphin Energy Ltd., 5.5%, 2021 (n) | 733,000 | 802,635 |
| Ecopetrol S.A., 7.625%, 2019 | 594,000 | 700,920 |
| Ecopetrol S.A., 7.375%, 2043 | 214,000 | 231,762 |
| Gaz Capital S.A., 3.85%, 2020 (n) | 637,000 | 614,705 |
| Gaz Capital S.A., 3.389%, 2020 | EUR 150,000 | 203,021 |
| Gaz Capital S.A., 5.999%, 2021 (n) | \$ 1,344,000 | 1,411,200 |
| Gaz Capital S.A., 4.95%, 2028 (n) | 543,000 | 472,410 |
| Gazprom Neft, 4.375%, 2022 (n) | 229,000 | 210,394 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Emerging Market Quasi-Sovereign - continued | | |
| Gazprom Neft, 6%, 2023 (z) | \$ 209,000 | \$ 209,692 |
| KazAgro National Management Holding, 4.625%, 2023 (n) | 230,000 | 208,426 |
| Kazakhstan Temir Zholy Co., 6.95%, 2042 (n) | 1,167,000 | 1,167,000 |
| Magyar Export-Import Bank, 5.5%, 2018 (n) | 200,000 | 204,233 |
| Majapahit Holding B.V., 7.25%, 2017 (n) | 591,000 | 652,316 |
| Majapahit Holding B.V., 8%, 2019 (n) | 380,000 | 422,750 |
| OJSC Russian Agricultural Bank, 5.298%, 2017 (n) | 200,000 | 206,250 |
| Pemex Project Funding Master Trust, 5.75%, 2018 | 642,000 | 711,015 |
| Pertamina PT, 5.25%, 2021 (n) | 256,000 | 244,160 |
| Pertamina PT, 4.875%, 2022 (n) | 272,000 | 247,860 |
| Pertamina PT, 6%, 2042 (n) | 318,000 | 257,580 |
| Petrobras International Finance Co., 7.875%, 2019 | 1,008,000 | 1,165,840 |
| Petroleos Mexicanos, 8%, 2019 | 1,101,000 | 1,329,458 |
| Petroleos Mexicanos, 4.875%, 2022 | 774,000 | 793,350 |
| Rosneft, 4.199%, 2022 (n) | 865,000 | 791,475 |
| Sberbank of Russia, 6.125%, 2022 (n) | 403,000 | 426,173 |
| Sinopec Group Overseas Development (2012) Ltd., 3.9%, 2022 (n) | 279,000 | 275,811 |
| Vnesheconombank, 5.942%, 2023 (z) | 200,000 | 200,392 |
| | | \$ 16,366,983 |
| Emerging Market Sovereign - 2.7% | | |
| Dominican Republic, 7.5%, 2021 (n) | \$ 548,000 | \$ 589,100 |
| Dominican Republic, 5.875%, 2024 (n) | 121,000 | 113,498 |
| Government of Ukraine, 6.875%, 2015 | 500,000 | 465,000 |
| Republic of Colombia, 8.125%, 2024 | 664,000 | 858,220 |
| Republic of Croatia, 5.5%, 2023 (n) | 950,000 | 909,863 |
| Republic of Hungary, 5.375%, 2023 | 314,000 | 307,328 |
| Republic of Indonesia, 11.625%, 2019 (n) | 1,125,000 | 1,510,313 |
| Republic of Indonesia, 3.375%, 2023 (n) | 302,000 | 258,210 |
| Republic of Lithuania, 6.625%, 2022 (n) | 752,000 | 881,720 |
| Republic of Panama, 9.375%, 2029 | 1,062,000 | 1,476,180 |
| Republic of Peru, 7.35%, 2025 | 355,000 | 448,188 |
| Republic of Romania, 6.75%, 2022 (n) | 1,030,000 | 1,166,990 |
| Republic of Romania, 4.375%, 2023 (n) | 226,000 | 217,808 |
| Republic of Slovakia, 4.375%, 2022 (n) | 1,375,000 | 1,419,688 |
| Republic of Turkey, 5.625%, 2021 | 362,000 | 375,756 |
| Republic of Turkey, 6.25%, 2022 | 390,000 | 418,236 |
| Russian Federation, 4.5%, 2022 (n) | 400,000 | 407,200 |
| Russian Federation, 4.875%, 2023 (n) | 800,000 | 818,000 |
| United Mexican States, 3.625%, 2022 | 1,130,000 | 1,119,830 |
| United Mexican States, 8.5%, 2029 | MXN 13,970,000 | 1,209,129 |
| | | \$ 14,970,257 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Energy - Independent - 5.9% | | |
| Afren PLC, 11.5%, 2016 (n) | \$ 476,000 | \$ 552,160 |
| Afren PLC, 10.25%, 2019 (n) | 463,000 | 538,238 |
| Antero Resources Finance Corp., 6%, 2020 | 390,000 | 408,525 |
| Antero Resources Finance Corp., 5.375%, 2021 (n) | 550,000 | 555,500 |
| BreitBurn Energy Partners LP, 8.625%, 2020 | 330,000 | 353,100 |
| BreitBurn Energy Partners LP, 7.875%, 2022 | 1,470,000 | 1,503,075 |
| Carrizo Oil & Gas, Inc., 8.625%, 2018 | 435,000 | 472,519 |
| Carrizo Oil & Gas, Inc., 7.5%, 2020 | 355,000 | 388,725 |
| Chaparral Energy, Inc., 7.625%, 2022 | 710,000 | 768,575 |
| Concho Resources, Inc., 6.5%, 2022 | 1,075,000 | 1,163,688 |
| Concho Resources, Inc., 5.5%, 2023 | 590,000 | 598,850 |
| Continental Resources, Inc., 8.25%, 2019 | 1,170,000 | 1,284,075 |
| Continental Resources, Inc., 7.375%, 2020 | 50,000 | 56,000 |
| Continental Resources, Inc., 4.5%, 2023 | 391,000 | 387,090 |
| Denbury Resources, Inc., 8.25%, 2020 | 1,545,000 | 1,705,294 |
| Energy XXI Gulf Coast, Inc., 9.25%, 2017 | 1,585,000 | 1,767,275 |
| Energy XXI Gulf Coast, Inc., 7.5%, 2021 (n) | 595,000 | 623,263 |
| EP Energy LLC, 6.875%, 2019 | 300,000 | 323,250 |
| EP Energy LLC, 9.375%, 2020 | 1,160,000 | 1,334,000 |
| EP Energy LLC, 7.75%, 2022 | 1,815,000 | 2,041,875 |
| EPL Oil & Gas, Inc., 8.25%, 2018 | 800,000 | 859,000 |
| Halcon Resources Corp., 8.875%, 2021 | 1,755,000 | 1,781,325 |
| Harvest Operations Corp., 6.875%, 2017 | 1,380,000 | 1,490,400 |
| Hess Corp., 8.125%, 2019 | 100,000 | 125,653 |
| Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n) | 400,000 | 433,000 |
| Laredo Petroleum, Inc., 9.5%, 2019 | 1,080,000 | 1,204,200 |
| LINN Energy LLC, 8.625%, 2020 | 530,000 | 567,100 |
| LINN Energy LLC, 7.75%, 2021 | 418,000 | 433,675 |
| MEG Energy Corp., 6.5%, 2021 (n) | 420,000 | 436,800 |
| MEG Energy Corp., 7%, 2024 (n) | 435,000 | 443,700 |
| Oasis Petroleum, Inc., 6.875%, 2022 (n) | 520,000 | 559,000 |
| QEP Resources, Inc., 6.875%, 2021 | 1,690,000 | 1,795,625 |
| Range Resources Corp., 8%, 2019 | 1,045,000 | 1,112,925 |
| Range Resources Corp., 5%, 2022 | 310,000 | 304,575 |
| Samson Investment Co., 10.5%, 2020 (n) | 640,000 | 692,000 |
| SandRidge Energy, Inc., 8.125%, 2022 | 1,440,000 | 1,517,400 |
| SM Energy Co., 6.5%, 2021 | 925,000 | 989,750 |
| Whiting Petroleum Corp., 6.5%, 2018 | 820,000 | 871,250 |
| Whiting Petroleum Corp., 5%, 2019 | 405,000 | 414,113 |
| | | \$ 32,856,568 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------|--------------|
| Bonds - continued | | |
| Energy - Integrated - 0.5% | | |
| BG Energy Capital PLC, FRN, 6.5%, 2072 | EUR 150,000 | \$ 228,737 |
| Eni S.p.A., 4%, 2020 | EUR 100,000 | 150,502 |
| Husky Energy, Inc., 5.9%, 2014 | \$ 306,000 | 314,484 |
| Listrindo Capital B.V., 6.95%, 2019 (n) | 200,000 | 207,000 |
| LUKOIL International Finance B.V., 4.563%, 2023 (n) | 744,000 | 691,920 |
| Pacific Rubiales Energy Corp., 7.25%, 2021 (n) | 1,107,000 | 1,165,118 |
| Pacific Rubiales Energy Corp., 5.125%, 2023 (n) | 201,000 | 182,408 |
| | | \$ 2,940,169 |
| Engineering - Construction - 0.1% | | |
| BakerCorp International, Inc., 8.25%, 2019 | \$ 665,000 | \$ 660,013 |
| Entertainment - 1.0% | | |
| Activision Blizzard, Inc., 6.125%, 2023 (n) | \$ 495,000 | \$ 518,513 |
| AMC Entertainment, Inc., 8.75%, 2019 | 1,390,000 | 1,487,300 |
| Cedar Fair LP, 9.125%, 2018 | 450,000 | 490,500 |
| Cedar Fair LP, 5.25%, 2021 (n) | 755,000 | 739,900 |
| Cinemark USA, Inc., 5.125%, 2022 | 530,000 | 510,788 |
| Cinemark USA, Inc., 4.875%, 2023 | 590,000 | 553,125 |
| Six Flags Entertainment Corp., 5.25%, 2021 (n) | 1,155,000 | 1,131,900 |
| | | \$ 5,432,026 |
| Financial Institutions - 4.0% | | |
| Aviation Capital Group, 4.625%, 2018 (n) | \$ 555,000 | \$ 568,298 |
| Aviation Capital Group, 6.75%, 2021 (n) | 235,000 | 254,516 |
| CIT Group, Inc., 5.25%, 2018 | 1,320,000 | 1,422,300 |
| CIT Group, Inc., 6.625%, 2018 (n) | 1,555,000 | 1,757,150 |
| CIT Group, Inc., 5.5%, 2019 (n) | 1,315,000 | 1,416,913 |
| CIT Group, Inc., 5%, 2022 | 640,000 | 633,600 |
| Credit Acceptance Corp., 9.125%, 2017 | 875,000 | 922,031 |
| General Electric Capital Corp., 3.1%, 2023 | 750,000 | 717,122 |
| Icahn Enterprises LP, 8%, 2018 | 2,064,000 | 2,154,300 |
| Icahn Enterprises LP, 6%, 2020 (n) | 70,000 | 71,838 |
| International Lease Finance Corp., 8.625%, 2015 | 320,000 | 356,400 |
| International Lease Finance Corp., 7.125%, 2018 (n) | 1,075,000 | 1,242,969 |
| Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015 | 400,000 | 411,000 |
| Nationstar Mortgage LLC/Capital Corp., 6.5%, 2018 | 800,000 | 814,000 |
| Nationstar Mortgage LLC/Capital Corp., 9.625%, 2019 | 25,000 | 28,125 |
| Nationstar Mortgage LLC/Capital Corp., 7.875%, 2020 | 1,950,000 | 2,023,125 |
| PHH Corp., 7.375%, 2019 | 1,050,000 | 1,134,000 |
| PHH Corp., 6.375%, 2021 | 475,000 | 477,969 |
| SLM Corp., 8.45%, 2018 | 1,810,000 | 2,108,650 |
| SLM Corp., 8%, 2020 | 1,685,000 | 1,912,475 |
| SLM Corp., 7.25%, 2022 | 460,000 | 487,600 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|--------------|---------------|
| Bonds - continued | | |
| Financial Institutions - continued | | |
| TMK Capital S.A., 6.75%, 2020 (n) | \$ 1,299,000 | \$ 1,264,901 |
| | | \$ 22,179,282 |
| Food & Beverages - 1.5% | | |
| Ajecorp B.V., 6.5%, 2022 (n) | \$ 1,043,000 | \$ 1,037,737 |
| Anheuser-Busch InBev S.A., 6.875%, 2019 | 300,000 | 372,346 |
| B&G Foods, Inc., 4.625%, 2021 | 465,000 | 444,075 |
| BFF International Ltd., 7.25%, 2020 | 250,000 | 281,875 |
| Coca-Cola HBC Finance B.V., 4.25%, 2016 | EUR 150,000 | 221,274 |
| Conagra Foods, Inc., 3.2%, 2023 | \$ 250,000 | 233,692 |
| Constellation Brands, Inc., 3.75%, 2021 | 355,000 | 334,588 |
| Constellation Brands, Inc., 4.25%, 2023 | 900,000 | 846,000 |
| Embotelladora Andina S.A., 5%, 2023 (n) | 236,000 | 235,786 |
| Grupo Bimbo S.A.B. de C.V., 4.5%, 2022 (n) | 468,000 | 472,718 |
| Hawk Acquisition Sub, Inc., 4.25%, 2020 (n) | 695,000 | 668,938 |
| JBS Investments GmbH, 7.75%, 2020 (n) | 397,000 | 398,985 |
| Sun Merger Sub, Inc., 5.875%, 2021 (n) | 725,000 | 750,375 |
| TreeHouse Foods, Inc., 7.75%, 2018 | 1,045,000 | 1,099,863 |
| Tyson Foods, Inc., 6.6%, 2016 | 912,000 | 1,019,678 |
| Wm Wrigley Jr. Co., 2.9%, 2019 (n) | 107,000 | 108,213 |
| | | \$ 8,526,143 |
| Food & Drug Stores - 0.1% | | |
| CVS Caremark Corp., 5.75%, 2017 | \$ 250,000 | \$ 285,945 |
| Forest & Paper Products - 0.7% | | |
| Appvion, Inc., 9%, 2020 (z) | \$ 595,000 | \$ 581,613 |
| Fibria Overseas Finance Ltd., 7.5%, 2020 (n) | 291,000 | 318,645 |
| Graphic Packaging Holding Co., 7.875%, 2018 | 510,000 | 553,350 |
| Smurfit Kappa Group PLC, 4.875%, 2018 (n) | 905,000 | 934,413 |
| Smurfit Kappa Group PLC, 7.75%, 2019 (n) | EUR 560,000 | 830,217 |
| Tembec Industries, Inc., 11.25%, 2018 | \$ 425,000 | 466,438 |
| | | \$ 3,684,676 |
| Gaming & Lodging - 1.7% | | |
| Caesars Entertainment Operating Co., Inc., 8.5%, 2020 | \$ 300,000 | \$ 288,750 |
| Chester Downs & Marina LLC, 9.25%, 2020 (n) | 315,000 | 315,000 |
| GLP Capital LP/GLP Financing II, Inc., 4.375%, 2018 (n) | 380,000 | 387,600 |
| Hilton Worldwide Finance Co., 5.625%, 2021 (n) | 750,000 | 765,000 |
| Isle of Capri Casinos, Inc., 8.875%, 2020 | 960,000 | 1,022,400 |
| Isle of Capri Casinos, Inc., 5.875%, 2021 | 125,000 | 121,250 |
