

MFS CHARTER INCOME TRUST
Form N-CSRS
July 30, 2009
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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 811-5822

MFS CHARTER INCOME TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(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: May 31, 2009

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Semiannual report

MFS® Charter Income Trust

5/31/09

MCR-SEM

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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 CEO

Dear Shareholders:

The market downturns and economic setbacks of late probably rank among the worst financial declines most of us have experienced. Inevitably, people may be questioning their commitment to investing. Still, it is important to remember that downturns are an inescapable part of the business cycle. Such troughs have been seen before, and if we can use history as a guide, market recoveries typically have followed.

Recent market events have shown the value of certain types of investments. In down markets especially, the benefits that funds offer diversification, professional management, and transparency of operations become even more important for investors.

This year, MFS celebrates the 85th anniversary of its flagship fund, Massachusetts Investors Trust. Founded in 1924, Massachusetts Investors Trust was America's first mutual fund. Over the years, MFS has managed money through wars, recessions, and countless boom and bust market cycles. As dire as today's economic climate may seem, experience has taught us the benefits of maintaining a long-term view. No one can predict when the market will fully recover. Still, we remain fully confident that the hallmarks of funds—diversification, professional management, and transparency—can serve long-term investors well through any type of market climate.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

July 15, 2009

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

Before investing, consider the fund's investment objectives, risks, charges, and expenses. For a prospectus containing this and other information, contact MFS or view online. Read it carefully.

MFS Fund Distributors, Inc., 500 Boylston Street, Boston, MA 02116

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| | |
|---------------------------------------|-------|
| High Yield Corporates | 37.3% |
| Non-U.S. Government Bonds | 15.6% |
| High Grade Corporates | 11.8% |
| Emerging Markets Bonds | 9.5% |
| Mortgage-Backed Securities | 7.5% |
| U.S. Treasury Securities | 6.2% |
| Commercial Mortgage-Backed Securities | 5.9% |
| Floating Rate Loans | 2.0% |
| Asset-Backed Securities | 0.9% |
| U.S. Government Agencies | 0.7% |
| Collateralized Debt Obligations | 0.1% |

Credit quality of bonds (r)

| | |
|-----------|-------|
| AAA | 26.8% |
| AA | 9.6% |
| A | 6.7% |
| BBB | 11.6% |
| BB | 17.3% |
| B | 17.3% |
| CCC | 7.9% |
| CC | 1.0% |
| C | 0.1% |
| D | 0.7% |
| Not Rated | 1.0% |

Portfolio facts

| | |
|---|----------|
| Average Duration (d)(i) | 4.7 |
| Average Effective Maturity (i)(m) | 6.7 yrs. |
| Average Credit Quality of Rated Securities (long-term) (a) | BBB |
| Average Credit Quality of Rated Securities (short-term) (a) | A-1 |

Country weightings (i)

| | |
|-----------------|-------|
| United States | 70.1% |
| Japan | 3.8% |
| Italy | 2.7% |
| United Kingdom | 2.2% |
| Germany | 2.2% |
| France | 2.0% |
| Canada | 1.8% |
| Spain | 1.2% |
| Brazil | 1.1% |
| Other Countries | 12.9% |

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Portfolio Composition continued

- (a) The average credit quality of rated securities is based upon a market weighted average of portfolio holdings that are rated by public rating 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.

- (i) For purposes of this presentation, the bond component includes accrued interest amounts and may be positively or negatively impacted by the equivalent exposure from any derivative holdings, if applicable.

- (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%.

- (r) Each security is assigned a rating from Moody's Investors Service. If not rated by Moody's, the rating will be that assigned by Standard & Poor's. Likewise, if not assigned a rating by Standard & Poor's, it will be based on the rating assigned by Fitch, Inc. For those portfolios that hold a security which is not rated by any of the three agencies, the security is considered Not Rated. Holdings in U.S. Treasuries and government agency mortgage-backed securities, if any, are included in the AAA-rating category. Percentages are based on the total market value of investments as of 5/31/09.
Percentages are based on net assets as of 5/31/09, unless otherwise noted.

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

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INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

The fund's investment objective is to seek high current income, but may also consider capital appreciation. The fund's objective may be changed without shareholder approval.

Principal Investment Strategies

MFS normally invests the fund's assets primarily in debt instruments.

MFS normally invests the fund's assets in U.S. Government securities, foreign government securities, mortgage-backed and other asset-backed securities of U.S. and/or foreign issuers, corporate bonds of U.S. 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.

MFS may invest up to 100% of the fund's assets in lower quality debt instruments.

MFS may invest a relatively high percentage of the fund's assets in a single country, a small number of countries, or a particular geographic region.

MFS may invest the fund's assets in mortgage dollar rolls.

MFS may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments.

MFS uses a bottom-up investment approach in buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of instruments and their issuers in light of current market, economic, political, and regulatory conditions. Factors considered may include the instrument's credit quality, collateral characteristics, and indenture provisions, and the issuer's management ability, capital structure, leverage, and ability to meet its current obligations. Quantitative analysis of the structure of the instrument and its features may also be considered.

The fund may use leverage by borrowing up to 33 1/3% of the fund's assets, including borrowings for investment purposes, and investing the proceeds pursuant to its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

MFS may engage in active and frequent trading in pursuing the fund's principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund's principal investment strategies by temporarily investing for defensive purposes.

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Investment Objective, Principal Investment Strategies and Risks of the Fund continued

Principal Risks

The portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. The fund may invest a significant portion of its assets in mortgage-backed securities. The value of mortgage-backed securities may depend, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due and may fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. U.S. Government securities not supported as to the payment of principal or interest by the U.S. Treasury, such as those issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are subject to greater credit risk than are U.S. Government securities supported by the U.S. Treasury, such as those issued by Ginnie Mae. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicators upon whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. Foreign investments can be more volatile than U.S. investments. Changes in currency exchange rates can affect the U.S. dollar rate of foreign currency investments and investments denominated in foreign currency. Investing in emerging markets can involve risks in addition to those generally associated with investing in more developed foreign markets. To the extent that investments are purchased with the proceeds from the borrowings from a bank, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov> and on the MFS Web site at mfs.com.

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.

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PORTFOLIO MANAGERS PROFILES

| | |
|-----------------|--|
| Richard Hawkins | Investment Officer of MFS; employed in the investment management area of MFS since 1988. Portfolio Manager of the Fund since July 2004. |
| John Addeo | Investment Officer of MFS; employed in the investment management area of MFS since 1998. Portfolio Manager of the Fund since February 2005. |
| David Cole | Investment Officer of MFS; employed in the investment management area of MFS since 2004. High Yield Analyst at Franklin Templeton Investments from 1999 to 2004. Portfolio Manager of the Fund since October 2006. |
| Matthew Ryan | Investment Officer of MFS; employed in the investment management area of MFS since 1997. Portfolio Manager of the Fund since September 2004. |

OTHER NOTES

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at 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. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders. 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. It may also result in a recharacterization of what economically represents a return of capital to ordinary income. In addition, distributions of current year long-term gains may be recharacterized as ordinary income. Returns of shareholder capital have the effect of reducing the fund's assets and may increase the fund's expense ratio.

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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

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Dividend Reinvestment and Cash Purchase Plan continued

www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

The following changes in the Plan will take effect on September 1, 2009:

When dividend reinvestment is being made through purchases in the open market, such purchases will be made on or shortly after the payment date for such distribution (except where temporary limits on purchases are legally required) and in no event more than 15 days thereafter (instead of 45 days as previously specified).

In an instance where the Plan Agent either cannot invest the full amount of the distribution through open market purchases or the fund's shares are no longer selling at a discount to the current net asset value per share, the fund will supplementally issue additional shares at the greater of net asset value per share or 95% of the current market value price per share calculated on the date that such request is made (instead of the distribution date net asset value as previously specified). This price may be greater or lesser than the fund's net asset value per share on the distribution payment date.

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PORTFOLIO OF INVESTMENTS

5/31/09 (unaudited)