| MGM Resorts International, 11.375%, 2018 | 730,000 | 932,575 |
| MGM Resorts International, 6.625%, 2021 | 745,000 | 784,113 |
| Pinnacle Entertainment, Inc., 8.75%, 2020 | 905,000 | 1,000,025 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|--------------|--------------|
| Bonds - continued | | |
| Gaming & Lodging - continued | | |
| Playa Resorts Holdings B.V., 8%, 2020 (n) | \$ 310,000 | \$ 325,500 |
| PNK Finance Corp., 6.375%, 2021 (n) | 495,000 | 511,088 |
| Ryman Hospitality Properties, Inc., REIT, 5%, 2021 | 420,000 | 411,600 |
| Seven Seas Cruises S. DE R.L., 9.125%, 2019 | 935,000 | 1,032,006 |
| Wynn Las Vegas LLC, 7.75%, 2020 | 1,165,000 | 1,298,975 |
| | | \$ 9,195,882 |
| Health Maintenance Organizations - 0.0% | | |
| Wellcare Health Plans, Inc., 5.75%, 2020 | \$ 200,000 | \$ 205,500 |
| Industrial - 0.8% | | |
| Dematic S.A., 7.75%, 2020 (n) | \$ 1,015,000 | \$ 1,083,513 |
| Howard Hughes Corp., 6.875%, 2021 (n) | 915,000 | 949,313 |
| Hyva Global B.V., 8.625%, 2016 (n) | 1,124,000 | 1,138,050 |
| Mueller Water Products, Inc., 8.75%, 2020 | 459,000 | 515,228 |
| SPL Logistics Escrow LLC, 8.875%, 2020 (n) | 670,000 | 711,875 |
| | | \$ 4,397,979 |
| Insurance - 0.7% | | |
| American International Group, Inc., 4.875% to 2017, FRN to 2067 | EUR 250,000 | \$ 335,719 |
| Assicurazioni Generali S.p.A., 7.75% to 2022, FRN to 2042 | EUR 100,000 | 155,383 |
| Aviva PLC, 5.7% to 2015, FRN to 2049 | EUR 150,000 | 211,274 |
| CNP Assurances S.A., 6% TO 2020, FRN to 2040 | EUR 200,000 | 292,078 |
| Delta Lloyd N.V., FRN, 9%, 2042 | EUR 150,000 | 241,473 |
| Five Corners Funding Trust, 4.419%, 2023 (n) | \$ 250,000 | 251,274 |
| MetLife, Inc., 9.25% to 2038, FRN to 2068 (n) | 677,000 | 866,560 |
| Metropolitan Life Global Funding I, 5.125%, 2014 (n) | 860,000 | 881,223 |
| Unum Group, 7.125%, 2016 | 500,000 | 571,555 |
| | | \$ 3,806,539 |
| Insurance - Health - 0.0% | | |
| CIGNA Corp., 5.375%, 2042 | \$ 200,000 | \$ 210,174 |
| Insurance - Property & Casualty - 0.8% | | |
| Amlin PLC, 6.5% to 2016, FRN to 2026 | GBP 50,000 | \$ 84,541 |
| AXIS Capital Holdings Ltd., 5.75%, 2014 | \$ 1,013,000 | 1,062,181 |
| Berkshire Hathaway, Inc., 4.5%, 2043 | 250,000 | 235,208 |
| Clerical Medical Finance PLC, 4.25% to 2015, FRN to 2049 | EUR 200,000 | 271,428 |
| Mapfre S.A., 5.125%, 2015 | EUR 200,000 | 289,455 |
| QBE Capital Funding III Ltd., 7.5% to 2021, FRN to 2041 | GBP 100,000 | 179,505 |
| XL Group PLC, 6.5% to 2017, FRN to 2049 | \$ 1,695,000 | 1,661,100 |
| ZFS Finance USA Trust V, 6.5% to 2017, FRN to 2067 (n) | 627,000 | 664,620 |
| | | \$ 4,448,038 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-----------------|---------------|
| Bonds - continued | | |
| International Market Quasi-Sovereign - 1.1% | | |
| Eksportfinans A.S.A., 5.5%, 2016 | \$ 250,000 | \$ 262,500 |
| Eksportfinans A.S.A., 5.5%, 2017 | 375,000 | 394,219 |
| Electricite de France, FRN, 5.25%, 2049 (n) | 1,340,000 | 1,323,920 |
| ESB Finance Ltd., 4.375%, 2019 | EUR 200,000 | 301,304 |
| Israel Electric Corp. Ltd., 5.625%, 2018 (n) | \$ 1,248,000 | 1,313,520 |
| Israel Electric Corp. Ltd., 6.875%, 2023 (n) | 1,156,000 | 1,229,695 |
| KFW International Finance, Inc., 4.875%, 2019 | 1,000,000 | 1,161,500 |
| | | \$ 5,986,658 |
| International Market Sovereign - 9.9% | | |
| Commonwealth of Australia, 5.75%, 2021 | AUD 1,701,000 | \$ 1,732,389 |
| Federal Republic of Germany, 4.25%, 2018 | EUR 1,091,000 | 1,730,602 |
| Federal Republic of Germany, 6.25%, 2030 | EUR 942,000 | 1,939,396 |
| Government of Canada, 4.5%, 2015 | CAD 747,000 | 739,573 |
| Government of Canada, 4.25%, 2018 | CAD 447,000 | 468,510 |
| Government of Canada, 3.25%, 2021 | CAD 911,000 | 918,557 |
| Government of Canada, 5.75%, 2033 | CAD 196,000 | 257,668 |
| Government of Japan, 1.1%, 2020 | JPY 762,900,000 | 7,824,207 |
| Government of Japan, 2.1%, 2024 | JPY 257,750,000 | 2,892,027 |
| Government of Japan, 2.2%, 2027 | JPY 392,000,000 | 4,456,346 |
| Government of Japan, 1.8%, 2043 | JPY 81,000,000 | 815,234 |
| Kingdom of Belgium, 5.5%, 2017 | EUR 1,836,000 | 2,938,324 |
| Kingdom of Belgium, 4.25%, 2021 | EUR 437,000 | 695,252 |
| Kingdom of Denmark, 3%, 2021 | DKK 2,538,000 | 518,596 |
| Kingdom of Spain, 5.5%, 2017 | EUR 240,000 | 362,449 |
| Kingdom of Spain, 4.6%, 2019 | EUR 2,130,000 | 3,145,117 |
| Kingdom of Sweden, 5%, 2020 | SEK 1,895,000 | 347,607 |
| Kingdom of the Netherlands, 5.5%, 2028 | EUR 708,000 | 1,309,871 |
| Republic of Austria, 4.65%, 2018 | EUR 1,679,000 | 2,642,448 |
| Republic of Finland, 3.875%, 2017 | EUR 457,000 | 697,328 |
| Republic of France, 6%, 2025 | EUR 341,000 | 628,629 |
| Republic of France, 4.75%, 2035 | EUR 1,278,000 | 2,177,513 |
| Republic of Iceland, 4.875%, 2016 (n) | \$ 1,646,000 | 1,713,898 |
| Republic of Ireland, 4.5%, 2020 | EUR 798,000 | 1,179,092 |
| Republic of Ireland, 5.4%, 2025 | EUR 315,000 | 484,170 |
| Republic of Italy, 5.25%, 2017 | EUR 3,500,000 | 5,270,165 |
| Republic of Italy, 3.75%, 2021 | EUR 2,636,000 | 3,683,781 |
| United Kingdom Treasury, 8%, 2021 | GBP 1,260,000 | 2,875,849 |
| United Kingdom Treasury, 4.25%, 2036 | GBP 515,000 | 941,885 |
| | | \$ 55,386,483 |
| Internet - 0.2% | | |
| Baidu, Inc., 3.25%, 2018 | \$ 989,000 | \$ 1,011,509 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|--------------|
| Bonds - continued | | |
| Machinery & Tools - 1.7% | | |
| Case New Holland, Inc., 7.875%, 2017 | \$ 2,235,000 | \$ 2,642,888 |
| CNH America LLC, 7.25%, 2016 | 710,000 | 781,000 |
| CNH Capital LLC, 3.625%, 2018 | 100,000 | 101,000 |
| Ferreycorp S.A.A., 4.875%, 2020 (n) | 756,000 | 710,640 |
| H&E Equipment Services Co., 7%, 2022 | 1,245,000 | 1,360,163 |
| NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (n) | 1,215,000 | 1,369,913 |
| RSC Equipment Rental, Inc., 8.25%, 2021 | 940,000 | 1,069,250 |
| United Rentals North America, Inc., 5.75%, 2018 | 500,000 | 536,875 |
| United Rentals North America, Inc., 7.625%, 2022 | 1,000,000 | 1,120,000 |
| | | \$ 9,691,729 |
| Major Banks - 3.0% | | |
| ABN AMRO North America Finance, Inc., 7.125%, 2022 | EUR 150,000 | \$ 245,166 |
| Banco Santander U.S. Debt S.A.U., 3.781%, 2015 (n) | \$ 1,400,000 | 1,445,648 |
| Bank of America Corp., 7.375%, 2014 | 1,000,000 | 1,030,305 |
| Bank of America Corp., 7.625%, 2019 | 370,000 | 462,699 |
| Bank of America Corp., FRN, 5.2%, 2049 | 1,005,000 | 904,500 |
| Barclays Bank PLC, 6%, 2021 | EUR 100,000 | 155,084 |
| Barclays Bank PLC, 7.625%, 2022 | \$ 1,185,000 | 1,245,731 |
| Barclays Bank PLC, 6.75% to 2018, FRN to 2023 | GBP 100,000 | 179,709 |
| BBVA Senior Finance S.A., 3.25%, 2016 | EUR 200,000 | 282,176 |
| BNP Paribas, FRN, 3.002%, 2014 | \$ 730,000 | 749,856 |
| Credit Agricole S.A., 7.375%, 2023 | GBP 50,000 | 96,858 |
| Credit Agricole S.A., 7.875% to 2019, FRN to 2049 | EUR 200,000 | 308,651 |
| Credit Suisse Group AG, 6.5%, 2023 (n) | \$ 457,000 | 483,716 |
| Credit Suisse New York, 5.5%, 2014 | 1,000,000 | 1,021,046 |
| Goldman Sachs Group, Inc., 5.75%, 2022 | 500,000 | 564,289 |
| HSBC USA, Inc., 4.875%, 2020 | 460,000 | 499,555 |
| ING Bank N.V., 4.875%, 2021 | EUR 100,000 | 159,163 |
| JPMorgan Chase & Co., 6.3%, 2019 | \$ 500,000 | 595,526 |
| JPMorgan Chase & Co., 3.25%, 2022 | 478,000 | 458,438 |
| JPMorgan Chase & Co., 6% to 2023, FRN to 2049 | 1,515,000 | 1,458,188 |
| Macquarie Group Ltd., 3%, 2018 (z) | 400,000 | 400,234 |
| Morgan Stanley, 5.75%, 2016 | 397,000 | 444,582 |
| Morgan Stanley, 6.625%, 2018 | 391,000 | 460,978 |
| RBS Capital Trust II, 6.425% to 2034, FRN to 2049 | 530,000 | 494,225 |
| Royal Bank of Scotland Group PLC, 6.934%, 2018 | EUR 150,000 | 229,535 |
| Royal Bank of Scotland Group PLC, 5.5%, 2020 | EUR 150,000 | 241,033 |
| Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n) | \$ 350,000 | 370,125 |
| Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049 | 1,140,000 | 1,188,450 |
| Societe Generale, 4.25%, 2022 | EUR 100,000 | 155,108 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Major Banks - continued | | |
| Wells Fargo & Co., 2.1%, 2017 | \$ 500,000 | \$ 514,601 |
| Wells Fargo & Co., 5.375%, 2043 | 125,000 | 123,397 |
| | | \$ 16,968,572 |
| Medical & Health Technology & Services - 3.8% | | |
| AmSurg Corp., 5.625%, 2020 | \$ 705,000 | \$ 733,200 |
| Davita, Inc., 6.375%, 2018 | 2,180,000 | 2,289,000 |
| Davita, Inc., 6.625%, 2020 | 986,000 | 1,055,020 |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n) | 665,000 | 741,475 |
| Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n) | 495,000 | 534,600 |
| Fresenius Medical Care Capital Trust III, 5.875%, 2022 (n) | 335,000 | 357,613 |
| HCA, Inc., 8.5%, 2019 | 2,005,000 | 2,142,844 |
| HCA, Inc., 7.5%, 2022 | 2,160,000 | 2,403,000 |
| HCA, Inc., 5.875%, 2022 | 680,000 | 705,500 |
| HealthSouth Corp., 8.125%, 2020 | 1,825,000 | 2,007,500 |
| IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019 | 990,000 | 1,046,925 |
| Kinetic Concepts, Inc., 12.5%, 2019 | 635,000 | 701,675 |
| Lifepoint Hospitals, Inc., 5.5%, 2021 (z) | 675,000 | 678,375 |
| McKesson Corp., 7.5%, 2019 | 110,000 | 136,055 |
| Owens & Minor, Inc., 6.35%, 2016 | 970,000 | 1,061,912 |
| Tenet Healthcare Corp., 8%, 2020 | 820,000 | 893,800 |
| Tenet Healthcare Corp., 4.5%, 2021 | 730,000 | 697,150 |
| Tenet Healthcare Corp., 8.125%, 2022 | 515,000 | 558,775 |
| Universal Health Services, Inc., 7%, 2018 | 1,055,000 | 1,128,850 |
| Universal Health Services, Inc., 7.625%, 2020 | 1,175,000 | 1,233,750 |
| | | \$ 21,107,019 |
| Medical Equipment - 0.4% | | |
| Biomet, Inc., 6.5%, 2020 | \$ 915,000 | \$ 969,900 |
| Physio-Control International, Inc., 9.875%, 2019 (n) | 527,000 | 590,240 |
| Teleflex, Inc., 6.875%, 2019 | 595,000 | 624,750 |
| | | \$ 2,184,890 |
| Metals & Mining - 2.3% | | |
| ArcelorMittal S.A., 6.75%, 2022 | \$ 235,000 | \$ 254,681 |
| ArcelorMittal S.A., 7.25%, 2041 | 555,000 | 527,250 |
| Arch Coal, Inc., 7.25%, 2020 | 545,000 | 411,475 |
| Barrick International (Barbados) Corp., 5.75%, 2016 (n) | 1,258,000 | 1,401,962 |
| Cameco Corp., 5.67%, 2019 | CAD 220,000 | 229,518 |
| Century Aluminum Co., 7.5%, 2021 (n) | \$ 580,000 | 564,050 |
| Commercial Metals Co., 4.875%, 2023 | 525,000 | 489,563 |
| Consol Energy, Inc., 8%, 2017 | 925,000 | 978,188 |
| Consol Energy, Inc., 8.25%, 2020 | 765,000 | 831,938 |
| First Quantum Minerals Ltd., 7.25%, 2019 (n) | 1,240,000 | 1,196,600 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------|---------------|
| Bonds - continued | | |
| Metals & Mining - continued | | |
| Fortescue Metals Group Ltd., 8.25%, 2019 (n) | \$ 745,000 | \$ 832,538 |
| Glencore Finance (Europe) S.A., 6.5%, 2019 | GBP 50,000 | 93,048 |
| Peabody Energy Corp., 7.375%, 2016 | \$ 570,000 | 642,675 |
| Peabody Energy Corp., 6%, 2018 | 445,000 | 472,813 |
| Peabody Energy Corp., 6.25%, 2021 | 445,000 | 455,013 |
| Plains Exploration & Production Co., 6.875%, 2023 | 250,000 | 276,875 |
| Rio Tinto Finance (USA) PLC, 2.25%, 2018 | 109,000 | 109,582 |
| Rio Tinto Finance PLC, 2%, 2020 | EUR 100,000 | 136,166 |
| Southern Copper Corp., 5.25%, 2042 | \$ 250,000 | 201,448 |
| TMS International Corp., 7.625%, 2021 (n) | 550,000 | 580,250 |
| Vale Overseas Ltd., 4.625%, 2020 | 490,000 | 499,514 |
| Vale Overseas Ltd., 4.375%, 2022 | 500,000 | 482,892 |
| Walter Energy, Inc., 9.5%, 2019 (n) | 500,000 | 522,500 |
| Walter Energy, Inc., 8.5%, 2021 | 650,000 | 547,625 |
| Xstrata Finance (Canada) Ltd., 5.25%, 2017 | EUR 200,000 | 303,895 |
| | | \$ 13,042,059 |
| Mortgage-Backed - 2.8% | | |
| Fannie Mae, 3.5%, 2043 | \$ 510,374 | \$ 514,964 |
| Fannie Mae, 4.521%, 2014 | 123,888 | 124,284 |
| Fannie Mae, 4.523%, 2014 | 279,366 | 278,714 |
| Fannie Mae, 4.77%, 2014 | 305,303 | 307,265 |
| Fannie Mae, 4.56%, 2015 | 165,907 | 172,721 |
| Fannie Mae, 4.665%, 2015 | 134,695 | 139,075 |
| Fannie Mae, 4.74%, 2015 | 320,176 | 331,924 |
| Fannie Mae, 4.78%, 2015 | 371,576 | 389,059 |
| Fannie Mae, 4.815%, 2015 | 341,858 | 355,807 |
| Fannie Mae, 4.87%, 2015 | 272,474 | 283,451 |
| Fannie Mae, 4.89%, 2015 | 91,014 | 94,092 |
| Fannie Mae, 4.909%, 2015 | 435,418 | 451,598 |
| Fannie Mae, 6%, 2016 - 2037 | 1,055,533 | 1,149,263 |
| Fannie Mae, 5.5%, 2019 - 2037 | 4,102,560 | 4,481,096 |
| Fannie Mae, 4.88%, 2020 | 188,590 | 207,274 |
| Fannie Mae, 6.5%, 2032 - 2033 | 300,106 | 338,026 |
| Fannie Mae, 5%, 2035 | 729,703 | 792,682 |
| Fannie Mae, 3.5%, 2043 | 1,668,567 | 1,683,574 |
| Fannie Mae, TBA, 3%, 2028 | 1,180,000 | 1,213,003 |
| Freddie Mac, 6%, 2034 | 123,292 | 137,362 |
| Ginnie Mae, 3%, 2043 | 403,825 | 395,280 |
| Ginnie Mae, 5.5%, 2039 | 682,042 | 750,152 |
| Ginnie Mae, 4.5%, 2041 | 1,179,694 | 1,278,261 |
| | | \$ 15,868,927 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Municipals - 0.2% | | |
| New Jersey Tobacco Settlement Financing Corp., 1-A, 4.5%, 2023 | \$ 370,000 | \$ 342,405 |
| New York, NY, Transitional Finance Authority Rev., Future Tax Secured, A, 5%, 2042 | 950,000 | 991,458 |
| | | \$ 1,333,863 |
| Natural Gas - Distribution - 0.5% | | |
| AmeriGas Finance LLC, 6.75%, 2020 | \$ 1,315,000 | \$ 1,433,350 |
| Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021 | 1,065,000 | 1,083,638 |
| Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 2022 (n) | 210,000 | 213,675 |
| Gas Natural Fenosa Finance B.V., 3.875%, 2023 | EUR 200,000 | 285,832 |
| | | \$ 3,016,495 |
| Natural Gas - Pipeline - 2.6% | | |
| Access Midstream Partners Co., 5.875%, 2021 | \$ 40,000 | \$ 42,800 |
| Access Midstream Partners Co., 4.875%, 2023 | 1,695,000 | 1,661,100 |
| Atlas Pipeline Partners LP, 4.75%, 2021 (n) | 310,000 | 286,750 |
| Atlas Pipeline Partners LP, 5.875%, 2023 (n) | 610,000 | 591,700 |
| Crestwood Midstream Partners LP, 6.125%, 2022 (n) | 210,000 | 214,725 |
| Crosstex Energy, Inc., 8.875%, 2018 | 1,705,000 | 1,798,775 |
| Crosstex Energy, Inc., 7.125%, 2022 | 75,000 | 85,500 |
| El Paso Corp., 7%, 2017 | 1,215,000 | 1,375,020 |
| El Paso Corp., 7.75%, 2032 | 1,656,000 | 1,694,456 |
| Enbridge, Inc., 3.19%, 2022 | CAD 255,000 | 229,411 |
| Energy Transfer Equity LP, 7.5%, 2020 | \$ 1,380,000 | 1,573,200 |
| Energy Transfer Partners LP, 3.6%, 2023 | 533,000 | 501,470 |
| Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068 | 49,000 | 54,023 |
| Inergy Midstream LP, 6%, 2020 (n) | 1,155,000 | 1,182,431 |
| MarkWest Energy Partners LP, 5.5%, 2023 | 200,000 | 204,000 |
| MarkWest Energy Partners LP, 4.5%, 2023 | 100,000 | 94,750 |
| Sabine Pass Liquefaction, 5.625%, 2021 (n) | 245,000 | 241,938 |
| Sabine Pass Liquefaction, 5.625%, 2023 (n) | 685,000 | 649,038 |
| Spectra Energy Capital LLC, 8%, 2019 | 810,000 | 988,227 |
| Summit Midstream Holdings LLC, 7.5%, 2021 (n) | 530,000 | 553,850 |
| TransCanada PipeLines Ltd., 5.1%, 2017 | CAD 225,000 | 231,449 |
| | | \$ 14,254,613 |
| Network & Telecom - 1.2% | | |
| Centurylink, Inc., 7.65%, 2042 | \$ 700,000 | \$ 631,750 |
| Citizens Communications Co., 9%, 2031 | 1,135,000 | 1,143,513 |
| Deutsche Telekom International Finance B.V., 4.875%, 2025 | EUR 150,000 | 240,774 |
| Empresa Nacional de Telecomunicaciones S.A., 4.875%, 2024 (n) | \$ 483,000 | 473,147 |
| France Telecom-Orange S.A., 3%, 2022 | EUR 100,000 | 139,804 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|--------------|--------------|
| Bonds - continued | | |
| Network & Telecom - continued | | |
| Frontier Communications Corp., 8.125%, 2018 | \$ 470,000 | \$ 542,850 |
| Telecom Italia S.p.A, 5.625%, 2015 | GBP 100,000 | 171,855 |
| Telecom Italia S.p.A., 5.375%, 2019 | EUR 200,000 | 285,584 |
| Telefonica Emisiones S.A.U., 3.987%, 2023 | EUR 200,000 | 281,964 |
| TW Telecom Holdings, Inc., 5.375%, 2022 (n) | \$ 290,000 | 288,913 |
| TW Telecom Holdings, Inc., 5.375%, 2022 | 515,000 | 513,069 |
| Verizon Communications, Inc., 4.5%, 2020 | 378,000 | 405,896 |
| Verizon Communications, Inc., 5.15%, 2023 | 250,000 | 266,788 |
| Verizon Communications, Inc., 6.4%, 2033 | 300,000 | 334,911 |
| Windstream Corp., 8.125%, 2018 | 380,000 | 409,450 |
| Windstream Corp., 7.75%, 2020 | 345,000 | 369,150 |
| Windstream Corp., 7.75%, 2021 | 270,000 | 288,225 |
| | | \$ 6,787,643 |
| Oil Services - 1.5% | | |
| Bristow Group, Inc., 6.25%, 2022 | \$ 1,020,000 | \$ 1,078,650 |
| Dresser-Rand Group, Inc., 6.5%, 2021 | 305,000 | 323,300 |
| Edgen Murray Corp., 8.75%, 2020 (n) | 915,000 | 1,059,113 |
| Odebrecht Offshore Drilling Finance Ltd., 6.75%, 2022 (n) | 1,065,000 | 1,088,963 |
| Pacific Drilling S.A., 5.375%, 2020 (n) | 840,000 | 848,400 |
| Qqog Constellation S.A., 6.25%, 2019 (n) | 1,390,000 | 1,341,350 |
| Shale-Inland Holdings LLC/Finance Co., 8.75%, 2019 (n) | 1,280,000 | 1,302,400 |
| Unit Corp., 6.625%, 2021 | 1,340,000 | 1,407,000 |
| | | \$ 8,449,176 |
| Other Banks & Diversified Financials - 2.5% | | |
| Alfa Bank, 7.5%, 2019 (n) | \$ 811,000 | \$ 853,578 |
| Banco de Credito del Peru, 6.125% to 2022, FRN to 2027 (n) | 779,000 | 784,843 |
| Banco GNB Sudameris S.A., 3.875%, 2018 (n) | 291,000 | 274,268 |
| Banque Federative du Credit Mutuel, 2%, 2019 | EUR 100,000 | 136,122 |
| BB&T Corp., 3.95%, 2016 | \$ 250,000 | 268,131 |
| BBVA Banco Continental S.A., 5%, 2022 (n) | 146,000 | 143,080 |
| BBVA Bancomer S.A. de C.V., 6.5%, 2021 (n) | 900,000 | 945,000 |
| BBVA Bancomer S.A. de C.V., 6.75%, 2022 (n) | 1,004,000 | 1,060,224 |
| CaixaBank S.A., 3.25%, 2016 | EUR 100,000 | 140,642 |
| Capital One Bank (USA) N.A., 3.375%, 2023 | \$ 384,000 | 361,117 |
| Citigroup, Inc., 3.375%, 2023 | 500,000 | 479,365 |
| Deutsche Bank Capital Funding Trust, 5.33% to 2013, FRN to 2049 | EUR 150,000 | 195,624 |
| Discover Bank, 7%, 2020 | \$ 250,000 | 294,508 |
| Erste Group Bank AG, 7.125%, 2022 | EUR 150,000 | 238,715 |
| Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n) | 2,297,000 | 2,986,100 |
| Grupo Aval Ltd., 5.25%, 2017 (n) | 795,000 | 826,800 |
| Intesa Sanpaolo S.p.A., 4.125%, 2016 | EUR 100,000 | 143,430 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-------------------|
| Bonds - continued | | |
| Other Banks & Diversified Financials - continued | | |
| Intesa Sanpaolo S.p.A., 5.25%, 2022 | GBP 100,000 | \$ 169,435 |
| KBC Internationale Financieringsmaatschappij N.V., 4.5%, 2017 | EUR 150,000 | 225,373 |
| LBG Capital No. 1 PLC, 7.875%, 2020 (n) | \$ 1,940,000 | 2,079,680 |
| LBG Capital No. 2 PLC, 6.385%, 2020 | EUR 200,000 | 283,927 |
| Rabobank Nederland N.V., 4%, 2022 | GBP 100,000 | 170,124 |
| Santander Issuances S.A., 4.5% to 2014, FRN to 2019 | EUR 100,000 | 127,359 |
| UBS AG, 7.625%, 2022 | \$ 500,000 | 571,867 |
| | | \$ 13,759,312 |
| Pharmaceuticals - 1.1% | | |
| Capsugel FinanceCo. SCA, 9.875%, 2019 (n) | EUR 651,000 | \$ 989,404 |
| Capsugel S.A., 7%, 2019 (n)(p) | \$ 245,000 | 249,288 |
| Celgene Corp., 1.9%, 2017 | 400,000 | 402,030 |
| Endo Health Solutions, Inc., 7.25%, 2022 | 545,000 | 589,963 |
| Hospira, Inc., 6.05%, 2017 | 200,000 | 220,559 |
| Mylan, Inc., 2.55%, 2019 | 265,000 | 265,827 |
| Valeant Pharmaceuticals International, Inc., 7%, 2020 (n) | 1,405,000 | 1,506,863 |
| Valeant Pharmaceuticals International, Inc., 7.25%, 2022 (n) | 1,030,000 | 1,109,825 |
| Vantage Point Imaging, 7.5%, 2021 (n) | 525,000 | 577,500 |
| Watson Pharmaceuticals, Inc., 1.875%, 2017 | 200,000 | 199,541 |
| | | \$ 6,110,800 |
| Precious Metals & Minerals - 0.4% | | |
| Eldorado Gold Corp., 6.125%, 2020 (n) | \$ 1,075,000 | \$ 1,053,500 |
| IAMGOLD Corp., 6.75%, 2020 (n) | 1,618,000 | 1,435,975 |
| | | \$ 2,489,475 |
| Printing & Publishing - 0.4% | | |
| American Media, Inc., 13.5%, 2018 (z) | \$ 11,911 | \$ 12,804 |
| Gannett Co., Inc., 6.375%, 2023 (n) | 595,000 | 620,288 |
| Gannett Co., Inc., 5.125%, 2019 (z) | 5,000 | 5,156 |
| Gannett Co., Inc., 5.125%, 2020 (n) | 60,000 | 61,200 |
| Lamar Media Corp., 5%, 2023 | 580,000 | 553,900 |
| Moody's Corp., 4.875%, 2024 | 200,000 | 201,330 |
| Nielsen Finance LLC, 7.75%, 2018 | 645,000 | 701,438 |
| Wolters Kluwer N.V., 6.375%, 2018 | EUR 100,000 | 162,936 |
| | | \$ 2,319,052 |
| Railroad & Shipping - 0.1% | | |
| CSX Corp., 4.1%, 2044 | \$ 200,000 | \$ 171,169 |
| Watco Cos. LLC, 6.375%, 2023 (n) | 570,000 | 568,575 |
| | | \$ 739,744 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|--------------|
| Bonds - continued | | |
| Real Estate - 1.2% | | |
| Aviv Healthcare Properties LP, 6%, 2021 (n) | \$ 730,000 | \$ 748,250 |
| Boston Properties, Inc., REIT, 3.125%, 2023 | 250,000 | 232,659 |
| CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019 | 475,000 | 490,438 |
| DuPont Fabros Technology, Inc., REIT, 5.875%, 2021 (n) | 760,000 | 782,800 |
| ERP Properties, REIT, 7.75%, 2020 | 665,000 | 765,208 |
| ERP Properties, REIT, 5.75%, 2022 | 750,000 | 773,192 |
| Felcor Lodging LP, REIT, 5.625%, 2023 | 415,000 | 404,625 |
| Hammerson PLC, REIT, 2.75%, 2019 | EUR 100,000 | 140,520 |