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

| Bonds - 92.0% | | |
|--|--------------|--------------|
| Issuer | Shares/Par | Value (\$) |
| Aerospace - 0.3% | | |
| Bombardier, Inc., 6.3%, 2014 (n) | \$ 1,000,000 | \$ 875,000 |
| Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015 | 795,000 | 333,900 |
| TransDigm Group, Inc., 7.75%, 2014 | 390,000 | 376,350 |
| | | \$ 1,585,250 |
| Airlines - 0.3% | | |
| AMR Corp., 7.858%, 2011 | \$ 1,110,000 | \$ 1,015,650 |
| Continental Airlines, Inc., 7.339%, 2014 | 431,000 | 293,080 |
| Delta Air Lines, Inc., 7.111%, 2011 | 85,000 | 79,050 |
| | | \$ 1,387,780 |
| Asset Backed & Securitized - 6.8% | | |
| Asset Securitization Corp., FRN, 8.335%, 2029 | \$ 759,930 | \$ 839,888 |
| Banc of America Commercial Mortgage, Inc., FRN, 6.165%, 2051 | 6,000,000 | 4,855,304 |
| Bayview Financial Acquisition Trust, FRN, 5.483%, 2041 | 404,000 | 300,469 |
| Bayview Financial Revolving Mortgage Loan Trust, FRN, 1.116%, 2040 (z) | 1,160,000 | 427,692 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust, FRN, 5.366%, 2049 | 1,605,000 | 765,203 |
| Commercial Mortgage Pass-Through Certificates, FRN, 5.986%, 2046 | 230,000 | 119,087 |
| Countrywide Asset-Backed Certificates, FRN, 5.147%, 2035 | 2,000,000 | 1,366,715 |
| Credit Suisse Mortgage Capital Certificate, 5.343%, 2039 | 1,080,744 | 527,896 |
| Crest Ltd., CDO, 7%, 2040 | 2,000,000 | 150,000 |
| CWCapital LLC, 5.223%, 2048 | 5,839,000 | 4,331,907 |
| DLJ Commercial Mortgage Corp., 6.04%, 2031 (z) | 2,000,000 | 1,775,172 |
| First Union-Lehman Brothers Bank of America, FRN, 0.418%, 2035 (i) | 21,471,956 | 331,843 |
| First Union-Lehman Brothers Commercial Mortgage Trust, 7%, 2029 (n) | 567,875 | 577,009 |
| Greenwich Capital Commercial Funding Corp., FRN, 5.916%, 2038 | 4,839,456 | 3,975,821 |
| JPMorgan Chase Commercial Mortgage Securities Corp., 5.429%, 2043 | 6,000,000 | 4,789,034 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.062%, 2051 | 185,000 | 38,889 |
| Merrill Lynch Mortgage Trust, FRN, 5.828%, 2050 | 185,000 | 45,515 |
| Morgan Stanley Capital I, Inc., 5.168%, 2042 | 919,020 | 843,381 |
| Mortgage Capital Funding, Inc., FRN, 2.321%, 2031 (i) | 419,227 | 21 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|---|---------------|---------------|
| Bonds - continued | | |
| Asset Backed & Securitized - continued | | |
| New Century Home Equity Loan Trust, FRN, 4.532%, 2035 | \$ 1,566,923 | \$ 1,505,274 |
| PNC Mortgage Acceptance Corp., FRN, 7.1%, 2032 (z) | 2,510,000 | 2,332,588 |
| Spirit Master Funding LLC, 5.05%, 2023 (z) | 1,640,995 | 1,185,273 |
| Structured Asset Securities Corp., FRN, 4.67%, 2035 | 947,820 | 784,595 |
| Wachovia Bank Commercial Mortgage Trust, FRN, 5.69%, 2047 | 1,503,155 | 242,460 |
| | | \$ 32,111,036 |
| Automotive - 1.7% | | |
| Accuride Corp., 8.5%, 2015 | \$ 780,000 | \$ 230,100 |
| Allison Transmission, Inc., 11%, 2015 (n) | 1,855,000 | 1,446,900 |
| FCE Bank PLC, 7.125%, 2012 | EUR 2,800,000 | 3,364,604 |
| Ford Motor Credit Co. LLC, 9.75%, 2010 | \$ 1,240,000 | 1,174,096 |
| Ford Motor Credit Co. LLC, 12%, 2015 | 362,000 | 332,834 |
| Ford Motor Credit Co. LLC, 8%, 2016 | 250,000 | 200,761 |
| Goodyear Tire & Rubber Co., 9%, 2015 | 880,000 | 840,400 |
| Goodyear Tire & Rubber Co., 10.5%, 2016 | 385,000 | 383,075 |
| | | \$ 7,972,770 |
| Broadcasting - 1.5% | | |
| Allbritton Communications Co., 7.75%, 2012 | \$ 2,085,000 | \$ 1,454,287 |
| Clear Channel Communications, Inc., 6.25%, 2011 | 1,240,000 | 415,400 |
| Clear Channel Communications, Inc., 10.75%, 2016 | 280,000 | 67,200 |
| Intelsat Jackson Holdings Ltd., 9.5%, 2016 (n) | 1,415,000 | 1,407,925 |
| Lamar Media Corp., 7.25%, 2013 | 675,000 | 617,625 |
| Lamar Media Corp., 6.625%, 2015 | 1,085,000 | 922,250 |
| Lamar Media Corp., C, 6.625%, 2015 | 245,000 | 198,450 |
| LIN TV Corp., 6.5%, 2013 | 1,415,000 | 979,887 |
| Local TV Finance LLC, 9.25%, 2015 (p)(z) | 900,000 | 121,125 |
| Newport Television LLC, 13%, 2017 (n)(p) | 105,000 | 2,122 |
| News America, Inc., 6.2%, 2034 | 325,000 | 265,191 |
| Nexstar Broadcasting Group, Inc., 7%, 2014 | 168,000 | 58,380 |
| Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 (p)(z) | 507,439 | 144,176 |
| Univision Communications, Inc., 9.75%, 2015 (n)(p) | 965,000 | 277,196 |
| | | \$ 6,931,214 |
| Brokerage & Asset Managers - 0.3% | | |
| Janus Capital Group, Inc., 6.95%, 2017 | \$ 1,420,000 | \$ 1,118,926 |
| Nuveen Investments, Inc., 10.5%, 2015 (n) | 1,020,000 | 545,700 |
| | | \$ 1,664,626 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Building - 0.8% | | |
| Associated Materials, Inc., 9.75%, 2012 | \$ 1,075,000 | \$ 908,375 |
| Building Materials Corp. of America, 7.75%, 2014 | 300,000 | 262,500 |
| CRH PLC, 8.125%, 2018 | 898,000 | 840,708 |
| Nortek, Inc., 10%, 2013 | 1,245,000 | 806,138 |
| Ply Gem Industries, Inc., 11.75%, 2013 | 1,435,000 | 918,400 |
| | | \$ 3,736,121 |
| Business Services - 0.8% | | |
| First Data Corp., 9.875%, 2015 | \$ 1,990,000 | \$ 1,353,200 |
| Iron Mountain, Inc., 6.625%, 2016 | 775,000 | 716,875 |
| SunGard Data Systems, Inc., 9.125%, 2013 | 205,000 | 197,312 |
| SunGard Data Systems, Inc., 10.25%, 2015 | 1,760,000 | 1,597,200 |
| | | \$ 3,864,587 |
| Cable TV - 2.6% | | |
| CCO Holdings LLC, 8.75%, 2013 | \$ 1,500,000 | \$ 1,372,500 |
| Charter Communications, Inc., 10.375%, 2014 (n) | 590,000 | 560,500 |
| Charter Communications, Inc., 10.875%, 2014 (n) | 395,000 | 406,850 |
| CSC Holdings, Inc., 8.5%, 2014 (n) | 270,000 | 268,650 |
| CSC Holdings, Inc., 8.5%, 2015 (n) | 1,980,000 | 1,950,300 |
| DirectTV Holdings LLC, 7.625%, 2016 | 2,890,000 | 2,796,075 |
| Mediacom LLC, 9.5%, 2013 | 850,000 | 811,750 |
| TCl Communications, Inc., 9.8%, 2012 | 701,000 | 777,721 |
| Videotron LTEE, 6.875%, 2014 | 925,000 | 874,125 |
| Virgin Media Finance PLC, 9.5%, 2016 | 395,000 | 377,517 |
| Virgin Media, Inc., 9.125%, 2016 | 2,185,000 | 2,108,525 |
| | | \$ 12,304,513 |
| Chemicals - 0.8% | | |
| Innophos Holdings, Inc., 8.875%, 2014 | \$ 850,000 | \$ 762,875 |
| Momentive Performance Materials, Inc., 10.125%, 2014 (p) | 690,616 | 169,215 |
| Momentive Performance Materials, Inc., 11.5%, 2016 | 837,000 | 196,695 |
| Mosaic Co., 7.625%, 2016 (n) | 1,525,000 | 1,517,375 |
| Nalco Co., 7.75%, 2011 | 97,000 | 97,970 |
| Yara International A.S.A., 5.25%, 2014 (n) | 1,200,000 | 1,103,533 |
| | | \$ 3,847,663 |
| Computer Software - 0.4% | | |
| Seagate Technology HDD Holdings, 6.375%, 2011 | \$ 1,950,000 | \$ 1,823,250 |
| Computer Software - Systems - 0.3% | | |
| International Business Machines Corp., 8%, 2038 | \$ 1,000,000 | \$ 1,277,815 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|--------------|
| Bonds - continued | | |
| Conglomerates - 0.4% | | |
| Actuant Corp., 6.875%, 2017 | \$ 1,005,000 | \$ 899,475 |
| Kennametal, Inc., 7.2%, 2012 | 1,140,000 | 1,131,665 |
| | | \$ 2,031,140 |
| Construction - 0.1% | | |
| Lennar Corp., 12.25%, 2017 (n) | \$ 345,000 | \$ 355,350 |
| Consumer Goods & Services - 1.6% | | |
| Corrections Corp. of America, 6.25%, 2013 | \$ 310,000 | \$ 293,725 |
| Fortune Brands, Inc., 5.125%, 2011 | 671,000 | 680,460 |
| GEO Group, Inc., 8.25%, 2013 | 125,000 | 121,875 |
| Jarden Corp., 7.5%, 2017 | 1,405,000 | 1,215,325 |
| KAR Holdings, Inc., 10%, 2015 | 1,040,000 | 837,200 |
| KAR Holdings, Inc., FRN, 5.027%, 2014 | 380,000 | 285,000 |
| Service Corp. International, 7%, 2017 | 3,030,000 | 2,764,875 |
| Ticketmaster, 10.75%, 2016 (n) | 1,510,000 | 1,208,000 |
| | | \$ 7,406,460 |
| Containers - 0.7% | | |
| Crown Americas LLC, 7.625%, 2013 | \$ 500,000 | \$ 487,500 |
| Crown Americas LLC, 7.75%, 2015 | 565,000 | 550,875 |
| Graham Packaging Holdings Co., 9.875%, 2014 | 800,000 | 712,000 |
| Greif, Inc., 6.75%, 2017 | 855,000 | 793,013 |
| Owens-Brockway Glass Container, Inc., 8.25%, 2013 | 940,000 | 940,000 |
| | | \$ 3,483,388 |
| Defense Electronics - 0.8% | | |
| BAE Systems Holdings, Inc., 4.75%, 2010 (n) | \$ 474,000 | \$ 477,017 |
| BAE Systems Holdings, Inc., 5.2%, 2015 (n) | 750,000 | 704,224 |
| L-3 Communications Corp., 5.875%, 2015 | 1,145,000 | 1,019,050 |
| L-3 Communications Corp., 6.375%, 2015 | 1,500,000 | 1,365,000 |
| | | \$ 3,565,291 |
| Electronics - 0.4% | | |
| Avago Technologies Ltd., 11.875%, 2015 | \$ 500,000 | \$ 455,000 |
| Flextronics International Ltd., 6.25%, 2014 | 1,170,000 | 1,047,150 |
| Freescale Semiconductor, Inc., 8.875%, 2014 | 635,000 | 285,750 |
| Spansion, Inc., 11.25%, 2016 (d)(n) | 620,000 | 139,500 |
| | | \$ 1,927,400 |
| Emerging Market Quasi-Sovereign - 4.1% | | |
| Banco Nacional de Desenvolvimento Economico e Social, 6.369%, 2018 (n) | \$ 116,000 | \$ 117,450 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|---|------------|---------------|
| Bonds - continued | | |
| Emerging Market Quasi-Sovereign - continued | | |
| Corporación Nacional del Cobre de Chile, 7.5%, 2019 (n) | \$ 253,000 | \$ 284,996 |
| Export-Import Bank of Korea, 8.125%, 2014 | 633,000 | 696,072 |
| Gazprom International S.A., 7.201%, 2020 | 415,334 | 390,414 |
| Hana Bank, 6.5%, 2012 (n) | 548,000 | 569,199 |
| Industrial Bank of Korea, 7.125%, 2014 (n) | 945,000 | 956,404 |
| KazMunaiGaz Finance B.V., 8.375%, 2013 (n) | 251,000 | 228,410 |
| KazMunaiGaz Finance B.V., 9.125%, 2018 (n) | 733,000 | 670,695 |
| Korea Development Bank, 8%, 2014 | 168,000 | 181,919 |
| Majapahit Holding B.V., 7.25%, 2017 (n) | 1,478,000 | 1,278,470 |
| Mubadala Development Co., 5.75%, 2014 (n) | 941,000 | 942,741 |
| Mubadala Development Co., 7.625%, 2019 (n) | 1,869,000 | 1,874,046 |
| National Power Corp., 7.25%, 2019 (z) | 752,000 | 765,160 |
| National Power Corp., FRN, 5.5%, 2011 | 390,000 | 390,479 |
| Pemex Project Funding Master Trust, 5.75%, 2018 | 2,006,000 | 1,885,640 |
| Pemex Project Funding Master Trust, FRN, 1.864%, 2012 | 1,100,000 | 1,036,750 |
| Petrobras International Finance Co., 7.875%, 2019 | 581,000 | 633,290 |
| Petroleos de Venezuela S.A., 5.25%, 2017 | 950,000 | 403,750 |
| Petroleos Mexicanos, 8%, 2019 (n) | 1,101,000 | 1,203,393 |
| Petroleum Co. of Trinidad & Tobago Ltd., 6%, 2022 (n) | 430,000 | 331,917 |
| Petronas Capital Ltd., 7.875%, 2022 | 600,000 | 696,421 |
| Ras Laffan Liquefied Natural Gas Co. Ltd., 8.294%, 2014 (n) | 2,490,000 | 2,620,700 |
| SB Capital S.A., 5.93%, 2011 | 930,000 | 920,700 |
| TransCapitalInvest Ltd., 5.67%, 2014 | 115,000 | 99,913 |
| | | \$ 19,178,929 |
| Emerging Market Sovereign - 3.0% | | |
| Emirate of Abu Dhabi, 6.75%, 2019 (z) | \$ 218,000 | \$ 226,276 |
| Federative Republic of Brazil, 6%, 2017 | 1,670,000 | 1,722,605 |
| Republic of Argentina, FRN, 1.683%, 2012 | 1,947,150 | 1,231,508 |
| Republic of Colombia, 7.375%, 2017 | 1,393,000 | 1,506,529 |
| Republic of Columbia, 7.375%, 2019 | 465,000 | 492,900 |
| Republic of Indonesia, 10.375%, 2014 (n) | 252,000 | 289,170 |
| Republic of Indonesia, 6.875%, 2017 (n) | 171,000 | 164,587 |
| Republic of Indonesia, 6.875%, 2018 (n) | 531,000 | 505,778 |
| Republic of Indonesia, 6.875%, 2018 | 204,000 | 194,310 |
| Republic of Indonesia, 11.625%, 2019 (n) | 1,703,000 | 2,137,265 |
| Republic of Indonesia, 7.75%, 2038 (n) | 593,000 | 551,490 |
| Republic of Panama, 9.375%, 2029 | 1,747,000 | 2,157,545 |
| Republic of Peru, 7.125%, 2019 | 298,000 | 318,860 |
| Republic of South Africa, 6.875%, 2019 | 167,000 | 167,835 |
| Republic of Turkey, 7.5%, 2019 | 289,000 | 295,503 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-------------------|
| Bonds - continued | | |
| Emerging Market Sovereign - continued | | |
| State of Qatar, 5.15%, 2014 (n) | \$ 1,249,000 | \$ 1,273,980 |
| State of Qatar, 6.55%, 2019 (n) | 864,000 | 896,400 |
| | | \$ 14,132,541 |
| Energy - Independent - 3.2% | | |
| Anadarko Petroleum Corp., 6.45%, 2036 | \$ 160,000 | \$ 133,232 |
| Chaparral Energy, Inc., 8.875%, 2017 | 1,205,000 | 694,381 |
| Chesapeake Energy Corp., 9.5%, 2015 | 335,000 | 330,813 |
| Chesapeake Energy Corp., 6.375%, 2015 | 2,200,000 | 1,886,500 |
| Chesapeake Energy Corp., 6.875%, 2016 | 1,070,000 | 922,875 |
| Forest Oil Corp., 8.5%, 2014 (n) | 70,000 | 67,550 |
| Forest Oil Corp., 7.25%, 2019 | 1,985,000 | 1,707,100 |
| Hilcorp Energy I LP, 9%, 2016 (n) | 1,095,000 | 963,600 |
| Mariner Energy, Inc., 8%, 2017 | 1,310,000 | 1,034,900 |
| McMoRan Exploration Co., 11.875%, 2014 | 645,000 | 499,875 |
| Newfield Exploration Co., 6.625%, 2014 | 650,000 | 598,000 |
| Newfield Exploration Co., 6.625%, 2016 | 225,000 | 203,625 |
| OPTI Canada, Inc., 8.25%, 2014 | 1,340,000 | 924,600 |
| Petrohawk Energy Corp., 10.5%, 2014 (n) | 740,000 | 758,500 |
| Plains Exploration & Production Co., 7%, 2017 | 1,520,000 | 1,322,400 |
| Quicksilver Resources, Inc., 8.25%, 2015 | 290,000 | 242,150 |
| Quicksilver Resources, Inc., 7.125%, 2016 | 1,620,000 | 1,182,600 |
| Range Resources Corp., 8%, 2019 | 440,000 | 433,400 |
| SandRidge Energy, Inc., 9.875%, 2016 (z) | 250,000 | 238,125 |
| SandRidge Energy, Inc., 8%, 2018 (n) | 1,020,000 | 861,900 |
| Talisman Energy, Inc., 7.75%, 2019 | 280,000 | 293,542 |
| | | \$ 15,299,668 |
| Energy - Integrated - 0.2% | | |
| ConocoPhillips, 6.5%, 2039 | \$ 170,000 | \$ 175,686 |
| Hess Corp., 8.125%, 2019 | 100,000 | 109,876 |
| Husky Energy, Inc., 5.9%, 2014 | 306,000 | 312,820 |
| Husky Energy, Inc., 7.25%, 2019 | 324,000 | 338,121 |
| | | \$ 936,503 |
| Entertainment - 0.4% | | |
| AMC Entertainment, Inc., 11%, 2016 | \$ 1,200,000 | \$ 1,206,000 |
| AMC Entertainment, Inc., 8.75%, 2019 (z) | 660,000 | 635,250 |
| | | \$ 1,841,250 |
| Financial Institutions - 1.0% | | |
| GMAC LLC, 6.875%, 2011 (z) | \$ 2,324,000 | \$ 2,079,980 |
| GMAC LLC, 7%, 2012 (z) | 455,000 | 398,125 |