| MPT Operating Partnership LP, REIT, 6.875%, 2021 | \$ 680,000 | 729,300 |
| MPT Operating Partnership LP, REIT, 6.375%, 2022 | 540,000 | 556,200 |
| Simon Property Group, Inc., REIT, 10.35%, 2019 | 660,000 | 904,088 |
| | | \$ 6,527,280 |
| Retailers - 1.3% | | |
| Academy Ltd., 9.25%, 2019 (n) | \$ 295,000 | \$ 325,975 |
| Burlington Coat Factory Warehouse Corp., 10%, 2019 | 810,000 | 908,213 |
| Cencosud S.A., 5.5%, 2021 | 250,000 | 256,034 |
| CST Brands, Inc., 5%, 2023 (n) | 90,000 | 86,625 |
| Dollar General Corp., 4.125%, 2017 | 827,000 | 883,563 |
| Gap, Inc., 5.95%, 2021 | 300,000 | 332,490 |
| Home Depot, Inc., 4.875%, 2044 | 200,000 | 203,244 |
| J. Crew Group, Inc., 8.125%, 2019 | 130,000 | 136,988 |
| Jo-Ann Stores Holdings, Inc., 9.75%, 2019 (n)(p) | 860,000 | 898,700 |
| Limited Brands, Inc., 6.9%, 2017 | 305,000 | 349,988 |
| Limited Brands, Inc., 6.95%, 2033 | 670,000 | 663,300 |
| Marks & Spencer Group PLC, 4.75%, 2025 | GBP 100,000 | 163,939 |
| Rite Aid Corp., 9.25%, 2020 | \$ 1,125,000 | 1,297,969 |
| Sally Beauty Holdings, Inc., 6.875%, 2019 | 475,000 | 525,469 |
| William Carter Co., 5.25%, 2021 (n) | 30,000 | 30,525 |
| | | \$ 7,063,022 |
| Specialty Chemicals - 0.2% | | |
| Chemtura Corp., 5.75%, 2021 | \$ 595,000 | \$ 602,438 |
| Koppers, Inc., 7.875%, 2019 | 285,000 | 309,225 |
| SIBUR Securities Ltd., 3.914%, 2018 (n) | 220,000 | 213,125 |
| | | \$ 1,124,788 |
| Specialty Stores - 0.4% | | |
| Advance Auto Parts, Inc., 4.5%, 2023 | \$ 320,000 | \$ 319,723 |
| Canadian Tire Corp. Ltd., 4.95%, 2015 | CAD 230,000 | 226,492 |
| Michaels Stores, Inc., 11.375%, 2016 | \$ 414,000 | 424,354 |
| Michaels Stores, Inc., 7.75%, 2018 | 1,080,000 | 1,169,100 |
| | | \$ 2,139,669 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------|---------------|
| Bonds - continued | | |
| Supermarkets - 0.1% | | |
| Delhaize Group, 3.125%, 2020 | EUR 100,000 | \$ 141,128 |
| William Morrison Supermarkets PLC, 3.5%, 2026 | GBP 100,000 | 150,746 |
| | | \$ 291,874 |
| Telecommunications - Wireless - 3.1% | | |
| America Movil S.A.B. de C.V., 4.75%, 2022 | EUR 200,000 | \$ 310,099 |
| American Tower Corp., REIT, 3.5%, 2023 | \$ 215,000 | 197,316 |
| Crown Castle International Corp., 7.125%, 2019 | 1,005,000 | 1,088,315 |
| Crown Castle International Corp., 5.25%, 2023 | 200,000 | 197,500 |
| Digicel Group Ltd., 8.25%, 2017 (n) | 710,000 | 739,288 |
| Digicel Group Ltd., 10.5%, 2018 (n) | 350,000 | 377,125 |
| Digicel Group Ltd., 8.25%, 2020 (n) | 811,000 | 847,495 |
| Digicel Group Ltd., 6%, 2021 (n) | 680,000 | 656,200 |
| Eileme 2 AB, 11.625%, 2020 (n) | 765,000 | 919,913 |
| MetroPCS Wireless, Inc., 7.875%, 2018 | 785,000 | 845,838 |
| MetroPCS Wireless, Inc., 6.25%, 2021 (n) | 975,000 | 1,014,000 |
| Millicom International Cellular S.A., 4.75%, 2020 (n) | 390,000 | 372,450 |
| Millicom International Cellular S.A., 6.625%, 2021 (n) | 409,000 | 417,180 |
| MTS International Funding Ltd., 5%, 2023 (n) | 488,000 | 455,060 |
| Sprint Capital Corp., 6.875%, 2028 | 1,315,000 | 1,249,250 |
| Sprint Corp., 7.875%, 2023 (n) | 1,170,000 | 1,281,150 |
| Sprint Nextel Corp., 8.375%, 2017 | 815,000 | 945,400 |
| Sprint Nextel Corp., 9%, 2018 (n) | 415,000 | 502,150 |
| Sprint Nextel Corp., 6%, 2022 | 830,000 | 823,775 |
| T-Mobile USA, Inc, 6.5%, 2024 | 370,000 | 374,625 |
| T-Mobile USA, Inc., 6.125%, 2022 | 135,000 | 137,531 |
| T-Mobile USA, Inc., 5.25%, 2018 (n) | 50,000 | 52,125 |
| T-Mobile USA, Inc., 6.464%, 2019 | 210,000 | 223,650 |
| T-Mobile USA, Inc., 6.633%, 2021 | 210,000 | 219,975 |
| Wind Acquisition Finance S.A., 11.75%, 2017 (n) | 745,000 | 791,562 |
| Wind Acquisition Finance S.A., 12.25%, 2017 (n)(p) | 945,000 | 931,015 |
| Wind Acquisition Finance S.A., 7.25%, 2018 (n) | 1,170,000 | 1,228,500 |
| | | \$ 17,198,487 |
| Telephone Services - 0.4% | | |
| Cogent Communications Group, Inc., 8.375%, 2018 (n) | \$ 445,000 | \$ 485,050 |
| Level 3 Financing, Inc., 9.375%, 2019 | 475,000 | 530,803 |
| Level 3 Financing, Inc., 8.625%, 2020 | 630,000 | 705,600 |
| TELUS Corp., 5.05%, 2020 | CAD 225,000 | 232,601 |
| | | \$ 1,954,054 |
| Tobacco - 0.4% | | |
| Altria Group, Inc., 2.85%, 2022 | \$ 250,000 | \$ 230,280 |
| Imperial Tobacco Group PLC, 5.5%, 2026 | GBP 150,000 | 271,359 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|--------------|---------------|
| Bonds - continued | | |
| Tobacco - continued | | |
| Lorillard Tobacco Co., 8.125%, 2019 | \$ 250,000 | \$ 308,776 |
| Reynolds American, Inc., 6.75%, 2017 | 1,040,000 | 1,208,066 |
| | | \$ 2,018,481 |
| Transportation - 0.1% | | |
| Far Eastern Shipping Co., 8%, 2018 (n) | \$ 526,000 | \$ 469,455 |
| Transportation - Services - 2.0% | | |
| Aguila American Resources Ltd., 7.875%, 2018 (n) | \$ 1,155,000 | \$ 1,225,744 |
| Avis Budget Car Rental LLC, 8.25%, 2019 | 535,000 | 583,150 |
| CEVA Group PLC, 8.375%, 2017 (n) | 2,075,000 | 2,178,750 |
| ERAC USA Finance Co., 6.375%, 2017 (n) | 1,000,000 | 1,162,383 |
| HIT Finance B.V., 4.875%, 2021 | EUR 150,000 | 230,470 |
| Jack Cooper Finance Co., 9.25%, 2020 (n) | \$ 635,000 | 682,625 |
| Navios Maritime Acquisition Corp., 8.125%, 2021 (n) | 500,000 | 506,250 |
| Navios Maritime Holding, Inc., 7.375%, 2022 (z) | 500,000 | 502,500 |
| Navios South American Logistics, Inc., 9.25%, 2019 | 748,000 | 807,840 |
| Swift Services Holdings, Inc., 10%, 2018 | 1,940,000 | 2,160,675 |
| Syncreon Group BV/Syncre, 8.625%, 2021 (n) | 670,000 | 695,125 |
| Topaz Marine S.A., 8.625%, 2018 (n) | 208,000 | 209,040 |
| | | \$ 10,944,552 |
| U.S. Treasury Obligations - 4.7% | | |
| U.S. Treasury Bonds, 6.25%, 2023 (f) | \$ 1,800,000 | \$ 2,361,235 |
| U.S. Treasury Bonds, 6.875%, 2025 | 9,731,000 | 13,538,254 |
| U.S. Treasury Bonds, 5.375%, 2031 | 286,200 | 359,092 |
| U.S. Treasury Bonds, 4.5%, 2036 | 95,000 | 107,973 |
| U.S. Treasury Bonds, 4.75%, 2037 | 2,986,200 | 3,511,586 |
| U.S. Treasury Bonds, 3.125%, 2043 | 7,420,000 | 6,507,570 |
| | | \$ 26,385,710 |
| Utilities - Electric Power - 1.9% | | |
| AES Corp., 8%, 2017 | \$ 145,000 | \$ 170,013 |
| AES Corp., 7.375%, 2021 | 525,000 | 593,250 |
| Calpine Corp., 7.875%, 2020 (n) | 448,000 | 490,560 |
| Calpine Corp., 6%, 2022 (n) | 340,000 | 349,350 |
| Covanta Holding Corp., 7.25%, 2020 | 1,080,000 | 1,179,639 |
| E.CL S.A., 5.625%, 2021 | 757,000 | 790,007 |
| E.ON International Finance B.V., 6.375%, 2032 | GBP 50,000 | 100,408 |
| Enel Finance International N.V., 4.875%, 2020 | EUR 200,000 | 305,472 |
| Enel S.p.A., 6.25%, 2019 | GBP 100,000 | 183,526 |
| Energy Future Holdings Corp., 10%, 2020 | \$ 1,223,000 | 1,299,438 |
| Energy Future Holdings Corp., 10%, 2020 (n) | 835,000 | 885,100 |
| InterGen N.V., 7%, 2023 (n) | 715,000 | 738,238 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-----------------------|
| Bonds - continued | | |
| Utilities - Electric Power - continued | | |
| NGG Finance PLC, FRN, 5.625%, 2073 | GBP 100,000 | \$ 164,949 |
| NRG Energy, Inc., 8.25%, 2020 | \$ 1,250,000 | 1,390,625 |
| NRG Energy, Inc., 6.625%, 2023 | 365,000 | 374,125 |
| PPL WEM Holdings PLC, 5.375%, 2021 (n) | 250,000 | 269,501 |
| Red Electrica de Espana, 3.5%, 2016 | EUR 100,000 | 144,132 |
| Red Electrica de Espana, 4.75%, 2018 | EUR 100,000 | 152,511 |
| System Energy Resources, Inc., 5.129%, 2014 (z) | \$ 388,407 | 389,542 |
| Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n) | 630,000 | 461,475 |
| Viridian Group FundCo II, Ltd., 11.125%, 2017 (z) | 373,000 | 409,368 |
| | | \$ 10,841,229 |
| Utilities - Water - 0.1% | | |
| Veolia Environnement S.A., FRN, 4.45%, 2049 | EUR 200,000 | \$ 269,798 |
| Total Bonds (Identified Cost, \$560,054,069) | | \$ 575,812,970 |
| Convertible Bonds - 0.1% | | |
| Network & Telecom - 0.1% | | |
| Nortel Networks Corp., 2.125%, 2014 (Identified Cost, \$594,038) (a)(d) | \$ 600,000 | \$ 591,000 |
| Preferred Stocks - 0.2% | | |
| Other Banks & Diversified Financials - 0.2% | | |
| Ally Financial, Inc., 7% (z) | 380 | \$ 365,168 |
| GMAC Capital Trust I, 8.125% | 22,000 | 590,480 |
| Total Preferred Stocks (Identified Cost, \$909,735) | | \$ 955,648 |
| Floating Rate Loans (g)(r) - 1.0% | | |
| Aerospace - 0.1% | | |
| TransDigm, Inc., Term Loan C, 3.75%, 2020 | \$ 397,279 | \$ 398,990 |
| Conglomerates - 0.1% | | |
| Silver II U.S. Holdings LLC, Term Loan, 4%, 2019 | \$ 392,573 | \$ 392,266 |
| Consumer Services - 0.0% | | |
| Realogy Corp., Extended Term Loan, 4.5%, 2020 | \$ 259,637 | \$ 262,017 |
| Energy - Independent - 0.1% | | |
| MEG Energy Corp., Term Loan B, 3.75%, 2020 | \$ 537,651 | \$ 540,844 |
| Entertainment - 0.1% | | |
| Cedar Fair LP, Term Loan B, 3.25%, 2020 | \$ 332,694 | \$ 333,318 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-----------------------|
| Floating Rate Loans (g)(r) - continued | | |
| Food & Beverages - 0.2% | | |
| Aramark Corp., Term Loan D, 4%, 2019 | \$ 400,649 | \$ 402,151 |
| Darling International, Inc., Bridge Term Loan, 2014 (o) | 716,201 | 716,201 |
| H.J. Heinz Co., Term Loan B2, 3.5%, 2020 | 225,570 | 226,980 |
| | | \$ 1,345,332 |
| Gaming & Lodging - 0.0% | | |
| Hilton Worldwide Finance LLC, Term Loan B2, 4%, 2020 | \$ 63,648 | \$ 63,847 |
| Metals & Mining - 0.1% | | |
| FMG Resources Ltd., New Term Loan B, 4.25%, 2019 (o) | \$ 446,190 | \$ 450,253 |
| Retailers - 0.1% | | |
| Rite Aid Corp., 2nd Lien Term Loan, 4.87%, 2021 | \$ 44,587 | \$ 45,144 |
| Toys R Us Property Co. I LLC, Term Loan B, 6%, 2019 | 628,482 | 610,570 |
| | | \$ 655,714 |
| Transportation - Services - 0.2% | | |
| Commercial Barge Line Co., 1st Lien Term Loan, 7.5%, 2019 | \$ 1,236,991 | \$ 1,223,075 |
| Utilities - Electric Power - 0.0% | | |
| Calpine Construction Finance Co., Term Loan B1, 3%, 2020 | \$ 124,386 | \$ 123,008 |
| Total Floating Rate Loans (Identified Cost, \$5,791,669) | | \$ 5,788,664 |
| Common Stocks - 0.0% | | |
| Automotive - 0.0% | | |
| Accuride Corp. (a) | 12,648 | \$ 44,394 |
| Printing & Publishing - 0.0% | | |
| American Media Operations, Inc. (a) | 3,053 | \$ 14,929 |
| Total Common Stocks (Identified Cost, \$271,148) | | \$ 59,323 |
| Money Market Funds - 12.9% | | |
| MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v) | 71,783,375 | \$ 71,783,375 |
| Total Investments (Identified Cost, \$639,404,034) | | \$ 654,990,980 |
| Other Assets, Less Liabilities - (17.5)% | | (97,753,369) |
| Net Assets - 100.0% | | \$ 557,237,611 |

(a) Non-income producing security.

(d) In default. Interest and/or scheduled principal payment(s) have been missed.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

Table of Contents*Portfolio of Investments continued*

- (g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.
- (i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.
- (n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$172,184,143 representing 30.9% of net assets.
- (o) All or a portion of this position has not settled. Upon settlement date, interest rates for unsettled amounts will be determined. The rate shown represents the weighted average coupon rate for settled amounts.
- (p) Payment-in-kind security.
- (r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.
- (v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

| Restricted Securities | Acquisition Date | Cost | Value |
|--|-------------------------|-------------|--------------------|
| Ally Financial, Inc., 7% (Preferred Stock) | 4/13/11-4/14/11 | \$356,250 | \$365,168 |
| American Media, Inc., 13.5%, 2018 | 12/22/10 | 12,047 | 12,804 |
| Appvion, Inc., 9%, 2020 | 11/13/13 | 586,114 | 581,613 |
| Bayview Financial Revolving Mortgage Loan Trust, FRN, 1.771%, 2040 | 3/01/06 | 714,251 | 339,004 |
| Gannett Co., Inc., 5.125%, 2019 | 9/26/13 | 4,938 | 5,156 |
| Gazprom Neft, 6%, 2023 | 11/20/13 | 209,000 | 209,692 |
| IAC/InterActive Corp., 4.875%, 2018 | 11/12/13 | 175,000 | 178,719 |
| Lifepoint Hospitals, Inc., 5.5%, 2021 | 11/21/13-11/22/13 | 675,650 | 678,375 |
| Macquarie Group Ltd., 3%, 2018 | 11/25/13 | 398,400 | 400,234 |
| Navios Maritime Holding, Inc., 7.375%, 2022 | 11/15/13 | 503,748 | 502,500 |
| Spirit Master Funding LLC, 5.05%, 2023 | 7/15/05 | 1,098,427 | 1,118,093 |
| System Energy Resources, Inc., 5.129%, 2014 | 4/16/04 | 388,407 | 389,542 |
| Viridian Group FundCo II, Ltd., 11.125%, 2017 | 3/01/12 | 364,193 | 409,368 |
| Vnesheconombank, 5.942%, 2023 | 11/18/13 | 200,000 | 200,392 |
| WESCO Distribution, Inc., 5.375%, 2021 | 11/21/13 | 135,000 | 136,013 |
| Total Restricted Securities | | | \$5,526,673 |
| % of Net assets | | | 1.0% |

Table of Contents*Portfolio of Investments continued*

The following abbreviations are used in this report and are defined:

| | |
|------|---|
| CDO | Collateralized Debt Obligation |
| FRN | Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end. |
| PLC | Public Limited Company |
| REIT | Real Estate Investment Trust |
| TBA | To Be Announced |

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

| | |
|-----|-----------------------|
| AUD | Australian Dollar |
| CAD | Canadian Dollar |
| CHF | Swiss Franc |
| CNY | Chinese Yuan Renminbi |
| DKK | Danish Krone |
| EUR | Euro |
| GBP | British Pound |
| INR | Indian Rupee |
| JPY | Japanese Yen |
| KRW | Korean Won |
| MXN | Mexican Peso |
| NOK | Norwegian Krone |
| NZD | New Zealand Dollar |
| PLN | Polish Zloty |
| SEK | Swedish Krona |
| SGD | Singapore Dollar |
| ZAR | South African Rand |

Derivative Contracts at 11/30/13**Forward Foreign Currency Exchange Contracts at 11/30/13**

| Type | Currency | Counter-party | Contracts to Deliver/Receive | Settlement Date Range | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|--------------------------|----------|----------------------------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Asset Derivatives | | | | | | | |
| SELL | AUD | Goldman Sachs International | 398,172 | 1/17/14 | \$371,249 | \$361,700 | \$9,549 |
| SELL | AUD | Westpac Banking Corp. | 899,091 | 1/17/14 | 851,857 | 816,736 | 35,121 |
| SELL | CAD | Credit Suisse Group | 28,000 | 1/17/14 | 26,641 | 26,333 | 308 |
| SELL | CAD | Goldman Sachs International | 692,791 | 1/17/14 | 654,025 | 651,543 | 2,482 |
| SELL | CAD | Merrill Lynch International Bank | 3,351,205 | 1/17/14 | 3,222,988 | 3,151,675 | 71,313 |
| BUY | CNY | Deutsche Bank AG | 8,988,000 | 1/15/14 | 1,432,465 | 1,473,228 | 40,763 |
| BUY | EUR | Barclays Bank PLC | 118,119 | 1/17/14 | 159,685 | 160,466 | 781 |

Table of Contents*Portfolio of Investments continued***Forward Foreign Currency Exchange Contracts at 11/30/13 - continued**

| Type | Currency | Counter-party | Contracts to Deliver/Receive | Settlement Date Range | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|------------------------------------|----------|----------------------------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Asset Derivatives continued | | | | | | | |
| BUY | EUR | Credit Suisse Group | 546,000 | 1/17/14 | \$738,599 | \$741,750 | \$3,151 |
| BUY | EUR | Goldman Sachs International | 118,799 | 1/17/14 | 160,584 | 161,390 | 806 |
| BUY | EUR | Merrill Lynch International Bank | 707,000 | 1/17/14 | 955,857 | 960,471 | 4,614 |
| SELL | EUR | Citibank N.A. | 811,000 | 1/17/14 | 1,114,745 | 1,101,757 | 12,988 |
| SELL | EUR | Goldman Sachs International | 143,000 | 1/17/14 | 197,492 | 194,268 | 3,224 |
| SELL | EUR | JPMorgan Chase Bank N.A. | 1,189,000 | 1/17/14 | 1,625,771 | 1,615,276 | 10,495 |
| SELL | EUR | Merrill Lynch International Bank | 32,000 | 1/17/14 | 43,688 | 43,473 | 215 |
| BUY | GBP | Citibank N.A. | 1,156,000 | 1/17/14 | 1,858,815 | 1,891,522 | 32,707 |
| BUY | INR | Deutsche Bank AG | 85,079,000 | 12/16/13 | 1,356,489 | 1,357,235 | 746 |
| SELL | JPY | Barclays Bank PLC | 143,919,000 | 1/17/14 | 1,440,175 | 1,405,609 | 34,566 |
| SELL | JPY | Brown Brothers Harriman | 9,357,000 | 1/17/14 | 93,676 | 91,387 | 2,289 |
| SELL | JPY | Credit Suisse Group | 138,959,658 | 1/17/14 | 1,387,496 | 1,357,173 | 30,323 |
| SELL | JPY | Goldman Sachs International | 1,491,720,801 | 1/17/14 | 15,201,166 | 14,569,140 | 632,026 |
| SELL | MXN | Deutsche Bank AG | 53,364,000 | 12/18/13 | 4,123,893 | 4,067,361 | 56,532 |
| BUY | PLN | Barclays Bank PLC | 2,120,500 | 12/13/13 | 676,417 | 684,738 | 8,321 |
| BUY | PLN | JPMorgan Chase Bank N.A. | 2,120,500 | 12/13/13 | 679,441 | 684,738 | 5,297 |
| SELL | SEK | Goldman Sachs International | 2,054,835 | 1/17/14 | 315,091 | 313,132 | 1,959 |
| | | | | | | | \$1,000,576 |
| Liability Derivatives | | | | | | | |
| SELL | AUD | Goldman Sachs International | 637,308 | 1/17/14 | \$576,475 | \$578,932 | \$(2,457) |
| BUY | CAD | Barclays Bank PLC | 86,000 | 1/17/14 | 82,107 | 80,880 | (1,227) |

Table of Contents*Portfolio of Investments continued***Forward Foreign Currency Exchange Contracts at 11/30/13 - continued**

| Type | Currency | Counter-party | Contracts to Deliver/Receive | Settlement Date Range | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|--|----------|----------------------------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Liability Derivatives continued | | | | | | | |
| SELL | CHF | Goldman Sachs International | 1,657 | 1/17/14 | \$1,810 | \$1,828 | \$(18) |
| SELL | CNY | Deutsche Bank AG | 8,983,000 | 1/15/14 | 1,445,653 | 1,472,408 | (26,755) |
| SELL | DKK | Deutsche Bank AG | 2,818,044 | 1/17/14 | 510,331 | 513,484 | (3,153) |
| BUY | EUR | Citibank N.A. | 142,089 | 1/17/14 | 195,857 | 193,030 | (2,827) |
| BUY | EUR | Credit Suisse Group | 88,000 | 1/17/14 | 120,353 | 119,549 | (804) |
| BUY | EUR | Deutsche Bank AG | 2,026,187 | 1/17/14 | 2,792,730 | 2,752,608 | (40,122) |
| BUY | EUR | UBS AG | 1,085,901 | 1/17/14 | 1,496,961 | 1,475,214 | (21,747) |
| SELL | EUR | Citibank N.A. | 898,436 | 1/17/14 | 1,210,302 | 1,220,540 | (10,238) |
| SELL | EUR | Deutsche Bank AG | 15,636,627 | 1/17/14 | 21,102,176 | 21,242,610 | (140,434) |
| SELL | EUR | Goldman Sachs International | 497,834 | 1/17/14 | 673,153 | 676,315 | (3,162) |
| SELL | EUR | JPMorgan Chase Bank N.A. | 15,636,627 | 1/17/14 | 21,105,194 | 21,242,610 | (137,416) |
| SELL | EUR | Merrill Lynch International Bank | 559,000 | 1/17/14 | 751,754 | 759,410 | (7,656) |
| SELL | EUR | UBS AG | 3,266,872 | 1/17/14 | 4,434,067 | 4,438,099 | (4,032) |
| SELL | GBP | Barclays Bank PLC | 134,000 | 1/17/14 | 215,104 | 219,259 | (4,155) |
| SELL | GBP | Citibank N.A. | 50,000 | 1/17/14 | 79,535 | 81,813 | (2,278) |
| SELL | GBP | Credit Suisse Group | 2,105,157 | 1/17/14 | 3,361,440 | 3,444,593 | (83,153) |
| SELL | GBP | Merrill Lynch International Bank | 2,105,157 | 1/17/14 | 3,363,746 | 3,444,593 | (80,847) |
| BUY | JPY | Citibank N.A. | 6,161,000 | 1/17/14 | 61,527 | 60,172 | (1,355) |
| BUY | JPY | Goldman Sachs International | 3,452,000 | 1/17/14 | 35,265 | 33,715 | (1,550) |
| BUY | KRW | JPMorgan Chase Bank N.A. | 44,218,500 | 1/22/14 | 41,696 | 41,648 | (48) |
| BUY | MXN | JPMorgan Chase Bank N.A. | 36,461,000 | 1/17/14 | 2,815,679 | 2,772,877 | (42,802) |
| BUY | NOK | Goldman Sachs International | 392,951 | 1/17/14 | 64,966 | 63,982 | (984) |
| BUY | NZD | Barclays Bank PLC | 60,690 | 1/17/14 | 50,453 | 49,220 | (1,233) |
| BUY | SGD | Citibank N.A. | 40,141 | 1/17/14 | 32,285 | 31,985 | (300) |

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Table of Contents*Portfolio of Investments continued***Forward Foreign Currency Exchange Contracts at 11/30/13 - continued**

| Type | Currency | Counter-party | Contracts to Deliver/Receive | Settlement Date Range | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|--|----------|--------------------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Liability Derivatives continued | | | | | | | |
| BUY | ZAR | JPMorgan Chase Bank N.A. | 360,852 | 1/17/14 | \$36,196 | \$35,130 | \$(1,066) |
| | | | | | | | \$(621,819) |

Futures Contracts Outstanding at 11/30/13

| Description | Currency | Contracts | Value | Expiration Date | Unrealized Appreciation (Depreciation) |
|--|----------|-----------|-------------|-----------------|--|
| Asset Derivatives | | | | | |
| Interest Rate Futures Contracts | | | | | |
| U.S. Treasury Bond 30 yr (Long) | USD | 23 | \$3,007,250 | March - 2014 | \$2,450 |
| U.S. Treasury Note 10 yr (Short) | USD | 250 | 31,343,750 | March - 2014 | 94,471 |
| | | | | | \$96,921 |

At November 30, 2013, the fund had liquid securities with an aggregate value of \$384,357 to cover any commitments for certain derivative contracts.