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Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|--------------|--------------|
| Bonds - continued | | |
| Financial Institutions - continued | | |
| GMAC LLC, 6.75%, 2014 (z) | \$ 615,000 | \$ 513,525 |
| GMAC LLC, 8%, 2031 (z) | 799,000 | 599,250 |
| ILFC E-Capital Trust I, 5.9% to 2010, FRN to 2065 (n) | 2,500,000 | 950,000 |
| | | \$ 4,540,880 |
| Food & Beverages - 1.3% | | |
| Anheuser-Busch Companies, Inc., 6.875%, 2019 (z) | \$ 1,300,000 | \$ 1,314,882 |
| ARAMARK Corp., 8.5%, 2015 | 1,154,000 | 1,100,628 |
| B&G Foods, Inc., 8%, 2011 | 170,000 | 167,450 |
| Conagra Foods, Inc., 7%, 2019 | 430,000 | 462,622 |
| Dean Foods Co., 7%, 2016 | 1,300,000 | 1,218,750 |
| Del Monte Corp., 6.75%, 2015 | 1,170,000 | 1,108,575 |
| General Mills, Inc., 5.65%, 2012 | 156,000 | 166,702 |
| Tyson Foods, Inc., 7.85%, 2016 | 912,000 | 858,469 |
| | | \$ 6,398,078 |
| Food & Drug Stores - 0.2% | | |
| CVS Caremark Corp., 6.6%, 2019 | \$ 740,000 | \$ 768,523 |
| Forest & Paper Products - 1.6% | | |
| Buckeye Technologies, Inc., 8.5%, 2013 | \$ 425,000 | \$ 393,125 |
| Cellu Tissue Holdings, Inc., 11.5%, 2014 (z) | 770,000 | 752,675 |
| Georgia-Pacific Corp., 7.125%, 2017 (n) | 2,085,000 | 1,959,900 |
| Georgia-Pacific Corp., 8%, 2024 | 140,000 | 119,000 |
| Graphic Packaging International Corp., 9.5%, 2013 | 1,310,000 | 1,224,850 |
| International Paper Co., 7.4%, 2014 | 900,000 | 886,482 |
| Jefferson Smurfit Corp., 8.25%, 2012 (d) | 1,425,000 | 448,875 |
| NewPage Holding Corp., 10%, 2012 | 1,000,000 | 560,000 |
| Smurfit-Stone Container Corp., 8%, 2017 (d) | 536,000 | 174,200 |
| Stora Enso Oyj, 6.404%, 2016 (n) | 1,560,000 | 1,138,800 |
| | | \$ 7,657,907 |
| Gaming & Lodging - 2.3% | | |
| Ameristar Casinos, Inc., 9.25%, 2014 (z) | \$ 305,000 | \$ 308,050 |
| Boyd Gaming Corp., 6.75%, 2014 | 1,255,000 | 978,900 |
| Firekeepers Development Authority, 13.875%, 2015 (z) | 270,000 | 243,000 |
| Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(n) | 460,000 | 20,700 |
| Harrah s Operating Co., Inc., 11.25%, 2017 (z) | 280,000 | 271,600 |
| Harrah s Operating Co., Inc., 10%, 2018 (z) | 735,000 | 490,613 |
| Harrah s Operating Co., Inc., 10%, 2018 (z) | 2,024,000 | 1,351,020 |
| Host Hotels & Resorts, Inc., 7.125%, 2013 | 470,000 | 437,100 |
| Host Hotels & Resorts, Inc., 6.75%, 2016 | 880,000 | 756,800 |
| Host Hotels & Resorts, Inc., 9%, 2017 (z) | 130,000 | 122,200 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|---------------|---------------|
| Bonds - continued | | |
| Gaming & Lodging - continued | | |
| MGM Mirage, 6.75%, 2013 | \$ 20,000 | \$ 13,300 |
| MGM Mirage, 5.875%, 2014 | 480,000 | 304,800 |
| MGM Mirage, 10.375%, 2014 (z) | 145,000 | 149,350 |
| MGM Mirage, 7.5%, 2016 | 640,000 | 416,000 |
| MGM Mirage, 11.125%, 2017 (z) | 365,000 | 382,338 |
| Pinnacle Entertainment, Inc., 7.5%, 2015 | 2,440,000 | 2,037,400 |
| Royal Caribbean Cruises Ltd., 7%, 2013 | 545,000 | 453,712 |
| Scientific Games Corp., 6.25%, 2012 | 380,000 | 349,600 |
| Starwood Hotels & Resorts Worldwide, Inc., 7.875%, 2012 | 325,000 | 316,062 |
| Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018 | 235,000 | 199,750 |
| Station Casinos, Inc., 6%, 2012 (d) | 1,730,000 | 622,800 |
| Station Casinos, Inc., 6.5%, 2014 (d) | 25,000 | 750 |
| Station Casinos, Inc., 6.875%, 2016 (d) | 980,000 | 29,400 |
| Trump Entertainment Resorts Holdings, Inc., 8.5%, 2015 (d) | 1,540,000 | 184,800 |
| Wyndham Worldwide Corp., 6%, 2016 | 705,000 | 528,351 |
| | | \$ 10,968,396 |
| Industrial - 0.2% | | |
| Baldor Electric Co., 8.625%, 2017 | \$ 530,000 | \$ 482,300 |
| Blount International, Inc., 8.875%, 2012 | 180,000 | 179,100 |
| JohnsonDiversey, Inc., 9.625%, 2012 | EUR 125,000 | 156,390 |
| JohnsonDiversey, Inc., B , 9.625%, 2012 | \$ 310,000 | 302,250 |
| | | \$ 1,120,040 |
| Insurance - Property & Casualty - 1.1% | | |
| Allstate Corp., 7.45%, 2019 | \$ 850,000 | \$ 887,922 |
| AXIS Capital Holdings Ltd., 5.75%, 2014 | 1,689,000 | 1,463,133 |
| Fund American Cos., Inc., 5.875%, 2013 | 811,000 | 650,591 |
| USI Holdings Corp., FRN, 4.758%, 2014 (n) | 1,005,000 | 550,238 |
| ZFS Finance USA Trust V, 6.5% to 2017, FRN to 2037 (n) | 2,490,000 | 1,643,400 |
| | | \$ 5,195,284 |
| International Market Quasi-Sovereign - 0.6% | | |
| Canada Housing Trust, 4.6%, 2011 (n) | CAD 392,000 | \$ 382,916 |
| ING Bank N.V., 3.9%, 2014 (n) | \$ 1,390,000 | 1,429,761 |
| Societe Financement de l' Economie, 3.375%, 2014 (n) | 1,000,000 | 1,002,099 |
| | | \$ 2,814,776 |
| International Market Sovereign - 14.2% | | |
| Federal Republic of Germany, 5.25%, 2010 | EUR 3,901,000 | \$ 5,767,366 |
| Federal Republic of Germany, 3.75%, 2015 | EUR 1,906,000 | 2,818,081 |
| Federal Republic of Germany, 6.25%, 2030 | EUR 926,000 | 1,613,526 |
| Government of Canada, 4.5%, 2015 | CAD 1,035,000 | 1,041,181 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|-----------------|---------------|
| Bonds - continued | | |
| International Market Sovereign - continued | | |
| Government of Canada, 5.75%, 2033 | CAD 238,000 | \$ 271,576 |
| Government of Japan, 0.8%, 2010 | JPY 187,800,000 | 1,989,832 |
| Government of Japan, 1.5%, 2012 | JPY 552,000,000 | 5,961,542 |
| Government of Japan, 1.3%, 2014 | JPY 227,600,000 | 2,431,751 |
| Government of Japan, 1.7%, 2017 | JPY 125,600,000 | 1,357,065 |
| Government of Japan, 2.2%, 2027 | JPY 504,000,000 | 5,379,010 |
| Kingdom of Belgium, 5.5%, 2017 | EUR 1,254,000 | 1,959,630 |
| Kingdom of Netherlands, 3.75%, 2014 | EUR 1,072,000 | 1,567,497 |
| Kingdom of Spain, 5.35%, 2011 | EUR 2,742,000 | 4,185,852 |
| Kingdom of Spain, 4.6%, 2019 | EUR 815,000 | 1,180,788 |
| Kingdom of Sweden, 4.5%, 2015 | SEK 2,635,000 | 373,148 |
| Republic of Austria, 4.65%, 2018 | EUR 737,000 | 1,077,321 |
| Republic of France, 4.75%, 2012 | EUR 769,000 | 1,174,073 |
| Republic of France, 5%, 2016 | EUR 374,000 | 578,688 |
| Republic of France, 6%, 2025 | EUR 524,000 | 874,111 |
| Republic of France, 4.75%, 2035 | EUR 2,110,000 | 3,058,970 |
| Republic of Greece, 3.6%, 2016 | EUR 2,208,000 | 2,923,611 |
| Republic of Ireland, 4.6%, 2016 | EUR 1,179,000 | 1,649,017 |
| Republic of Italy, 4.75%, 2013 | EUR 4,881,000 | 7,335,949 |
| Republic of Italy, 5.25%, 2017 | EUR 2,865,000 | 4,372,527 |
| Republic of Portugal, 4.45%, 2018 | EUR 1,115,000 | 1,600,218 |
| United Kingdom Treasury, 8%, 2015 | GBP 875,000 | 1,859,600 |
| United Kingdom Treasury, 8%, 2021 | GBP 588,000 | 1,333,370 |
| United Kingdom Treasury, 4.25%, 2036 | GBP 808,000 | 1,235,317 |
| | | \$ 66,970,617 |
| Machinery & Tools - 0.2% | | |
| Case New Holland, Inc., 7.125%, 2014 | \$ 995,000 | \$ 922,863 |
| Major Banks - 2.4% | | |
| Bank of America Corp., 7.375%, 2014 | \$ 1,000,000 | \$ 1,052,416 |
| Bank of America Corp., 7.625%, 2019 | 370,000 | 374,234 |
| Bank of America Corp., 8% to 2018, FRN to 2049 | 600,000 | 469,518 |
| BNP Paribas, 5.186% to 2015, FRN to 2049 (n) | 1,667,000 | 1,096,416 |
| Credit Suisse New York, 5.5%, 2014 | 1,000,000 | 1,009,999 |
| Goldman Sachs Group, Inc., 6%, 2014 | 2,000,000 | 2,033,462 |
| JPMorgan Chase & Co., 6.3%, 2019 | 1,000,000 | 994,909 |
| Kookmin Bank, 7.25%, 2014 (z) | 600,000 | 609,193 |
| Morgan Stanley, 5.75%, 2016 | 397,000 | 375,994 |
| Morgan Stanley, 6.625%, 2018 | 391,000 | 386,535 |
| Morgan Stanley, 7.3%, 2019 | 830,000 | 850,204 |
| MUFG Capital Finance 1 Ltd., 6.346% to 2016, FRN to 2049 | 289,000 | 250,892 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Major Banks - continued | | |
| Natixis S.A., 10% to 2018, FRN to 2049 (n) | \$ 2,510,000 | \$ 1,381,052 |
| UniCredito Luxembourg Finance S.A., 6%, 2017 (n) | 830,000 | 675,413 |
| | | \$ 11,560,237 |
| Medical & Health Technology & Services - 4.1% | | |
| Biomet, Inc., 10%, 2017 | \$ 615,000 | \$ 628,838 |
| Biomet, Inc., 11.625%, 2017 | 2,260,000 | 2,226,100 |
| Community Health Systems, Inc., 8.875%, 2015 | 1,510,000 | 1,493,013 |
| Cooper Cos., Inc., 7.125%, 2015 | 570,000 | 545,775 |
| DaVita, Inc., 6.625%, 2013 | 294,000 | 275,625 |
| DaVita, Inc., 7.25%, 2015 | 1,595,000 | 1,499,300 |
| Fisher Scientific International, Inc., 6.125%, 2015 | 1,254,000 | 1,254,000 |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n) | 665,000 | 688,275 |
| HCA, Inc., 8.75%, 2010 | 480,000 | 480,000 |
| HCA, Inc., 9.25%, 2016 | 4,130,000 | 4,057,725 |
| HCA, Inc., 8.5%, 2019 (n) | 605,000 | 591,388 |
| Hospira, Inc., 6.05%, 2017 | 655,000 | 617,631 |
| McKesson Corp., 7.5%, 2019 | 110,000 | 121,390 |
| Owens & Minor, Inc., 6.35%, 2016 | 970,000 | 853,092 |
| Psychiatric Solutions, Inc., 7.75%, 2015 (z) | 260,000 | 231,400 |
| Psychiatric Solutions, Inc., 7.75%, 2015 | 850,000 | 765,000 |
| U.S. Oncology, Inc., 10.75%, 2014 | 1,340,000 | 1,276,350 |
| Universal Hospital Services, Inc., 8.5%, 2015 (p) | 1,030,000 | 988,800 |
| VWR Funding, Inc., 10.25%, 2015 (p) | 1,000,000 | 750,000 |
| | | \$ 19,343,702 |
| Metals & Mining - 2.2% | | |
| Arch Western Finance LLC, 6.75%, 2013 | \$ 1,655,000 | \$ 1,506,050 |
| FMG Finance Ltd., 10.625%, 2016 (n) | 1,135,000 | 1,007,313 |
| Freeport-McMoRan Copper & Gold, Inc., 8.375%, 2017 | 3,670,000 | 3,642,475 |
| Freeport-McMoRan Copper & Gold, Inc., FRN, 4.995%, 2015 | 265,000 | 238,500 |
| International Steel Group, Inc., 6.5%, 2014 | 1,300,000 | 1,195,516 |
| Ispat Inland ULC, 9.75%, 2014 | 1,200,000 | 1,190,743 |
| Peabody Energy Corp., 5.875%, 2016 | 675,000 | 592,313 |
| Peabody Energy Corp., 7.375%, 2016 | 1,245,000 | 1,185,863 |
| | | \$ 10,558,773 |
| Mortgage Backed - 7.5% | | |
| Fannie Mae, 3.81%, 2013 | \$ 321,004 | \$ 327,680 |
| Fannie Mae, 4.1%, 2013 | 522,612 | 538,671 |
| Fannie Mae, 4.19%, 2013 | 422,613 | 436,743 |
| Fannie Mae, 4.845%, 2013 | 143,128 | 151,220 |
| Fannie Mae, 4.589%, 2014 | 327,462 | 342,215 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Mortgage Backed - continued | | |
| Fannie Mae, 4.6%, 2014 | \$ 433,971 | \$ 453,589 |
| Fannie Mae, 4.609%, 2014 | 495,855 | 518,762 |
| Fannie Mae, 4.77%, 2014 | 338,049 | 355,070 |
| Fannie Mae, 4.56%, 2015 | 182,168 | 189,258 |
| Fannie Mae, 4.665%, 2015 | 147,663 | 154,164 |
| Fannie Mae, 4.7%, 2015 | 140,934 | 147,361 |
| Fannie Mae, 4.74%, 2015 | 348,805 | 364,414 |
| Fannie Mae, 4.78%, 2015 | 407,251 | 426,564 |
| Fannie Mae, 4.815%, 2015 | 360,000 | 377,052 |
| Fannie Mae, 4.87%, 2015 | 297,909 | 313,473 |
| Fannie Mae, 4.89%, 2015 | 99,443 | 104,831 |
| Fannie Mae, 4.921%, 2015 | 995,880 | 1,049,836 |
| Fannie Mae, 6%, 2016 - 2037 | 4,837,223 | 5,091,314 |
| Fannie Mae, 5.5%, 2019 - 2035 | 13,688,669 | 14,237,203 |
| Fannie Mae, 4.88%, 2020 | 289,035 | 298,712 |
| Fannie Mae, 6.5%, 2032 - 2033 | 1,147,108 | 1,235,793 |
| Fannie Mae, 5%, 2034 | 3,782,130 | 3,887,360 |
| Freddie Mac, 5%, 2024 | 73,570 | 75,097 |
| Freddie Mac, 5.5%, 2034 | 3,226,541 | 3,348,343 |
| Freddie Mac, 6%, 2034 | 829,088 | 873,211 |
| | | \$ 35,297,936 |
| Natural Gas - Distribution - 0.6% | | |
| AmeriGas Partners LP, 7.25%, 2015 | \$ 670,000 | \$ 629,800 |
| AmeriGas Partners LP, 7.125%, 2016 | 925,000 | 856,781 |
| EQT Corp., 8.125%, 2019 | 1,000,000 | 1,031,570 |
| Inergy LP, 6.875%, 2014 | 585,000 | 535,275 |
| | | \$ 3,053,426 |
| Natural Gas - Pipeline - 1.7% | | |
| Atlas Pipeline Partners LP, 8.125%, 2015 | \$ 1,500,000 | \$ 922,500 |
| Atlas Pipeline Partners LP, 8.75%, 2018 | 250,000 | 152,500 |
| CenterPoint Energy, Inc., 7.875%, 2013 | 960,000 | 1,008,000 |
| Deutsche Bank (El Paso Performance-Linked Trust, CLN), 7.75%, 2011 (n) | 1,890,000 | 1,866,959 |
| El Paso Corp., 8.25%, 2016 | 675,000 | 669,938 |
| El Paso Corp., 7.25%, 2018 | 595,000 | 548,032 |
| El Paso Corp., 7.75%, 2032 | 201,000 | 159,500 |
| Kinder Morgan, Inc., 6.5%, 2012 | 210,000 | 203,175 |
| MarkWest Energy Partners LP, 6.875%, 2014 (z) | 720,000 | 579,600 |
| Spectra Energy Capital LLC, 8%, 2019 | 810,000 | 842,701 |
| Williams Partners LP, 7.25%, 2017 | 1,355,000 | 1,219,500 |
| | | \$ 8,172,405 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds - continued | | |
| Network & Telecom - 2.8% | | |
| AT&T, Inc., 6.55%, 2039 | \$ 170,000 | \$ 166,025 |
| Cincinnati Bell, Inc., 8.375%, 2014 | 1,000,000 | 946,250 |
| Citizens Communications Co., 9.25%, 2011 | 815,000 | 844,544 |
| Citizens Communications Co., 9%, 2031 | 405,000 | 341,719 |
| Nordic Telephone Co. Holdings, 8.875%, 2016 (n) | 1,177,000 | 1,177,000 |
| Qwest Communications International, Inc., 7.25%, 2011 | 2,500,000 | 2,425,000 |
| Qwest Corp., 7.875%, 2011 | 1,020,000 | 1,016,175 |
| Qwest Corp., 8.875%, 2012 | 980,000 | 987,350 |
| Qwest Corp., 8.375%, 2016 (z) | 278,000 | 273,135 |
| Telemar Norte Leste S.A., 9.5%, 2019 (n) | 1,578,000 | 1,672,680 |
| TELUS Corp., 8%, 2011 | 779,000 | 837,496 |
| Verizon New York, Inc., 6.875%, 2012 | 1,525,000 | 1,602,348 |
| Windstream Corp., 8.625%, 2016 | 980,000 | 962,850 |
| | | \$ 13,252,572 |
| Other Banks & Diversified Financials - 0.6% | | |
| Bosphorus Financial Services Ltd., FRN, 2.683%, 2012 (z) | \$ 1,031,250 | \$ 893,763 |
| Resona Bank Ltd., 5.85% to 2016, FRN to 2049 (n) | 655,000 | 484,700 |
| Woori Bank, 6.125% to 2011, FRN to 2016 (n) | 1,490,000 | 1,327,346 |
| | | \$ 2,705,809 |
| Pharmaceuticals - 0.1% | | |
| Roche Holdings, Inc., 6%, 2019 (n) | \$ 290,000 | \$ 300,350 |
| Roche Holdings, Inc., 7%, 2039 (n) | 115,000 | 122,826 |
| | | \$ 423,176 |
| Pollution Control - 0.0% | | |
| Allied Waste North America, Inc., 7.125%, 2016 | \$ 75,000 | \$ 73,313 |
| Precious Metals & Minerals - 0.7% | | |
| Alrosa Finance S.A., 8.875%, 2014 | \$ 2,016,000 | \$ 1,663,200 |
| Teck Resources Ltd., 9.75%, 2014 (n) | 365,000 | 363,175 |
| Teck Resources Ltd., 10.75%, 2019 (n) | 1,480,000 | 1,522,550 |
| | | \$ 3,548,925 |
| Printing & Publishing - 0.5% | | |
| American Media Operations, Inc., 9%, 2013 (p)(z) | \$ 10,399 | \$ 5,064 |
| American Media Operations, Inc., 14%, 2013 (p)(z) | 108,581 | 41,538 |
| Dex Media West LLC, 9.875%, 2013 (d) | 1,855,000 | 398,825 |
| Idearc, Inc., 8%, 2016 (d) | 568,000 | 12,780 |
| Nielsen Finance LLC, 10%, 2014 | 1,605,000 | 1,528,763 |
| Nielsen Finance LLC, 11.5%, 2016 (n) | 295,000 | 280,250 |
| | | \$ 2,267,220 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Bonds - continued | | |
| Railroad & Shipping - 0.1% | | |
| Kansas City Southern Railway, 8%, 2015 | \$ 340,000 | \$ 292,400 |
| Real Estate - 0.3% | | |
| HRPT Properties Trust, REIT, 6.25%, 2016 | \$ 853,000 | \$ 688,177 |
| Simon Property Group, Inc., REIT, 5.875%, 2017 | 756,000 | 674,689 |
| | | \$ 1,362,866 |
| Retailers - 0.8% | | |
| Couche-Tard, Inc., 7.5%, 2013 | \$ 350,000 | \$ 345,625 |
| Dollar General Corp., 11.875%, 2017 (p) | 130,000 | 137,150 |
| General Nutrition Centers, Inc., FRN, 6.403%, 2014 (p) | 740,000 | 612,350 |
| Home Depot, Inc., 5.875%, 2036 | 509,000 | 408,265 |
| Limited Brands, Inc., 5.25%, 2014 | 180,000 | 150,063 |
| Macy's Retail Holdings, Inc., 5.35%, 2012 | 295,000 | 271,303 |
| Macy's Retail Holdings, Inc., 5.75%, 2014 | 680,000 | 571,324 |
| Rite Aid Corp., 7.5%, 2017 | 355,000 | 278,675 |
| Sally Beauty Holdings, Inc., 10.5%, 2016 | 985,000 | 987,463 |
| | | \$ 3,762,218 |
| Specialty Chemicals - 0.2% | | |
| Ashland, Inc., 9.125%, 2017 (z) | \$ 730,000 | \$ 740,950 |
| Specialty Stores - 0.1% | | |
| GSC Holdings Corp., 8%, 2012 | \$ 220,000 | \$ 220,825 |
| Payless ShoeSource, Inc., 8.25%, 2013 | 170,000 | 146,200 |
| | | \$ 367,025 |
| Supermarkets - 0.4% | | |
| Delhaize America, Inc., 9%, 2031 | \$ 980,000 | \$ 1,077,046 |
| SUPERVALU, Inc., 8%, 2016 | 1,020,000 | 999,600 |
| | | \$ 2,076,646 |
| Supranational - 0.9% | | |
| Central American Bank, 4.875%, 2012 (n) | \$ 1,426,000 | \$ 1,445,036 |
| European Investment Bank, 5.125%, 2017 | 2,593,000 | 2,742,310 |
| | | \$ 4,187,346 |
| Telecommunications - Wireless - 1.7% | | |
| AT&T Wireless Services, Inc., 8.75%, 2031 | \$ 900,000 | \$ 1,048,428 |
| Cingular Wireless LLC, 6.5%, 2011 | 1,020,000 | 1,109,497 |
| Cricket Communications, Inc., 7.75%, 2016 (z) | 560,000 | 541,100 |
| Crown Castle International Corp., 9%, 2015 | 975,000 | 984,750 |
| Crown Castle International Corp., 7.75%, 2017 (z) | 365,000 | 359,525 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-------------------|
| Bonds - continued | | |
| Telecommunications - Wireless - continued | | |
| MetroPCS Wireless, Inc., 9.25%, 2014 | \$ 1,205,000 | \$ 1,209,519 |