See Notes to Financial Statements

Table of Contents*Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 11/30/13

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

| | |
|---|---------------|
| Assets | |
| Investments- | |
| Non-affiliated issuers, at value (identified cost, \$567,620,659) | \$583,207,605 |
| Underlying affiliated funds, at cost and value | 71,783,375 |
| Total investments, at value (identified cost, \$639,404,034) | \$654,990,980 |
| Cash | 685,572 |
| Foreign currency, at value (identified cost, \$18,029) | 18,000 |
| Receivables for | |
| Forward foreign currency exchange contracts | 1,000,576 |
| Daily variation margin on open futures contracts | 27,344 |
| Investments sold | 4,902,377 |
| Interest | 8,603,021 |
| Other assets | 3,646 |
| Total assets | \$670,231,516 |
| Liabilities | |
| Notes payable | \$100,000,000 |
| Payables for | |
| Distributions | 145,149 |
| Forward foreign currency exchange contracts | 621,819 |
| Investments purchased | 10,636,841 |
| TBA purchase commitments | 1,220,424 |
| Payable to affiliates | |
| Investment adviser | 37,994 |
| Transfer agent and dividend disbursing costs | 4,388 |
| Payable for independent Trustees' compensation | 94,639 |
| Accrued interest expense | 71,118 |
| Deferred country tax expense payable | 36,159 |
| Accrued expenses and other liabilities | 125,374 |
| Total liabilities | \$112,993,905 |
| Net assets | \$557,237,611 |
| Net assets consist of | |
| Paid-in capital | \$552,883,526 |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | 16,074,621 |
| Accumulated net realized gain (loss) on investments and foreign currency | (12,448,763) |
| Undistributed net investment income | 728,227 |
| Net assets | \$557,237,611 |
| Shares of beneficial interest outstanding | 54,771,326 |
| Net asset value per share (net assets of \$557,237,611 / 54,771,326 shares of beneficial interest outstanding) | \$10.17 |

See Notes to Financial Statements

Table of Contents*Financial Statements***STATEMENT OF OPERATIONS**

Year ended 11/30/13

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

| | |
|--|----------------|
| Net investment income | |
| Income | |
| Interest | \$36,294,950 |
| Dividends | 90,652 |
| Dividends from underlying affiliated funds | 54,088 |
| Total investment income | \$36,439,690 |
| Expenses | |
| Management fee | \$3,525,660 |
| Transfer agent and dividend disbursing costs | 60,614 |
| Administrative services fee | 80,446 |
| Independent Trustees' compensation | 67,030 |
| Stock exchange fee | 48,472 |
| Custodian fee | 81,508 |
| Interest expense | 980,194 |
| Shareholder communications | 219,193 |
| Audit and tax fees | 76,366 |
| Legal fees | 15,921 |
| Miscellaneous | 42,454 |
| Total expenses | \$5,197,858 |
| Fees paid indirectly | (866) |
| Reduction of expenses by investment adviser | (1,465) |
| Net expenses | \$5,195,527 |
| Net investment income | \$31,244,163 |
| Realized and unrealized gain (loss) on investments and foreign currency | |
| Realized gain (loss) (identified cost basis) | |
| Investments | \$14,327,205 |
| Futures contracts | 476,698 |
| Foreign currency | 3,174,901 |
| Net realized gain (loss) on investments and foreign currency | \$17,978,804 |
| Change in unrealized appreciation (depreciation) | |
| Investments (net of \$235,407 decrease in deferred country tax) | \$(27,819,349) |
| Futures contracts | 127,611 |
| Translation of assets and liabilities in foreign currencies | (204,789) |
| Net unrealized gain (loss) on investments and foreign currency translation | \$(27,896,527) |
| Net realized and unrealized gain (loss) on investments and foreign currency | \$(9,917,723) |
| Change in net assets from operations | \$21,326,440 |
| See Notes to Financial Statements | |

Table of Contents*Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

| | Years ended 11/30 | |
|---|--------------------------|----------------|
| | 2013 | 2012 |
| Change in net assets | | |
| From operations | | |
| Net investment income | \$31,244,163 | \$33,917,466 |
| Net realized gain (loss) on investments and foreign currency | 17,978,804 | 7,466,748 |
| Net unrealized gain (loss) on investments and foreign currency translation | (27,896,527) | 38,522,421 |
| Change in net assets from operations | \$21,326,440 | \$79,906,635 |
| Distributions declared to shareholders | | |
| From net investment income | \$(33,771,682) | \$(35,667,463) |
| Change in net assets from fund share transactions | \$(1,032,873) | \$159,860 |
| Total change in net assets | \$(13,478,115) | \$44,399,032 |
| Net assets | | |
| At beginning of period | 570,715,726 | 526,316,694 |
| At end of period (including undistributed net investment income of \$728,227 and accumulated distributions in excess of net investment income of \$1,290,501, respectively) | \$557,237,611 | \$570,715,726 |
| See Notes to Financial Statements | | |

Table of Contents*Financial Statements***STATEMENT OF CASH FLOWS**

Year ended 11/30/13

This statement provides a summary of cash flows from investment activity for the fund.

| | |
|--|----------------|
| Cash flows from operating activities: | |
| Change in net assets from operations | \$21,326,440 |
| Adjustments to reconcile change in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (355,650,888) |
| Proceeds from disposition of investment securities | 389,029,624 |
| Proceeds from futures contracts | 476,698 |
| Purchases of short-term investments, net | (36,586,144) |
| Realized gain/loss on investments | (14,327,205) |
| Realized gain/loss on futures contracts | (476,698) |
| Unrealized appreciation/depreciation on investments | 28,054,756 |
| Unrealized appreciation/depreciation on foreign currency contracts | 206,557 |
| Net amortization/accretion of income | 1,740,865 |
| Decrease in interest and dividends receivable | 1,021,743 |
| Decrease in accrued expenses and other liabilities | (288,034) |
| Increase in receivable for daily variation margin on open futures contracts | (27,344) |
| Decrease in payable for daily variation margin on open futures contracts | (23,750) |
| Increase in other assets | (167) |
| Decrease in interest payable | (15,131) |
| Net cash provided by operating activities | \$34,461,322 |
| Cash flows from financing activities: | |
| Distributions paid in cash | (33,787,849) |
| Repurchase of shares of beneficial interest | (1,032,873) |
| Net cash used by financing activities | \$(34,820,722) |
| Net decrease in cash | \$(359,400) |
| Cash: | |
| Beginning of period | \$1,062,972 |
| End of period (including foreign currency of \$18,000) | \$703,572 |
| Supplemental disclosure of cash flow information: | |

Cash paid during the year ended November 30, 2013 for interest was \$995,325.

See Notes to Financial Statements

Table of Contents*Financial Statements***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

| | Years ended 11/30 | | | | |
|---|-------------------|-----------|-----------|-----------|-----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Net asset value, beginning of period | \$10.40 | \$9.59 | \$9.99 | \$9.50 | \$7.79 |
| Income (loss) from investment operations | | | | | |
| Net investment income (d) | \$0.57 | \$0.62 | \$0.66 | \$0.68 | \$0.58 |
| Net realized and unrealized gain (loss) on investments and foreign currency | (0.18) | 0.84 | (0.31) | 0.52 | 1.76 |
| Total from investment operations | \$0.39 | \$1.46 | \$0.35 | \$1.20 | \$2.34 |
| Less distributions declared to shareholders | | | | | |
| From net investment income | \$(0.62) | \$(0.65) | \$(0.75) | \$(0.71) | \$(0.63) |
| Net increase from repurchase of capital shares | \$0.00(w) | \$ | \$ | \$ | \$0.00(w) |
| Net asset value, end of period (x) | \$10.17 | \$10.40 | \$9.59 | \$9.99 | \$9.50 |
| Market value, end of period | \$8.97 | \$10.19 | \$8.93 | \$9.51 | \$8.96 |
| Total return at market value (%) | (6.13) | 21.92 | 1.79 | 14.36 | 40.77 |
| Total return at net asset value (%) (j)(r)(s)(x) | 4.28 | 15.87 | 4.06 | 13.30 | 31.82 |
| Ratios (%) (to average net assets) and Supplemental data: | | | | | |
| Expenses before expense reductions (f) | 0.92 | 0.98 | 1.00 | 1.11 | 0.90 |
| Expenses after expense reductions (f) | 0.92 | 0.98 | 1.00 | 1.11 | 0.90 |
| Net investment income | 5.53 | 6.12 | 6.60 | 6.93 | 6.71 |
| Portfolio turnover | 52 | 45 | 47 | 56 | 67 |
| Net assets at end of period (000 omitted) | \$557,238 | \$570,716 | \$526,317 | \$548,397 | \$521,228 |
| Supplemental Ratios (%): | | | | | |
| Ratio of expenses to average net assets after expense reductions and excluding interest expense (f) | 0.75 | 0.79 | 0.79 | 0.82 | 0.84 |
| Senior Securities: | | | | | |
| Total notes payable outstanding (000 omitted) | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 |
| Asset coverage per \$1,000 of indebtedness (k) | \$6,572 | \$6,707 | \$6,263 | \$6,484 | \$6,212 |

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Financial Highlights continued

- (d) Per share data is based on average shares outstanding.
- (f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
- (j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.
- (k) Calculated by subtracting the fund's total liabilities (not including notes payable) from the fund's total assets and dividing this number by the notes payable outstanding and then multiplying by 1,000.
- (r) Certain expenses have been reduced without which performance would have been lower.
- (s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
- (w) Per share amount was less than \$0.01.
- (x) The net asset values per share and total returns at net asset value per share have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Charter Income Trust (the fund) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a closed-end management investment company.

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund invests in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

In January 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-01 (ASU 2013-01) entitled Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities which is intended to clarify the scope of Accounting Standards Update 2011-11 (ASU 2011-11), Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities. Consistent with the effective date for ASU 2011-11, ASU 2013-01 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. Although still evaluating the potential impact of these two ASUs to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements (ASU 2013-08) which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has

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Notes to Financial Statements continued

determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of

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Notes to Financial Statements continued

derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures contracts and forward foreign currency exchange contracts.

Table of Contents*Notes to Financial Statements continued*

The following is a summary of the levels used as of November 30, 2013 in valuing the fund's assets or liabilities:

| Investments at Value | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Equity Securities | \$634,874 | \$365,168 | \$14,929 | \$1,014,971 |
| U.S. Treasury Bonds & U.S. Government Agency & Equivalents | | 26,385,710 | | 26,385,710 |
| Non-U.S. Sovereign Debt | | 92,710,381 | | 92,710,381 |
| Municipal Bonds | | 1,333,863 | | 1,333,863 |
| U.S. Corporate Bonds | | 301,036,587 | | 301,036,587 |
| Residential Mortgage-Backed Securities | | 16,645,260 | | 16,645,260 |
| Commercial Mortgage-Backed Securities | | 27,572,888 | | 27,572,888 |
| Asset-Backed Securities (including CDOs) | | 1,078,801 | | 1,078,801 |
| Foreign Bonds | | 109,640,480 | | 109,640,480 |
| Floating Rate Loans | | 5,788,664 | | 5,788,664 |
| Mutual Funds | 71,783,375 | | | 71,783,375 |
| Total Investments | \$72,418,249 | \$582,557,802 | \$14,929 | \$654,990,980 |

Other Financial Instruments

| | | | | |
|---|----------|---------|----|----------|
| Futures Contracts | \$96,921 | \$ | \$ | \$96,921 |
| Forward Foreign Currency Exchange Contracts | | 378,757 | | 378,757 |

For further information regarding security characteristics, see the Portfolio of Investments.

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

| | Equity Securities |
|--|--------------------------|
| Balance as of 11/30/12 | \$14,502 |
| Change in unrealized appreciation (depreciation) | 427 |
| Balance as of 11/30/13 | \$14,929 |

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at November 30, 2013 is \$427.

Foreign Currency Translation Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses

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are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were purchased options, futures contracts, and forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at November 30, 2013 as reported in the Statement of Assets and Liabilities:

| Risk | Derivative Contracts | Fair Value (a) | |
|------------------|-----------------------------------|-------------------|-----------------------|
| | | Asset Derivatives | Liability Derivatives |
| Interest Rate | Interest Rate Futures | \$96,921 | \$ |
| Foreign Exchange | Forward Foreign Currency Exchange | 1,000,576 | (621,819) |
| Total | | \$1,097,497 | \$ (621,819) |

(a) The value of futures contracts outstanding includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day variation margin for futures contracts is separately reported within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2013 as reported in the Statement of Operations:

| Risk | Futures Contracts | Foreign Currency | Investments |
|------------------|-------------------|------------------|---------------------|
| | | | (Purchased Options) |
| Interest Rate | \$476,698 | \$ | \$ |
| Foreign Exchange | | 3,187,120 | |
| Equity | | | 184,573 |
| Total | \$476,698 | \$3,187,120 | \$184,573 |

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The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended November 30, 2013 as reported in the Statement of Operations:

| Risk | Futures Contracts | Translation of Assets and Liabilities in Foreign Currencies | Investments (Purchased Options) |
|------------------|------------------------------|--|--|
| Interest Rate | \$127,611 | \$ | \$ |
| Foreign Exchange | | (206,557) | |
| Equity | | | (4,081) |
| Total | \$127,611 | \$(206,557) | \$(4,081) |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared swap agreements, and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as restricted cash. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Purchased Options The fund purchased call options for a premium. Purchased call options entitle the holder to buy a specified number of shares or units of a particular

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Notes to Financial Statements continued

security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument purchased.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Futures Contracts The fund entered into futures contracts which may be used to hedge against or obtain broad market exposure, interest rate exposure, currency exposure, or to manage duration. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures contracts is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures contracts may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

Forward Foreign Currency Exchange Contracts The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter

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into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Loans and Other Direct Debt Instruments The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

Statement of Cash Flows Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and does not include any short term investments.

Indemnifications Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in

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Notes to Financial Statements continued

additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

The fund purchased or sold debt securities on a when-issued or delayed delivery basis, or in a To Be Announced (TBA) or forward commitment transaction with delivery or payment to occur at a later date beyond the normal settlement period. TBA securities resulting from these transactions are included in the Portfolio of Investments. At the time a fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the security acquired is reflected in the fund's net asset value. The price of such security and the date that 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. TBA purchase commitments are held at carrying amount, which approximates fair value and are categorized as level 2 within the fair value hierarchy. No interest accrues to the fund until payment takes place. At the time that a fund enters into this type of transaction, the fund is required to have sufficient cash and/or liquid securities to cover its commitments. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic or other factors. Additionally, losses may arise due to declines in the value of the securities prior to settlement date.

Fees Paid Indirectly The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2013, is shown as a reduction of total expenses in the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which

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may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities, straddle loss deferrals, and derivative transactions.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

| | 11/30/13 | 11/30/12 |
|--|--------------|--------------|
| Ordinary income (including any short-term capital gains) | \$33,771,682 | \$35,667,463 |

The federal tax cost and the tax basis components of distributable earnings were as follows:

| As of 11/30/13 | |
|--|---------------|
| Cost of investments | \$642,992,537 |
| Gross appreciation | 22,617,281 |
| Gross depreciation | (10,618,838) |
| Net unrealized appreciation (depreciation) | \$11,998,443 |
| Undistributed ordinary income | 3,850,815 |
| Capital loss carryforwards | (8,666,578) |
| Other temporary differences | (2,828,595) |

Under the Regulated Investment Company Modernization Act of 2010 (the Act), net capital losses recognized for fund fiscal years beginning after November 30, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses (post-enactment losses). Previously, net capital losses were carried forward for eight years and treated as short-term losses (pre-enactment losses). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of November 30, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

| | |
|----------|---------------|
| 11/30/17 | \$(8,666,578) |
|----------|---------------|

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the fund's average daily net assets and 4.57% of gross income less interest expense from leveraging. Gross income is calculated based on tax

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Notes to Financial Statements continued

elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. The management fee, from net assets and gross income, incurred for the year ended November 30, 2013 was equivalent to an annual effective rate of 0.62% of the fund's average daily net assets.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2013, these fees paid to MFSC amounted to \$14,551.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended November 30, 2013 was equivalent to an annual effective rate of 0.0142% of the fund's average daily net assets.

Trustees and Officers Compensation The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

Prior to December 31, 2001, the fund had an unfunded defined benefit plan (DB plan) for independent Trustees. As of December 31, 2001, the Board took action to terminate the DB plan with respect to then-current and any future independent Trustees, such that the DB plan covers only certain of those former independent Trustees who retired on or before December 31, 2001. Effective January 1, 2002, accrued benefits under the DB plan for then-current independent Trustees who continued were credited to an unfunded retirement deferral plan (the Retirement Deferral plan), which was established for and exists solely with respect to these credited amounts, and is not available for other deferrals by these or other independent Trustees. Although the Retirement Deferral plan is unfunded, amounts deferred under the plan are periodically adjusted for investment experience as if they had been invested in shares of the fund. The DB plan resulted in a pension expense of \$627 and the Retirement Deferral plan resulted in an expense of \$3,048. Both amounts are included in independent Trustees' compensation for the year ended November 30, 2013. The liability for deferred retirement benefits payable to certain independent Trustees under both plans amounted to \$94,533 at November 30, 2013, and is included in Payable for independent Trustees' compensation in the Statement of Assets and Liabilities.