| Nextel Communications, Inc., 6.875%, 2013 | 695,000 | 578,587 |
| Sprint Nextel Corp., 8.375%, 2012 | 1,290,000 | 1,270,650 |
| Sprint Nextel Corp., 8.75%, 2032 | 380,000 | 300,200 |
| Wind Acquisition Finance S.A., 10.75%, 2015 (z) | 408,000 | 428,400 |
| | | \$ 7,830,656 |
| Telephone Services - 0.1% | | |
| Frontier Communications Corp., 8.25%, 2014 | \$ 685,000 | \$ 669,588 |
| Tobacco - 0.4% | | |
| Altria Group, Inc., 9.7%, 2018 | \$ 300,000 | \$ 341,424 |
| Reynolds American, Inc., 6.75%, 2017 | 1,790,000 | 1,687,406 |
| | | \$ 2,028,830 |
| Transportation - 0.0% | | |
| Peru Enhanced Pass-Through Trust, 0%, 2018 (n) | \$ 233,190 | \$ 159,735 |
| Transportation - Services - 0.3% | | |
| Hertz Corp., 8.875%, 2014 | \$ 920,000 | \$ 837,200 |
| Westinghouse Air Brake Technologies Corp., 6.875%, 2013 | 370,000 | 362,600 |
| | | \$ 1,199,800 |
| U.S. Government Agencies and Equivalents - 0.7% | | |
| Freddie Mac, 5.5%, 2017 | \$ 3,060,000 | \$ 3,410,015 |
| U.S. Treasury Obligations - 4.1% | | |
| U.S. Treasury Bonds, 10.625%, 2015 | \$ 2,010,000 | \$ 2,918,582 |
| U.S. Treasury Bonds, 7.5%, 2016 | 3,450,000 | 4,430,014 |
| U.S. Treasury Bonds, 6.25%, 2023 (f) | 1,800,000 | 2,183,344 |
| U.S. Treasury Bonds, 5.375%, 2031 | 477,000 | 544,451 |
| U.S. Treasury Bonds, 4.5%, 2036 | 158,000 | 161,678 |
| U.S. Treasury Bonds, 4.75%, 2037 | 2,986,200 | 3,173,303 |
| U.S. Treasury Notes, 9.875%, 2015 | 3,015,000 | 4,268,109 |
| U.S. Treasury Notes, 6.375%, 2027 | 1,410,000 | 1,773,736 |
| | | \$ 19,453,217 |
| Utilities - Electric Power - 4.5% | | |
| AES Corp., 8%, 2017 | \$ 1,590,000 | \$ 1,478,700 |
| Allegheny Energy Supply Co. LLC, 8.25%, 2012 (n) | 370,000 | 384,638 |
| Bruce Mansfield Unit, 6.85%, 2034 | 1,547,000 | 1,207,584 |
| Calpine Corp., 8%, 2016 (z) | 695,000 | 661,119 |
| CenterPoint Energy, Inc., 6.5%, 2018 | 400,000 | 342,466 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-----------------------|
| Bonds - continued | | |
| Utilities - Electric Power - continued | | |
| Dynegy Holdings, Inc., 7.5%, 2015 | \$ 1,335,000 | \$ 1,074,675 |
| Dynegy Holdings, Inc., 7.75%, 2019 | 635,000 | 461,963 |
| Edison Mission Energy, 7%, 2017 | 1,490,000 | 1,080,250 |
| EDP Finance B.V., 6%, 2018 (n) | 798,000 | 789,078 |
| Energis S.A., 7.375%, 2014 | 509,000 | 547,875 |
| Exelon Generation Co. LLC, 6.95%, 2011 | 1,492,000 | 1,573,133 |
| HQI Transelec Chile S.A., 7.875%, 2011 | 1,500,000 | 1,560,802 |
| ISA Capital do Brasil S.A., 7.875%, 2012 (n) | 149,000 | 152,725 |
| ISA Capital do Brasil S.A., 7.875%, 2012 | 922,000 | 945,050 |
| Mirant Americas Generation LLC, 8.3%, 2011 | 100,000 | 99,500 |
| Mirant North America LLC, 7.375%, 2013 | 1,940,000 | 1,857,550 |
| NiSource Finance Corp., 7.875%, 2010 | 687,000 | 699,117 |
| NorthWestern Corp., 5.875%, 2014 | 861,000 | 860,829 |
| NRG Energy, Inc., 7.375%, 2016 | 1,465,000 | 1,378,931 |
| RRI Energy, Inc., 7.875%, 2017 | 971,000 | 815,640 |
| System Energy Resources, Inc., 5.129%, 2014 (z) | 1,495,872 | 1,378,954 |
| Texas Competitive Electric Holdings LLC, 10.25%, 2015 | 3,420,000 | 2,026,350 |
| | | \$ 21,376,929 |
| Total Bonds (Identified Cost, \$456,747,006) | | \$ 435,197,624 |
| Convertible Bonds - 0.0% | | |
| Telephone Services - 0.0% | | |
| Virgin Media, Inc., 6.5%, 2016 (z) (Identified Cost, \$20,449) | \$ 35,000 | \$ 27,081 |
| Floating Rate Loans (g)(r) - 2.0% | | |
| Aerospace - 0.1% | | |
| Hawker Beechcraft Acquisition Co. LLC, Letter of Credit, 3.22%, 2014 | \$ 51,209 | \$ 29,388 |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan, 2.61%, 2014 | 998,639 | 573,108 |
| | | \$ 602,496 |
| Automotive - 0.5% | | |
| Accuride Corp., Term Loan, 3%, 2012 | \$ 90,346 | \$ 65,162 |
| Allison Transmission, Inc., Term Loan B, 3.14%, 2014 | 245,569 | 189,395 |
| Federal-Mogul Corp., Term Loan B, 2.34%, 2014 | 331,076 | 203,888 |
| Ford Motor Co., Term Loan, 3.61%, 2013 | 549,616 | 389,026 |
| General Motors, Term Loan B, 8%, 2013 | 1,002,253 | 938,777 |
| Goodyear Tire & Rubber Co., Second Lien Term Loan, 2.07%, 2014 | 480,501 | 401,744 |
| | | \$ 2,187,992 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Floating Rate Loans (g)(r) - continued | | |
| Broadcasting - 0.0% | | |
| Gray Television, Inc., Term Loan, 2014 (o) | \$ 90,332 | \$ 48,497 |
| Building - 0.0% | | |
| Building Materials Holding Corp., Term Loan, 3.06%, 2014 | \$ 104,259 | \$ 87,925 |
| Business Services - 0.1% | | |
| First Data Corp., Term Loan B-1, 3.05%, 2014 | \$ 421,638 | \$ 309,114 |
| Cable TV - 0.2% | | |
| Charter Communications Operating LLC, Term Loan, 6.25%, 2014 | \$ 922,272 | \$ 781,626 |
| CSC Holdings, Inc., Incremental Term Loan, 2.09%, 2013 | 330,160 | 309,422 |
| | | \$ 1,091,048 |
| Consumer Goods & Services - 0.0% | | |
| KAR Holdings, Inc., Term Loan B, 3.05%, 2013 | \$ 133,994 | \$ 114,732 |
| Electronics - 0.0% | | |
| Freescale Semiconductor, Inc., Term Loan B, 2.16%, 2013 | \$ 285,793 | \$ 175,286 |
| Forest & Paper Products - 0.0% | | |
| Abitibi-Consolidated, Inc., Term Loan, 11.5%, 2010 (d) | \$ 119,955 | \$ 91,916 |
| Gaming & Lodging - 0.1% | | |
| MGM Mirage, Term Loan, 2011 (o) | \$ 301,721 | \$ 228,828 |
| Industrial - 0.0% | | |
| Oshkosh Truck Corp., Term Loan B, 7.24%, 2013 | \$ 131,315 | \$ 112,438 |
| Printing & Publishing - 0.2% | | |
| Nielsen Finance LLC, Term Loan, 2.38%, 2013 | \$ 765,208 | \$ 673,742 |
| Specialty Chemicals - 0.2% | | |
| LyondellBasell, DIP Term Loan, 9.16%, 2009 (q) | \$ 249,041 | \$ 255,143 |
| LyondellBasell, DIP Term Loan B-3, 5.94%, 2009 | 248,918 | 198,582 |
| LyondellBasell, Dutch Tranche Revolving Credit Loan, 5.75%, 2013 (o) | 15,855 | 6,659 |
| LyondellBasell, Dutch Tranche Term Loan, 5.75%, 2013 (o) | 37,438 | 15,724 |
| LyondellBasell, German Tranche Term Loan B-1, 6%, 2014 (o) | 45,517 | 19,117 |
| LyondellBasell, German Tranche Term Loan B-2, 6%, 2014 (o) | 45,517 | 19,117 |
| LyondellBasell, German Tranche Term Loan B-3, 6%, 2014 (o) | 45,517 | 19,117 |
| LyondellBasell, U.S. Tranche Revolving Credit Loan, 5.75%, 2013 (o) | 59,455 | 24,971 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| Issuer | Shares/Par | Value (\$) |
|--|---------------------|-----------------------|
| Floating Rate Loans (g)(r) - continued | | |
| Specialty Chemicals - continued | | |
| LyondellBasell, U.S. Tranche Term Loan, 5.75%, 2013 (o) | \$ 113,278 | \$ 47,577 |
| LyondellBasell, U.S. Tranche Term Loan B-1, 7%, 2014 (o) | 197,512 | 82,955 |
| LyondellBasell, U.S. Tranche Term Loan B-2, 7%, 2014 (o) | 197,512 | 82,955 |
| LyondellBasell, U.S. Tranche Term Loan B-3, 7%, 2014 (o) | 197,512 | 82,955 |
| | | \$ 854,872 |
| Specialty Stores - 0.1% | | |
| Michaels Stores, Inc., Term Loan B, 2.67%, 2013 (o) | \$ 824,263 | \$ 588,662 |
| Utilities - Electric Power - 0.5% | | |
| Calpine Corp., DIP Term Loan, 4.09%, 2014 (o) | \$ 1,003,510 | \$ 865,998 |
| NRG Energy, Inc., Letter of Credit, 2.82%, 2013 (o) | 110,972 | 102,638 |
| NRG Energy, Inc., Term Loan, 2.97%, 2013 (o) | 208,104 | 192,474 |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-3, 3.88%, 2014 (o) | 1,368,163 | 935,140 |
| | | \$ 2,096,250 |
| Total Floating Rate Loans (Identified Cost, \$9,256,121) | | \$ 9,263,798 |
| Common Stocks - 0.0% | | |
| Printing & Publishing - 0.0% | | |
| American Media, Inc. (a) | 1,991 | \$ 2,667 |
| Golden Books Family Entertainment, Inc. (a) | 3,683 | 0 |
| Total Common Stocks (Identified Cost, \$4,261) | | \$ 2,667 |
| Preferred Stocks - 0.0% | | |
| Financial Institutions - 0.0% | | |
| Preferred Blocker, Inc., 7% (z) (Identified Cost, \$327,250) | 425 | \$ 179,257 |
| Money Market Funds (v) - 4.6% | | |
| MFS Institutional Money Market Portfolio, 0.23%, at Cost and Net Asset Value | 21,611,744 | \$ 21,611,744 |
| | Number | |
| | of Contracts | |
| Issuer/Expiration Date/Strike Price | | |
| Call Options Purchased - 0.0% | | |
| U.S. Treasury Note 10 year Futures - June 2009 @ \$118 (a) (Premiums Paid, \$39,224) | 64 | \$ 59,000 |
| Total Investments (Identified Cost, \$488,006,055) | | \$ 466,341,171 |
| Other Assets, Less Liabilities - 1.4% | | 6,741,031 |
| Net Assets - 100.0% | | \$ 473,082,202 |

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Portfolio of Investments (unaudited) continued

(a) Non-income producing security.

(d) Non-income producing security in default.

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

(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 \$59,938,511, representing 12.7% 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.

(q) All or a portion of this position represents an unfunded loan commitment. The rate shown represents a weighted average coupon rate on the full position, including the unfunded loan commitment which has no current coupon rate.

(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 fund that is available only to investment companies managed by MFS. The rate quoted 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 | Current Market Value |
|---|-------------------------|-------------|-----------------------------|
| AMC Entertainment, Inc., 8.75%, 2019 | 5/28/09 | \$640,195 | \$635,250 |
| American Media Operations, Inc., 9%, 2013 | 1/29/09 - 4/15/09 | 6,534 | 5,064 |

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| | | | |
|--|-------------------|-----------|-----------|
| American Media Operations, Inc., 14%, 2013 | 1/29/09 - 4/15/09 | 57,792 | 41,538 |
| Ameristar Casinos, Inc., 9.25%, 2014 | 5/12/09 | 296,165 | 308,050 |
| Anheuser-Busch Companies, Inc., 6.875%, 2019 | 5/11/09 | 1,295,112 | 1,314,882 |
| Ashland, Inc., 9.125%, 2017 | 5/19/09 - 5/29/09 | 712,122 | 740,950 |
| Bayview Financial Revolving Mortgage Loan Trust, FRN, 1.116%, 2040 | 3/01/06 | 1,160,000 | 427,692 |
| Bosphorus Financial Services Ltd., FRN, 2.683%, 2012 | 3/08/05 | 1,031,250 | 893,763 |
| Calpine Corp., 8%, 2016 | 5/12/09 | 663,760 | 661,119 |
| Cellu Tissue Holdings, Inc., 11.5%, 2014 | 5/19/09 | 742,034 | 752,675 |
| Cricket Communications, Inc., 7.75%, 2016 | 5/28/09 - 5/29/09 | 539,314 | 541,100 |
| Crown Castle International Corp., 7.75%, 2017 | 4/15/09 | 354,470 | 359,525 |
| DLJ Commercial Mortgage Corp., 6.04%, 2031 | 7/23/04 | 1,969,453 | 1,775,172 |
| Emirate of Abu Dhabi, 6.75%, 2019 | 4/01/09 | 216,348 | 226,276 |

Table of Contents*Portfolio of Investments (unaudited) continued*

| | Acquisition Date | Cost | Current Market Value |
|--|---------------------|-----------|----------------------------|
| Restricted Securities - (continued) | | | |
| Firekeepers Development Authority, 13.875%, 2015 | 4/22/08 | \$262,955 | \$243,000 |
| GMAC LLC, 6.875%, 2011 | 12/26/08 - 5/21/09 | 1,980,031 | 2,079,980 |
| GMAC LLC, 7%, 2012 | 1/23/09 | 332,673 | 398,125 |
| GMAC LLC, 6.75%, 2014 | 2/09/09 | 409,843 | 513,525 |
| GMAC LLC, 8%, 2031 | 12/26/08 - 4/30/09 | 544,949 | 599,250 |
| Harrah s Operating Co., Inc., 11.25%, 2017 | 5/27/09 | 269,430 | 271,600 |
| Harrah s Operating Co., Inc., 10%, 2018 | 1/30/08 - 5/12/09 | 702,806 | 490,613 |
| Harrah s Operating Co., Inc., 10%, 2018 | 1/30/08 - 10/03/08 | 2,022,754 | 1,351,020 |
| Host Hotels & Resorts, Inc., 9%, 2017 | 5/05/09 | 125,600 | 122,200 |
| Kookmin Bank, 7.25%, 2014 | 5/06/09 | 592,144 | 609,193 |
| Local TV Finance LLC, 9.25%, 2015 | 11/09/07 - 9/08/08 | 772,491 | 121,125 |
| MGM Mirage, 10.375%, 2014 | 5/14/09 | 140,939 | 149,350 |
| MGM Mirage, 11.125%, 2017 | 5/14/09 | 355,330 | 382,338 |
| MarkWest Energy Partners LP, 6.875%, 2014 | 5/20/09 | 561,945 | 579,600 |
| National Power Corp., 7.25%, 2019 | 5/19/09 | 749,935 | 765,160 |
| Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 | 5/07/08 - 6/10/08 | 399,414 | 144,176 |
| PNC Mortgage Acceptance Corp., FRN, 7.1%, 2032 | 3/25/08 | 2,510,000 | 2,332,588 |
| Preferred Blocker, Inc., 7% (Preferred Stock) | 12/26/08 | 327,250 | 179,257 |
| Psychiatric Solutions, Inc., 7.75%, 2015 | 5/04/09 | 230,992 | 231,400 |
| Qwest Corp., 8.375%, 2016 | 4/07/09 | 257,429 | 273,135 |
| SandRidge Energy, Inc., 9.875%, 2016 | 5/11/09 | 239,484 | 238,125 |
| Spirit Master Funding LLC, 5.05%, 2023 | 7/15/05 | 1,640,511 | 1,185,273 |
| System Energy Resources, Inc., 5.129%, 2014 | 4/16/04 | 1,495,872 | 1,378,954 |
| Virgin Media, Inc., 6.5%, 2016 | 5/29/09 | 20,449 | 27,081 |
| Wind Acquisition Finance S.A., 10.75%, 2015 | 3/19/08 | 409,020 | 428,400 |
| Total Restricted Securities | | | \$23,777,524 |
| % of Net Assets | | | 5.0% |

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

| | |
|------|---|
| CDO | Collateralized Debt Obligation |
| CLN | Credit-Linked Note |
| DIP | Debtor-in-Possession |
| 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 |

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Portfolio of Investments (unaudited) continued

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
 EUR Euro
 GBP British Pound
 IDR Indonesian Rupiah
 INR Indian Rupee
 JPY Japanese Yen
 SEK Swedish Krona

Derivative Contracts at 5/31/09

Forward Foreign Currency Exchange Contracts at 5/31/09

| Type | Currency | Counterparty | Contracts to Deliver/Receive | Settlement Date Range | In Exchange For | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|---|----------|-----------------------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Appreciation Asset Derivatives | | | | | | | |
| BUY | AUD | UBS AG | 1,142,131 | 7/01/09 | \$ 878,988 | \$ 912,790 | \$ 33,802 |
| BUY | EUR | Citibank | 250,000 | 7/20/09 | 348,690 | 353,293 | 4,603 |
| BUY | EUR | Credit Suisse Group | 25,548 | 7/20/09 | 35,155 | 36,104 | 949 |
| BUY | EUR | UBS AG | 158,719 | 7/15/09 | 216,487 | 224,306 | 7,819 |
| BUY | GBP | Deutsche Bank | 745,528 | 7/15/09 | 1,168,987 | 1,204,807 | 35,820 |
| BUY | JPY | UBS AG | 404,692,015 | 7/21/09 | 4,236,992 | 4,249,780 | 12,788 |
| | | | | | | | \$ 95,781 |
| Depreciation Liability Derivatives | | | | | | | |
| SELL | AUD | UBS AG | 1,082,577 | 7/01/09 | \$ 779,985 | \$ 865,194 | \$ (85,209) |
| SELL | CAD | UBS AG | 1,809,831 | 8/17/09 | 1,548,373 | 1,658,552 | (110,179) |
| SELL | CHF | Deutsche Bank | 1,288,224 | 7/27/09 | 1,184,786 | 1,207,176 | (22,390) |
| SELL | EUR | JPMorgan Chase Bank | 239,558 | 7/20/09 | 325,080 | 338,536 | (13,456) |
| SELL | EUR | UBS AG | 34,345,521 | 7/20/09 | 46,610,307 | 48,536,057 | (1,925,750) |
| SELL | GBP | Barclays Bank | 1,425,331 | 7/15/09 | 2,159,604 | 2,303,401 | (143,797) |
| SELL | GBP | Deutsche Bank | 1,425,331 | 7/15/09 | 2,159,918 | 2,303,401 | (143,483) |
| BUY | IDR | Merrill Lynch International | 12,066,614,146 | 6/26/09 | 1,166,984 | 1,166,488 | (496) |
| BUY | INR | Deutsche Bank | 55,054,935 | 6/26/09 | 1,168,398 | 1,165,751 | (2,647) |
| SELL | JPY | JPMorgan Chase Bank | 2,040,989,486 | 7/15/09 | 21,330,074 | 21,431,600 | (101,526) |
| SELL | SEK | UBS AG | 2,672,140 | 6/29/09 | 329,148 | 353,096 | (23,948) |
| | | | | | | | \$ (2,572,881) |