Other This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of

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services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended November 30, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$3,808 and are included in Miscellaneous expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of \$1,465, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in Dividends from underlying affiliated funds in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than purchased option transactions and short-term obligations, were as follows:

| | Purchases | Sales |
|--|---------------|---------------|
| U.S. Government securities | \$56,615,835 | \$60,743,607 |
| Investments (non-U.S. Government securities) | \$264,670,087 | \$295,320,796 |

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. The fund repurchased and retired 115,800 shares of beneficial interest during the year ended November 30, 2013 at an average price per share of \$8.92 and a weighted average discount of 11.47% per share. During the year ended November 30, 2012, the fund did not repurchase any shares. Other transactions in fund shares were as follows:

| | Year ended 11/30/13 | | Year ended 11/30/12 | |
|--|------------------------|---------------|------------------------|-----------|
| | Shares | Amount | Shares | Amount |
| Shares issued to shareholders in reinvestment of distributions | | \$ | 15,386 | \$159,860 |
| Capital shares reacquired | (115,800) | (1,032,873) | | |
| | (115,800) | \$(1,032,873) | 15,386 | \$159,860 |

(6) Loan Agreement

The fund has a credit agreement with a bank for a revolving secured line of credit that can be drawn upon up to \$100,000,000. At November 30, 2013, the fund had outstanding borrowings under this agreement in the amount of \$100,000,000, which are secured by a lien on the fund's assets. The loan's carrying value in the fund's Statement of Assets and Liabilities approximates its fair value. The loan value as of the

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reporting date is considered Level 2 under the fair value hierarchy. The credit agreement matured on August 23, 2013. The trustees approved the renewal of the revolving secured line of credit up to the amount of \$100,000,000 on substantially similar terms for an additional 364 day period which matures on August 22, 2014. Borrowing under the agreement can be made for liquidity or leverage purposes. Interest is charged at a rate per annum equal to LIBOR plus an agreed upon spread or an alternate rate, at the option of the borrower, stated as the greater of Overnight LIBOR or the Federal Funds Rate each plus an agreed upon spread. The fund incurred interest expense of \$980,194 during the period. The fund may also be charged a commitment fee based on the average daily unused portion of the revolving secured line of credit. The fund did not incur a commitment fee during the period. For the year ended November 30, 2013, the average loan balance was \$100,000,000 at a weighted average annual interest rate of 0.98%. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

(7) Transactions in Underlying Affiliated Funds-Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

| Underlying Affiliated Fund | Beginning Shares/Par Amount | Acquisitions Shares/Par Amount | Dispositions Shares/Par Amount | Ending Shares/Par Amount |
|--|--|---|---|---|
| MFS Institutional Money Market Portfolio | 35,197,231 | 187,106,188 | (150,520,044) | 71,783,375 |

| Underlying Affiliated Fund | Realized Gain (Loss) | Capital Gain Distributions | Dividend Income | Ending Value |
|--|---------------------------------|---------------------------------------|----------------------------|-------------------------|
| MFS Institutional Money Market Portfolio | \$ | \$ | \$54,088 | \$71,783,375 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of MFS Charter Income Trust:

We have audited the accompanying statement of assets and liabilities of MFS Charter Income Trust (the Fund), including the portfolio of investments, as of November 30, 2013, and the related statements of operations and its 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, 2013, by correspondence with custodian and others or by other appropriate auditing procedures where replies from others 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 MFS Charter Income Trust at November 30, 2013, 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 its 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 15, 2014

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RESULTS OF SHAREHOLDER MEETING

(unaudited)

At the annual meeting of shareholders of MFS Charter Income Trust, which was held on October 3, 2013, the following action was taken:

Item 1: To elect the following individuals as Trustees:

| Nominee | For | Number of Shares | Withheld Authority |
|---------------------|----------------|------------------|--------------------|
| Maureen R. Goldfarb | 44,892,362.386 | | 917,500.120 |
| Robert J. Manning | 44,799,402.693 | | 1,010,459.813 |
| Laurie J. Thomsen | 44,879,608.994 | | 930,253.512 |

Table of Contents**TRUSTEES AND OFFICERS****IDENTIFICATION AND BACKGROUND**

The Trustees and Officers of the Trust, as of January 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

| Name, Age | Position(s) Held | Trustee/Officer Since ^(h) | Term Expiring | Principal Occupations During the Past Five Years | Other Directorships ⁽ⁱ⁾ |
|--|-------------------------------|---|----------------------|---|--|
| INTERESTED TRUSTEES | | | | | |
| Robert J. Manning ^(k) (age 50) | Trustee | February 2004 | 2016 | Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010) | N/A |
| Robin A. Stelmach ^(k) (age 52) | Trustee | January 2014 | 2015 | Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer | N/A |
| INDEPENDENT TRUSTEES | | | | | |
| David H. Gunning (age 71) | Trustee and Chair of Trustees | January 2004 | 2015 | Private investor | Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman |
| Robert E. Butler (age 72) | Trustee | January 2006 | 2015 | Consultant investment company industry regulatory and compliance matters | N/A |
| Maureen R. Goldfarb (age 58) | Trustee | January 2009 | 2016 | Private investor | N/A |
| William R. Gutow (age 72) | Trustee | December 1993 | 2014 | Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman | Texas Donuts (donut franchise), Vice Chairman (until 2010) |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) Held | Trustee/Officer | Term | Principal Occupations During | Other |
|--|---|-----------------------------|-----------------|---|---|
| | with Fund | Since ^(h) | Expiring | the Past Five Years | Directorships ⁽ⁱ⁾ |
| Michael Hegarty (age 69) | Trustee | December 2004 | 2014 | Private investor | Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director |
| John P. Kavanaugh (age 59) | Trustee | January 2009 | 2014 | Private investor | N/A |
| Laurie J. Thomsen (age 56) | Trustee | March 2005 | 2016 | Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010) | The Travelers Companies (insurance), Director |
| Robert W. Uek (age 72) | Trustee | January 2006 | 2014 | Consultant to investment company industry | N/A |
| OFFICERS | | | | | |
| John M. Corcoran ^(k) (age 48) | President | October 2008 | N/A | Massachusetts Financial Services Company, Senior Vice President | N/A |
| Christopher R. Bohane ^(k) (age 39) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Vice President and Assistant General Counsel | N/A |
| Kino Clark ^(k) (age 45) | Assistant Treasurer | January 2012 | N/A | Massachusetts Financial Services Company, | N/A |
| Thomas H. Connors ^(k) (age 54) | Assistant Secretary and Assistant Clerk | September 2012 | N/A | Vice President Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012) | N/A |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) Held | Trustee/Officer | Term | Principal Occupations During | Other |
|--|--|-----------------------------|-----------------|---|-------------------------------------|
| | with Fund | Since ^(h) | Expiring | the Past Five Years | Directorships ⁽ⁱ⁾ |
| Ethan D. Corey ^(k) (age 50) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |
| David L. DiLorenzo ^(k) (age 45) | Treasurer | July 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President | N/A |
| Robyn L. Griffin (age 38) | Assistant Independent Chief Compliance Officer | August 2008 | N/A | Griffin Compliance LLC (provider of compliance services), Principal | N/A |
| Brian E. Langenfeld ^(k) (age 40) | Assistant Secretary and Assistant Clerk | June 2006 | N/A | Massachusetts Financial Services Company, Vice President and Senior Counsel | N/A |
| Susan S. Newton ^(k) (age 63) | Assistant Secretary and Assistant Clerk | May 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |
| Susan A. Pereira ^(k) (age 43) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Vice President and Senior Counsel | N/A |
| Kasey L. Phillips ^(k) (age 43) | Assistant Treasurer | September 2012 | N/A | Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012) | N/A |
| Mark N. Polebaum ^(k) (age 61) | Secretary and Clerk | January 2006 | N/A | Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary | N/A |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) Held | Trustee/Officer | Term | Principal Occupations During | Other |
|---|---|-----------------------------|-----------------|---|-------------------------------------|
| | with Fund | Since ^(h) | Expiring | the Past Five Years | Directorships ^(j) |
| Frank L. Tarantino (age 69) | Independent Chief Compliance Officer | June 2004 | N/A | Tarantino LLC (provider of compliance services), Principal | N/A |
| Richard S. Weitzel ^(k) (age 43) | Assistant Secretary and Assistant Clerk | October 2007 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |
| James O. Yost ^(k) (age 53) | Deputy Treasurer | September 1990 | N/A | Massachusetts Financial Services Company, Senior Vice President | N/A |

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee's class. Each year the term of one class expires. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Kavanaugh, and Uek and Ms. Thomsen are members of the Fund's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

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Trustees and Officers continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser

Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Managers

Richard Hawkins
William Adams
Ward Brown
David Cole
Pilar Gomez-Bravo
Joshua Marston
Robert Persons
Matthew Ryan
Erik Weisman

Custodian

State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (independent) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 (contract review meetings) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2012 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe), (ii) information provided by Lipper Inc. on the Fund s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the Lipper expense group), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment

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Board Review of Investment Advisory Agreement continued

advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of the other fund in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 2nd out of a total of 2 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 2nd out of a total of 2 funds for the one-year period and 1st out of a total of 2 funds for the five-year period ended December 31, 2012. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and the other fund in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom benchmark developed by MFS. The Fund out-performed its custom benchmark for the one-, three- and five-year periods ended December 31, 2012 (one-year: 14.0% total return for the Fund versus 11.1% total return for the benchmark; three-year: 10.4% total return for the Fund versus 9.1% total return for the benchmark; five-year: 9.1% total return for the Fund versus 8.5% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

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Board Review of Investment Advisory Agreement continued

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each lower than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees considered that, as a closed-end fund, the Fund is unlikely to experience meaningful asset growth. As a result, the Trustees did not view the potential for realization of economies of scale as the Fund's assets grow to be a material factor in their deliberations. The Trustees noted that they would consider economies of scale in the future in the event the Fund experiences significant asset growth, such as through an offering of preferred shares (which is not currently contemplated) or a material increase in the market value of the Fund's portfolio securities.

The Trustees also considered information prepared by MFS relating to MFS's costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS's methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS's resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment advisory agreement. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action

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Board Review of Investment Advisory Agreement continued

recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Closed-End Funds" in the "Products" section of the MFS Web site (mfs.com).

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PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. A shareholder can obtain the quarterly portfolio holdings report at *mfs.com*. The fund's Form N-Q is also available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the Fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the News & Commentary section of *mfs.com* or by clicking on the fund's name under Closed-End Funds in the Products section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2013 income tax forms in January 2014.

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FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information | Does MFS share? | Can you limit this sharing? |
|--|-----------------|-----------------------------|
| For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | Yes | No |
| For our marketing purposes to offer our products and services to you | No | We don't share |
| For joint marketing with other financial companies | No | We don't share |
| For our affiliates' everyday business purposes information about your transactions and experiences | No | We don't share |
| For our affiliates' everyday business purposes information about your creditworthiness | No | We don't share |

For nonaffiliates to market to you

No

We don't share

Questions?

Call **800-225-2606** or go to **mfs.com**.

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Page 2

Who we are

Who is providing this notice?

MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.

How does MFS collect my personal information?

We collect your personal information, for example, when you

open an account or provide account information

direct us to buy securities or direct us to sell your securities

make a wire transfer

Why can't I limit all sharing?

We also collect your personal information from others, such as credit bureaus, affiliates and other companies.

Federal law gives you the right to limit only

sharing for affiliates everyday business purposes information about your creditworthiness

affiliates from using your information to market to you

sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

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MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

MFS does not share with nonaffiliates so they can market to you.

Joint Marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

MFS doesn't jointly market.

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

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CONTACT US

TRANSFER AGENT, REGISTRAR, AND

DIVIDEND DISBURSING AGENT

CALL

1-800-637-2304

9 a.m. to 5 p.m. Eastern time

WRITE

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

New York Stock Exchange Symbol: **MCR**

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ITEM 2. CODE OF ETHICS.

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. During the period covered by this report, the Registrant has not amended any provision in its Code of Ethics (the "Code") that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Messrs. Robert E. Butler, John P. Kavanaugh and Robert W. Uek and Ms. Laurie J. Thomsen, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Messrs. Butler, Kavanaugh and Uek, and Ms. Thomsen are "independent" members of the Audit Committee (as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002). The Securities and Exchange Commission has stated that the designation of a person as an audit committee financial expert pursuant to this Item 3 on the Form N-CSR does not impose on such a person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board of Trustees in the absence of such designation or identification.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Items 4(a) through 4(d) and 4(g):

The Board of Trustees has appointed Ernst & Young LLP ("E&Y") to serve as independent accountants to the Registrant (hereinafter the "Registrant" or the "Fund"). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser, Massachusetts Financial Services Company ("MFS"), and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ("MFS Related Entities").

For the fiscal years ended November 30, 2013 and 2012, audit fees billed to the Fund by E&Y were as follows:

| | Audit Fees | |
|--------------------------------|-------------------|-------------|
| | 2013 | 2012 |
| Fees billed by E&Y: | | |
| MFS Charter Income Trust | 53,517 | 50,032 |

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For the fiscal years ended November 30, 2013 and 2012, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

| | Audit-Related Fees ¹ | | Tax Fees ² | | All Other Fees ³ | |
|--------------------------------|---------------------------------|--------|-----------------------|-------|-----------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Fees billed by E&Y: | | | | | | |
| To MFS Charter Income Trust | 10,714 | 10,504 | 9,978 | 9,836 | 0 | 0 |

| | Audit-Related Fees ¹ | | Tax Fees ² | | All Other Fees ³ | |
|--|---------------------------------|------|-----------------------|------|-----------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Fees billed by E&Y: | | | | | | |
| To MFS and MFS Related Entities of MFS Charter Income Trust* | 0 | 0 | 0 | 0 | 0 | 0 |

Aggregate Fees for Non-audit

| | Services | |
|--|----------|--------|
| | 2013 | 2012 |
| Fees Billed by E&Y: | | |
| To MFS Charter Income Trust, MFS and MFS Related Entities# | 78,692 | 60,340 |

* This amount reflects the fees billed to MFS and MFS Related Entities for non-audit services relating directly to the operations and financial reporting of the Fund (portions of which services also related to the operations and financial reporting of other funds within the MFS Funds complex).

This amount reflects the aggregate fees billed by E&Y for non-audit services rendered to the Fund and for non-audit services rendered to MFS and the MFS Related Entities.

¹ The fees included under **Audit-Related Fees** are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under **Audit Fees**, including accounting consultations, agreed-upon procedure reports, attestation reports, comfort letters and internal control reviews.

² The fees included under **Tax Fees** are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis.

³ The fees under **All Other Fees** are fees for products and services provided by E&Y other than those reported under **Audit Fees**, **Audit-Related Fees** and **Tax Fees**.