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Portfolio of Investments (unaudited) continued

Futures contracts outstanding at 5/31/09

| Description | Currency | Contracts | Value | Expiration Date | Unrealized Appreciation (Depreciation) |
|---------------------------------|----------|-----------|-------------|-----------------|--|
| Asset Derivatives | | | | | |
| Interest Rate Futures | | | | | |
| U.S. Treasury Bond 30 yr (Long) | USD | 58 | \$6,824,063 | Sep-09 | \$22,453 |

Swap Agreements at 5/31/09

| Expiration | Notional Amount | Counterparty | Cash Flows to Receive | Cash Flows to Pay | Fair Value |
|-----------------------------|-----------------|---------------------------------------|-----------------------|--------------------|------------|
| Asset Derivatives | | | | | |
| Credit Default Swaps | | | | | |
| 6/20/13 | USD 1,120,000 | Morgan Stanley Capital Services, Inc. | (1) | 1.48% (fixed rate) | \$ 6,047 |

(1) Fund, as protection buyer, to receive notional amount upon a defined credit event by Weyerhaeuser Co., 7.125%, 7/15/23. At May 31, 2009, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

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

At 5/31/09 (unaudited)

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, \$466,394,311) | \$444,729,427 | |
| Underlying funds, at cost and value | 21,611,744 | |
| Total investments, at value (identified cost, \$488,006,055) | | \$466,341,171 |
| Cash | 270,927 | |
| Restricted cash | 228,000 | |
| Receivables for | | |
| Forward foreign currency exchange contracts | 95,781 | |
| Daily variation margin on open futures contracts | 113,281 | |
| Investments sold | 6,289,464 | |
| Interest and dividends | 7,821,834 | |
| Swaps, at value | 6,047 | |
| Other assets | 42,081 | |
| Total assets | | \$481,208,586 |
| Liabilities | | |
| Payables for | | |
| Distributions | \$151,508 | |
| Forward foreign currency exchange contracts | 2,572,881 | |
| Investments purchased | 5,037,920 | |
| Payable to affiliates | | |
| Management fee | 27,999 | |
| Transfer agent and dividend disbursing costs | 18,714 | |
| Administrative services fee | 1,092 | |
| Payable for independent trustees' compensation | 147,642 | |
| Accrued expenses and other liabilities | 168,628 | |
| Total liabilities | | \$8,126,384 |
| Net assets | | \$473,082,202 |
| Net assets consist of | | |
| Paid-in capital | \$581,895,136 | |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | (24,037,381) | |
| Accumulated net realized gain (loss) on investments and foreign currency transactions | (82,912,319) | |
| Accumulated distributions in excess of net investment income | (1,863,234) | |
| Net assets | | \$473,082,202 |
| Shares of beneficial interest outstanding | | 54,871,740 |
| Net asset value per share (net assets of \$473,082,202 / 54,871,740 shares of beneficial interest outstanding) | | \$8.62 |

See Notes to Financial Statements

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

Six months ended 5/31/09 (unaudited)

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 | \$16,662,142 | |
| Dividends from underlying funds | 19,158 | |
| Dividends | 11,535 | |
| Foreign taxes withheld | (11,739) | |
| Total investment income | | \$16,681,096 |
| Expenses | | |
| Management fee | \$1,514,982 | |
| Transfer agent and dividend disbursing costs | 50,506 | |
| Administrative services fee | 49,779 | |
| Independent trustees' compensation | 49,937 | |
| Stock exchange fee | 23,433 | |
| Custodian fee | 65,205 | |
| Shareholder communications | 56,856 | |
| Auditing fees | 32,862 | |
| Legal fees | 19,107 | |
| Miscellaneous | 63,476 | |
| Total expenses | | \$1,926,143 |
| Fees paid indirectly | (518) | |
| Reduction of expenses by investment adviser | (1,638) | |
| Net expenses | | \$1,923,987 |
| Net investment income | | \$14,757,109 |
| Realized and unrealized gain (loss) on investments and foreign currency transactions | | |
| Realized gain (loss) (identified cost basis) | | |
| Investment transactions | \$(10,612,269) | |
| Futures contracts | (1,608,107) | |
| Swap transactions | (188,210) | |
| Foreign currency transactions | (781,000) | |
| Net realized gain (loss) on investments and foreign currency transactions | | \$(13,189,586) |
| Change in unrealized appreciation (depreciation) | | |
| Investments | \$66,340,741 | |
| Futures contracts | 651,374 | |
| Swap transactions | 53,526 | |
| Translation of assets and liabilities in foreign currencies | (4,634,641) | |
| Net unrealized gain (loss) on investments and foreign currency translation | | \$62,411,000 |
| Net realized and unrealized gain (loss) on investments and foreign currency | | \$49,221,414 |
| Change in net assets from operations | | \$63,978,523 |

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.

| | Six months ended 5/31/09 (unaudited) | Year ended 11/30/08 |
|---|---|--------------------------------|
| Change in net assets | | |
| From operations | | |
| Net investment income | \$14,757,109 | \$26,101,970 |
| Net realized gain (loss) on investments and foreign currency transactions | (13,189,586) | (297,035) |
| Net unrealized gain (loss) on investments and foreign currency translation | 62,411,000 | (94,541,903) |
| Change in net assets from operations | \$63,978,523 | \$(68,736,968) |
| Distributions declared to shareholders | | |
| From net investment income | \$(18,392,367) | \$(28,101,857) |
| Change in net assets from fund share transactions | \$(796,999) | \$(2,137,517) |
| Total change in net assets | \$44,789,157 | \$(98,976,342) |
| Net assets | | |
| At beginning of period | 428,293,045 | 527,269,387 |
| At end of period (including accumulated distributions in excess of net investment income of \$1,863,234 and undistributed net investment income of \$1,772,024) | \$473,082,202 | \$428,293,045 |
| 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 semiannual period and the past 5 fiscal 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.

| | Six months ended 5/31/09 (unaudited) | 2008 | Years ended 11/30 | | | 2004 |
|---|---|-----------|-------------------|-----------|-----------|-----------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 |
| Net asset value, beginning of period | \$7.79 | \$9.54 | \$9.64 | \$9.58 | \$9.71 | \$9.58 |
| Income (loss) from investment operations | | | | | | |
| Net investment income (d) | \$0.27 | \$0.47 | \$0.46 | \$0.44 | \$0.45 | \$0.49 |
| Net realized and unrealized gain (loss) on investments and foreign currency | 0.90 | (1.72) | (0.08) | 0.09 | (0.09) | 0.17 |
| Total from investment operations | \$1.17 | \$(1.25) | \$0.38 | \$0.53 | \$0.36 | \$0.66 |
| Less distributions declared to shareholders | | | | | | |
| From net investment income | \$(0.34) | \$(0.51) | \$(0.48) | \$(0.49) | \$(0.51) | \$(0.55) |
| Net increase from repurchase of capital shares | \$ 0.00(w) | \$0.01 | \$ | \$0.02 | \$0.02 | \$0.02 |
| Net asset value, end of period | \$8.62 | \$7.79 | \$9.54 | \$9.64 | \$9.58 | \$9.71 |
| Per share market value, end of period | \$7.93 | \$6.88 | \$8.30 | \$8.51 | \$8.43 | \$8.71 |
| Total return at market value (%) | 20.46(n) | (11.63) | 3.20 | 6.98 | 2.57 | 5.52 |
| Total return at net asset value (%) (r)(s) | 15.65(n) | (12.95) | 4.71 | 6.64 | 4.56 | 7.81 |
| Ratios (%) (to average net assets) and Supplemental data: | | | | | | |
| Expenses before expense reductions (f) | 0.87(a) | 0.78 | 0.73 | 0.76 | 0.79 | 0.80 |
| Expenses after expense reductions (f) | 0.86(a) | 0.78 | 0.73 | 0.76 | 0.79 | 0.80 |
| Net investment income | 6.63(a) | 5.18 | 4.89 | 4.62 | 4.64 | 5.11 |
| Portfolio turnover | 37 | 58 | 58 | 57 | 73 | 70 |
| Net assets at end of period (000 omitted) | \$473,082 | \$428,293 | \$527,269 | \$532,823 | \$539,491 | \$558,440 |

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(n) Not annualized.

(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 have been lower.

(w) Per share amount was less than \$0.01.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(unaudited)

(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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The fund may invest a significant portion of its assets in asset-backed and/or mortgage backed securities. The value of these securities may depend, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due and may fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. U.S. Government securities not supported as to the payment of principal or interest by the U.S. Treasury, such as those issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are subject to greater credit risk than are U.S. Government securities supported by the U.S. Treasury, such as those issued by Ginnie Mae. The fund can invest 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.

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. For securities for which there were no sales reported that day, equity securities 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. For securities held short for which there were no sales

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Notes to Financial Statements (unaudited) continued

reported for that day, the position is generally valued at the last quoted daily ask 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 using an external pricing model that uses market data from a third-party source. 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 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. Swaps are generally valued at valuations provided by a third-party pricing service. 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 pricing services can utilize both dealer-supplied valuations and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, 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

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Notes to Financial Statements (unaudited) continued

types of 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. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. 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 carried at market value. 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, forwards, swap contracts, and

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written options. The following is a summary of the levels used as of May 31, 2009 in valuing the fund's assets or liabilities carried at market value:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|--------------|---------------|---------|---------------|
| Investments in Securities | \$21,670,744 | \$444,667,760 | \$2,667 | \$466,341,171 |
| Other Financial Instruments | \$22,453 | \$(2,471,053) | \$ | \$(2,448,600) |

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value. The table presents the activity of Level 3 securities held at the beginning and the end of the period.

| | Investments in Securities | Other Financial Instruments |
|--|------------------------------|--------------------------------|
| Balance as of 11/30/08 | \$ | \$ |
| Accrued discounts/premiums | | |
| Realized gain (loss) | | |
| Change in unrealized appreciation (depreciation) | (1,593) | |
| Net purchases (sales) | 4,260 | |
| Transfers in and/or out of Level 3 | | |
| Balance as of 5/31/09 | \$2,667 | \$ |

In April 2009, FASB Staff Position (FSP) 157-4 was issued and is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009. FSP 157-4 clarifies FASB Statement No. 157, Fair Value Measurements and requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the asset or liability such that recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. The FSP also requires enhanced disclosure regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosure of valuation levels for major security types. Management is evaluating the application of the FSP to the fund, and believes the impact resulting from the adoption of this FSP will be limited to expanded disclosure in the fund's financial statements.

Repurchase Agreements The fund may enter into repurchase agreements with approved counterparties. Each repurchase agreement is recorded at cost. The fund requires that the securities collateral in a repurchase transaction be transferred to a custodian. The fund monitors, on a daily basis, the value of the collateral to ensure that its value, including accrued interest, is greater than amounts owed to the fund under each such repurchase agreement. The fund and other funds managed by Massachusetts Financial Services Company (MFS) may utilize a joint trading account for the purpose of entering into one or more repurchase agreements.

Foreign Currency Translation Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency

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Notes to Financial Statements (unaudited) continued

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 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 may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments. Derivatives may be 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.

In this reporting period the fund adopted FASB Statement No. 161, Disclosure about Derivative Instruments and Hedging Activities (FAS 161), and FASB Staff Position FAS No. 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FAS 161 (FSP FAS 133-1).