Item 4(e)(1):

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees relating to the pre-approval of audit and non-audit related services: To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is

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currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next regular meeting of the Audit Committee, pre-approval of such services may be referred to the Chair of the Audit Committee for approval; provided that the Chair may not pre-approve any individual engagement for such services exceeding \$50,000 or multiple engagements for such services in the aggregate exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

Item 4(e)(2):

None, or 0%, of the services relating to the Audit-Related Fees, Tax Fees and All Other Fees paid by the Fund and MFS and MFS Related Entities relating directly to the operations and financial reporting of the Registrant disclosed above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X (which permits audit committee approval after the start of the engagement with respect to services other than audit, review or attest services, if certain conditions are satisfied).

Item 4(f): Not applicable.

Item 4(h): The Registrant's Audit Committee has considered whether the provision by a Registrant's independent registered public accounting firm of non-audit services to MFS and MFS Related Entities that were not pre-approved by the Committee (because such services were provided prior to the effectiveness of SEC rules requiring pre-approval or because such services did not relate directly to the operations and financial reporting of the Registrant) was compatible with maintaining the independence of the independent registered public accounting firm as the Registrant's principal auditors.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Registrant has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Messrs. Robert E. Butler, John P. Kavanaugh, and Robert W. Uek and Ms. Laurie J. Thomsen.

ITEM 6. SCHEDULE OF INVESTMENTS

A schedule of investments of the Registrant is included as part of the report to shareholders of the Registrant under Item 1 of this Form N-CSR.

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

MASSACHUSETTS FINANCIAL SERVICES COMPANY

PROXY VOTING POLICIES AND PROCEDURES

March 1, 2012

Massachusetts Financial Services Company, MFS Institutional Advisors, Inc., MFS International (UK) Limited, MFS Heritage Trust Company, McLean Budden Limited and MFS other subsidiaries that perform discretionary investment management activities (collectively, MFS) have adopted proxy voting policies and procedures, as set forth below (MFS Proxy Voting Policies and Procedures), with respect to securities owned by the clients for which MFS serves as investment adviser and has the power to vote proxies, including the pooled investment vehicles sponsored by MFS (the MFS Funds). References to clients in these policies and procedures include the MFS Funds and other clients of MFS, such as funds organized offshore, sub-advised funds and separate account clients, to the extent these clients have delegated to MFS the responsibility to vote proxies on their behalf under the MFS Proxy Voting Policies and Procedures.

The MFS Proxy Voting Policies and Procedures include:

- A. Voting Guidelines;
- B. Administrative Procedures;
- C. Records Retention; and
- D. Reports.

A. VOTING GUIDELINES

1. General Policy; Potential Conflicts of Interest

MFS policy is that proxy voting decisions are made in what MFS believes to be the best long-term economic interests of MFS clients, and not in the interests of any other party or in MFS corporate interests, including interests such as the distribution of MFS Fund shares and institutional client relationships.

In developing these proxy voting guidelines, MFS reviews corporate governance issues and proxy voting matters that are presented for shareholder vote by either management or shareholders of public companies. Based on the overall principle that all votes cast by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, set forth below, that govern how MFS generally will vote on specific matters presented for shareholder vote.

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As a general matter, MFS votes consistently on similar proxy proposals across all shareholder meetings. However, some proxy proposals, such as certain excessive executive compensation, environmental, social and governance matters, are analyzed on a case-by-case basis in light of all the relevant facts and circumstances of the proposal. Therefore, MFS may vote similar proposals differently at different shareholder meetings based on the specific facts and circumstances of the issuer or the terms of the proposal. In addition, MFS also reserves the right to override the guidelines with respect to a particular proxy proposal when such an override is, in MFS' best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS' clients.

MFS also generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts, unless MFS has received explicit voting instructions to vote differently from a client for its own account. From time to time, MFS may also receive comments on the MFS Proxy Voting Policies and Procedures from its clients. These comments are carefully considered by MFS when it reviews these guidelines and revises them as appropriate.

These policies and procedures are intended to address any potential material conflicts of interest on the part of MFS or its subsidiaries that are likely to arise in connection with the voting of proxies on behalf of MFS' clients. If such potential material conflicts of interest do arise, MFS will analyze, document and report on such potential material conflicts of interest (see Sections B.2 and D below), and shall ultimately vote the relevant proxies in what MFS believes to be the best long-term economic interests of its clients. The MFS Proxy Voting Committee is responsible for monitoring and reporting with respect to such potential material conflicts of interest.

MFS is also a signatory to the United Nations Principles for Responsible Investment. In developing these guidelines, MFS considered environmental, social and corporate governance issues in light of MFS' fiduciary obligation to vote proxies in the best long-term economic interest of its clients.

2. MFS' Policy on Specific Issues

Election of Directors

MFS believes that good governance should be based on a board with at least a simple majority of directors who are independent of management, and whose key committees (e.g., compensation, nominating, and audit committees) are comprised entirely of independent directors. While MFS generally supports the board's nominees in uncontested or non-contentious elections, we will not support a nominee to a board of a U.S. issuer (or issuer listed on a U.S. exchange) if, as a result of such nominee being elected to the board, the board would be comprised of a simple majority of members who are not independent or, alternatively, the compensation, nominating (including instances in which the full board serves as the compensation or nominating committee) or audit committees would include members who are not independent.

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MFS will also not support a nominee to a board if we can determine that he or she attended less than 75% of the board and/or relevant committee meetings in the previous year without a valid reason stated in the proxy materials or other company communications. In addition, MFS may not support all nominees standing for re-election to a board if we can determine: (1) the board or its compensation committee has re-priced or exchanged underwater stock options since the last annual meeting of shareholders and without shareholder approval; (2) the board or relevant committee has not taken adequately responsive action to an issue that received majority support or opposition from shareholders, including MFS; (3) the board has implemented a poison pill without shareholder approval since the last annual meeting and such poison pill is not on the subsequent shareholder meeting's agenda, (including those related to net-operating loss carryforwards); or (4) there are severe governance concerns at the issuer.

MFS may not support certain board nominees of U.S. issuers under certain circumstances where MFS deems compensation to be egregious due to pay-for-performance issues and/or poor pay practices. Please see the section below titled "MFS Policy on Specific Issues: Advisory Votes on Executive Compensation" for further details.

MFS evaluates a contested or contentious election of directors on a case-by-case basis considering the long-term financial performance of the company relative to its industry, management's track record, the qualifications of all nominees, and an evaluation of what each side is offering shareholders.

Majority Voting and Director Elections

MFS votes for reasonably crafted proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors (including binding resolutions requesting that the board amend the company's bylaws), provided the proposal includes a carve-out for a plurality voting standard when there are more director nominees than board seats (e.g., contested elections) ("Majority Vote Proposals").

Classified Boards

MFS generally supports proposals to declassify a board (e.g. a board in which only one-third of board members is elected each year) for all issuers other than for certain closed-end investment companies. MFS generally opposes proposals to classify a board for issuers other than for certain closed-end investment companies.

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Proxy Access

MFS analyzes proposals seeking the ability of qualifying shareholders to nominate a certain number of directors on the company's proxy statement (Proxy Access) on a case-by-case basis. In its analysis, MFS will consider the proposed ownership criteria for qualifying shareholders (such as ownership threshold and holding period) as well as the proponent's rationale for seeking Proxy Access.

Stock Plans

MFS opposes stock option programs and restricted stock plans that provide unduly generous compensation for officers, directors or employees, or that could result in excessive dilution to other shareholders. As a general guideline, MFS votes against restricted stock, stock option, non-employee director, omnibus stock plans and any other stock plan if all such plans for a particular company involve potential dilution, in the aggregate, of more than 15%. However, MFS will also vote against stock plans that involve potential dilution, in aggregate, of more than 10% at U.S. issuers that are listed in the Standard and Poor's 100 index as of December 31 of the previous year.

MFS also opposes stock option programs that allow the board or the compensation committee to re-price underwater options or to automatically replenish shares without shareholder approval. MFS also votes against stock option programs for officers, employees or non-employee directors that do not require an investment by the optionee, that give free rides on the stock price, or that permit grants of stock options with an exercise price below fair market value on the date the options are granted. MFS will consider proposals to exchange existing options for newly issued options, restricted stock or cash on a case-by-case basis, taking into account certain factors, including, but not limited to, whether there is a reasonable value-for-value exchange and whether senior executives are excluded from participating in the exchange.

MFS supports the use of a broad-based employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value and do not result in excessive dilution.

Shareholder Proposals on Executive Compensation

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. However, MFS also recognizes that certain executive compensation practices can be excessive and not in the best, long-term economic interest of a company's shareholders. We believe that the election of an issuer's board of directors (as outlined above), votes on stock plans (as outlined above) and advisory votes on pay (as outlined below) are typically the most effective mechanisms to express our view on a company's compensation practices.

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MFS generally opposes shareholder proposals that seek to set rigid restrictions on executive compensation as MFS believes that compensation committees should retain some flexibility to determine the appropriate pay package for executives. Although we support linking executive stock option grants to a company's performance, MFS also opposes shareholder proposals that mandate a link of performance-based pay to a specific metric. MFS generally supports reasonably crafted shareholder proposals that (i) require the issuer to adopt a policy to recover the portion of performance-based bonuses and awards paid to senior executives that were not earned based upon a significant negative restatement of earnings unless the company already has adopted a satisfactory policy on the matter, or (ii) expressly prohibit the backdating of stock options.

Advisory Votes on Executive Compensation

MFS will analyze advisory votes on executive compensation on a case-by-case basis. MFS will vote against an advisory vote on executive compensation if MFS determines that the issuer has adopted excessive executive compensation practices and will vote in favor of an advisory vote on executive compensation if MFS has not determined that the issuer has adopted excessive executive compensation practices. Examples of excessive executive compensation practices may include, but are not limited to, a pay-for-performance disconnect, employment contract terms such as guaranteed bonus provisions, unwarranted pension payouts, backdated stock options, overly generous hiring bonuses for chief executive officers, unnecessary perquisites, or the potential reimbursement of excise taxes to an executive in regards to a severance package. In cases where MFS (i) votes against consecutive advisory pay votes, or (ii) determines that a particularly egregious excessive executive compensation practice has occurred, then MFS may also vote against certain or all board nominees. MFS may also vote against certain or all board nominees if an advisory pay vote for a U.S. issuer is not on the agenda, or the company has not implemented the advisory vote frequency supported by a plurality/ majority of shareholders.

MFS generally supports proposals to include an advisory shareholder vote on an issuer's executive compensation practices on an annual basis.

Golden Parachutes

From time to time, MFS may evaluate a separate, advisory vote on severance packages or golden parachutes to certain executives at the same time as a vote on a proposed merger or acquisition. MFS will support an advisory vote on a severance package on a case-by-case basis, and MFS may vote against the severance package regardless of whether MFS supports the proposed merger or acquisition.

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Shareholders of companies may also submit proxy proposals that would require shareholder approval of severance packages for executive officers that exceed certain predetermined thresholds. MFS votes in favor of such shareholder proposals when they would require shareholder approval of any severance package for an executive officer that exceeds a certain multiple of such officer's annual compensation that is not determined in MFS' judgment to be excessive.

Anti-Takeover Measures

In general, MFS votes against any measure that inhibits capital appreciation in a stock, including proposals that protect management from action by shareholders. These types of proposals take many forms, ranging from "poison pills" and "shark repellents" to super-majority requirements.

MFS generally votes for proposals to rescind existing "poison pills" and proposals that would require shareholder approval to adopt prospective "poison pills," unless the company already has adopted a clearly satisfactory policy on the matter. MFS may consider the adoption of a prospective "poison pill" or the continuation of an existing "poison pill" if we can determine that the following two conditions are met: (1) the "poison pill" allows MFS clients to hold an aggregate position of up to 15% of a company's total voting securities (and of any class of voting securities); and (2) either (a) the "poison pill" has a term of not longer than five years, provided that MFS will consider voting in favor of the "poison pill" if the term does not exceed seven years and the "poison pill" is linked to a business strategy or purpose that MFS believes is likely to result in greater value for shareholders; or (b) the terms of the "poison pill" allow MFS clients the opportunity to accept a fairly structured and attractively priced tender offer (e.g. a "chewable poison pill" that automatically dissolves in the event of an all cash, all shares tender offer at a premium price). MFS will also consider on a case-by-case basis proposals designed to prevent tenders which are disadvantageous to shareholders such as tenders at below market prices and tenders for substantially less than all shares of an issuer.

MFS will consider any poison pills designed to protect a company's net-operating loss carryforwards on a case-by-case basis, weighing the accounting and tax benefits of such a pill against the risk of deterring future acquisition candidates.

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Reincorporation and Reorganization Proposals

When presented with a proposal to reincorporate a company under the laws of a different state, or to effect some other type of corporate reorganization, MFS considers the underlying purpose and ultimate effect of such a proposal in determining whether or not to support such a measure. MFS generally votes with management in regards to these types of proposals, however, if MFS believes the proposal is in the best long-term economic interests of its clients, then MFS may vote against management (e.g. the intent or effect would be to create additional inappropriate impediments to possible acquisitions or takeovers).

Issuance of Stock

There are many legitimate reasons for the issuance of stock. Nevertheless, as noted above under *Stock Plans*, when a stock option plan (either individually or when aggregated with other plans of the same company) would substantially dilute the existing equity (e.g. by approximately 10-15% as described above), MFS generally votes against the plan. In addition, MFS typically votes against proposals where management is asking for authorization to issue common or preferred stock with no reason stated (a *blank check*) because the unexplained authorization could work as a potential anti-takeover device. MFS may also vote against the authorization or issuance of common or preferred stock if MFS determines that the requested authorization is excessive or not warranted.

Repurchase Programs

MFS supports proposals to institute share repurchase plans in which all shareholders have the opportunity to participate on an equal basis. Such plans may include a company acquiring its own shares on the open market, or a company making a tender offer to its own shareholders.

Cumulative Voting

MFS opposes proposals that seek to introduce cumulative voting and for proposals that seek to eliminate cumulative voting. In either case, MFS will consider whether cumulative voting is likely to enhance the interests of MFS clients as minority shareholders. In our view, shareholders should provide names of qualified candidates to a company's nominating committee, which, in our view, should be comprised solely of independent directors.

Written Consent and Special Meetings

The right to call a special meeting or act by written consent can be a powerful tool for shareholders. As such, MFS supports proposals requesting the right for shareholders who hold at least 10% of the issuer's outstanding stock to call a special meeting. MFS also supports proposals requesting the right for shareholders to act by written consent.

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Independent Auditors

MFS believes that the appointment of auditors for U.S. issuers is best left to the board of directors of the company and therefore supports the ratification of the board's selection of an auditor for the company. Some shareholder groups have submitted proposals to limit the non-audit activities of a company's audit firm or prohibit *any* non-audit services by a company's auditors to that company. MFS opposes proposals recommending the prohibition or limitation of the performance of non-audit services by an auditor, and proposals recommending the removal of a company's auditor due to the performance of non-audit work for the company by its auditor. MFS believes that the board, or its audit committee, should have the discretion to hire the company's auditor fo