FAS 161 amends FASB Statement No. 133, Accounting for Derivatives and Hedging Activities (FAS 133). FAS 161 provides enhanced disclosures about the fund's use of and accounting for derivative instruments and the effect of derivative instruments on the fund's results of operations and financial position. Under FAS 161, tabular disclosure regarding derivative fair value and gain/loss by contract type (e.g., interest rate contracts, foreign exchange contracts, credit contracts, etc.) is required and derivatives accounted for as hedging instruments under FAS 133 must be disclosed separately from derivatives that do not qualify for hedge accounting under FAS 133. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the fund's derivatives are not accounted for as hedging instruments under FAS 133. As such, even though the fund may use derivatives in an attempt to achieve an economic hedge, the fund's derivatives are not considered to be hedging instruments under FAS 133.

FSP FAS 133-1 amends FAS 133 to require sellers of credit derivatives to make disclosures that will enable financial statement users to assess the potential

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Notes to Financial Statements (unaudited) continued

effects of those credit derivatives on an entity's financial position, financial performance and cash flows. As defined by FSP FAS 133-1, a credit derivative is a derivative instrument (a) in which one or more of the derivative's underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit-risk-related events specified in the derivative contract. The seller (or writer) is the party that provides the credit protection and assumes the credit risk on a credit derivatives contract, such as a credit default swap. Accordingly, appropriate disclosures have been included within the Swap Agreements table in the Portfolio of Investments and Significant Accounting Policies.

As defined under FAS 133, derivative instruments include written options, purchased options, futures contracts, forward foreign currency exchange contracts, and swap agreements.

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 May 31, 2009:

| | | Asset Derivatives | | Liability Derivatives | |
|---|---|--|------------------|--|----------------------|
| | | Location on Statement of Assets and Liabilities | Fair Value | Location on Statement of Assets and Liabilities | Fair Value |
| Interest Rate Contracts | Interest Rate Futures | Unrealized appreciation on investments and translation of assets and liabilities in foreign currencies | \$22,453(a) | Unrealized depreciation on investments and translation of assets and liabilities in foreign currencies | \$ (a) |
| | Interest Rate Options Purchased | Total investments, at value | 59,000 | Total investments, at value | |
| Foreign Exchange Contracts | Forward Foreign Currency Exchange Contracts | Receivable for forward foreign currency exchange contracts | 95,781 | Payable for forward foreign currency exchange contracts | (2,572,881) |
| Credit Contracts | Credit Default Swaps | Swaps, at value | 6,047 | Swaps, at value | |
| Total Derivatives not Accounted for as Hedging Instruments Under FAS 133 | | | \$183,281 | | \$(2,572,881) |

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Notes to Financial Statements (unaudited) continued

(a) Includes cumulative appreciation/depreciation of futures contracts as reported in the fund's Portfolio of Investments. Only the current day's variation margin for futures contracts is 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 six months ended May 31, 2009 as reported in the Statement of Operations:

| | Futures Contracts | Foreign Currency Transactions | Swap Transactions | Total |
|-----------------------------------|------------------------------|--|------------------------------|---------------|
| Interest Rate Contracts | \$(1,608,107) | \$ | \$ | \$(1,608,107) |
| Foreign Exchange Contracts | | (714,491) | | (714,491) |
| Credit Contracts | | | (188,210) | (188,210) |
| Total | \$(1,608,107) | \$(714,491) | \$(188,210) | \$(2,510,808) |

The following table presents by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended May 31, 2009 as reported in the Statement of Operations:

| | Investments (i.e., Purchased Options) | Futures Contracts | Translation of Assets and Liabilities in Foreign Currencies | Swap Transactions | Total |
|-----------------------------------|--|------------------------------|--|------------------------------|---------------|
| Interest Rate Contracts | \$19,776 | \$651,374 | \$ | \$ | \$671,150 |
| Foreign Exchange Contracts | | | (4,859,045) | | (4,859,045) |
| Credit Contracts | | | | 53,526 | 53,526 |
| Total | \$19,776 | \$651,374 | \$(4,859,045) | \$53,526 | \$(4,134,369) |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk by entering into an 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. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, 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. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in

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Notes to Financial Statements (unaudited) continued

an offset of reported balance sheet assets and liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forwards, swaps 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 collateral that has been pledged to cover obligations of the fund under derivative contracts will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose is noted in the Portfolio of Investments.

Purchased Options The fund may purchase call or put options for a premium. Purchased options entitle the holder to buy or sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may be used to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

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 options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased option, the premium paid is either added to the cost of the security or financial instrument in the case of a call option, or offset against the proceeds on the sale of the underlying security or financial instrument in the case of a put option, in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. 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.

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Notes to Financial Statements (unaudited) continued

Futures Contracts The fund may use futures contracts to gain or to hedge against broad market, interest rate or currency exposure. 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 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 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 may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date 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 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 transactions.

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. The fund's maximum risk

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Notes to Financial Statements (unaudited) continued

due to counterparty credit risk is the notional amount of the contract. 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.

Swap Agreements The fund may enter into swap agreements. A swap is generally an exchange of cash payments, at specified intervals or upon the occurrence of specified events, between the fund and a counterparty. The net cash payments exchanged are recorded as a realized gain or loss on swap transactions in the Statement of Operations. The value of the swap, which is adjusted daily and includes any related interest accruals to be paid or received by the fund, is recorded on the Statement of Assets and Liabilities. The daily change in value, including any related interest accruals to be paid or received, is recorded as unrealized appreciation or depreciation on swap transactions in the Statement of Operations. Amounts paid or received at the inception of the swap are reflected as premiums paid or received on the Statement of Assets and Liabilities and are amortized using the effective interest method over the term of the agreement. A liquidation payment received or made upon early termination is recorded as a realized gain or loss on swap transactions in the Statement of Operations.

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. To address counterparty risk, swap transactions are limited to only highly-rated counterparties. The risk is further mitigated by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

The fund may enter into credit default swaps to manage its exposure to the market or certain sectors of the market, to reduce its credit risk exposure to defaults of corporate and sovereign issuers or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. In a credit default swap, the protection buyer can make an upfront payment and will make a stream of payments based on a fixed percentage applied to the contract notional amount to the protection seller in exchange for the right to receive a specified return upon the occurrence of a defined credit event on the reference obligation (which may be either a single security or a basket of securities issued by corporate or sovereign issuers) and, with respect to the rare cases where physical settlement applies, the delivery by the buyer to the seller of a defined deliverable reference obligation. Although contract-specific, credit events generally consist of a combination of the following: bankruptcy, failure

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Notes to Financial Statements (unaudited) continued

to pay, restructuring, obligation acceleration, obligation default, or repudiation/ moratorium, each as defined in the 2003 ISDA Credit Derivatives Definitions as amended by the relevant contract. Restructuring is generally not applicable when the reference obligation is issued by a North American corporation and obligation acceleration, obligation default, or repudiation/moratorium are generally only applicable when the reference obligation is issued by a sovereign entity or an entity in an emerging country. Upon determination of the final price for the deliverable obligation (or upon delivery of the deliverable obligation in the case of physical settlement), the difference between the value of the deliverable obligation and the swap's notional amount is recorded as realized gain or loss on swap transactions in the Statement of Operations.

Credit default swaps are considered to have credit-risk-related contingent features since they trigger payment by the protection seller to the protection buyer upon the occurrence of a defined credit event. As discussed earlier in this note, any collateral requirements for these swaps are based generally on the market value of the swap netted against collateral requirements for other types of over-the-counter derivatives traded under each counterparty's ISDA Master Agreement. The maximum amount of future, undiscounted payments that the fund, as protection seller, could be required to make is equal to the swap's notional amount. The protection seller's payment obligation would be offset to the extent of the value of the contract's deliverable obligation.

The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk is mitigated by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Hybrid Instruments The fund may invest in indexed or hybrid securities on which any combination of interest payments, the principal or stated amount payable at maturity is determined by reference to prices of other securities, currencies, indices, economic factors or other measures, including interest rates, currency exchange rates, or securities indices. The risks of investing in hybrid instruments reflect a combination of the risks of investing in securities, swaps, options, futures and currencies. Hybrid instruments are potentially more volatile and carry greater market risks than traditional debt instruments. Depending on the structure of the particular hybrid instrument, changes in a benchmark, underlying assets or economic indicator may be magnified by the terms of the hybrid instrument and have an even more dramatic and substantial effect upon the value of the hybrid instrument. Also, the prices of the hybrid instrument and the benchmark, underlying asset or economic indicator may not move in the same direction or at the same time.

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Notes to Financial Statements (unaudited) continued

Loans and Other Direct Debt Instruments The fund may invest 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. At May 31, 2009, the portfolio had unfunded loan commitments of \$82,988, which could be extended at the option of the borrower and which are covered by sufficient cash and/or liquid securities held by the fund. The market value and obligation of the fund on these unfunded loan commitments is included in Investments, at value and Payable for investments purchased, respectively, on the Statement of Assets and Liabilities. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

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 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.

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.

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 six months ended May 31, 2009, is shown as a reduction of total expenses on the Statement of Operations.

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Notes to Financial Statements (unaudited) continued

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 taxes is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements.

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

The tax character of distributions made during the current period will be determined at fiscal year end. The tax character of distributions declared to shareholders for the last fiscal year is as follows:

| | |
|--|-----------------|
| | 11/30/08 |
| Ordinary income (including any short-term capital gains) | \$28,101,857 |

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

| | |
|--|----------------|
| As of 5/31/09 | |
| Cost of investments | \$488,176,171 |
| Gross appreciation | 19,469,445 |
| Gross depreciation | (41,304,445) |
| Net unrealized appreciation (depreciation) | \$(21,835,000) |
| As of 11/30/08 | |
| Undistributed ordinary income | \$4,491,577 |
| Capital loss carryforwards | (66,111,175) |
| Other temporary differences | (708,300) |
| Net unrealized appreciation (depreciation) | (92,071,192) |

Table of Contents*Notes to Financial Statements (unaudited) continued*

The aggregate cost above includes prior fiscal year end tax adjustments.

As of November 30, 2008, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

| | |
|----------|----------------|
| 11/30/09 | \$(21,374,410) |
| 11/30/10 | (23,905,212) |
| 11/30/14 | (5,504,781) |
| 11/30/15 | (2,469,155) |
| 11/30/16 | (12,857,617) |
| | \$(66,111,175) |

(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. Gross income is calculated based on tax 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 six months ended May 31, 2009 was equivalent to an annual effective rate of 0.68% 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 six months ended May 31, 2009, these fees paid to MFSC amounted to \$17,802. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended May 31, 2009, the fund did not pay any out-of-pocket expenses to MFSC.

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 six months ended May 31, 2009 was equivalent to an annual effective rate of 0.0224% 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 to officers of the fund who are also

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Notes to Financial Statements (unaudited) continued

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.

For certain independent Trustees who retired on or before December 31, 2001, the fund has an unfunded, defined benefit plan which resulted in a pension expense of \$2,405. For certain independent Trustees who served on the Board as of December 31, 2001, the fund also has an unfunded retirement benefit deferral plan which resulted in an expense of \$7,426. Both amounts are included in independent trustees' compensation for the six months ended May 31, 2009. The liability for deferred retirement benefits payable to certain independent trustees under both plans amounted to \$139,080 at May 31, 2009, and is included in payable for independent trustees' compensation.

Deferred Trustee Compensation Under a Deferred Compensation Plan (the Plan) independent trustees previously were allowed to elect to defer receipt of all or a portion of their annual compensation. Effective January 1, 2005, trustees are no longer allowed to defer compensation under the Plan. Amounts previously deferred are treated as though equivalent dollar amounts had been invested in shares of certain MFS funds selected by the trustee. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent trustees' compensation is \$8,520 of deferred trustees' compensation.

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 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 six months ended May 31, 2009, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$3,458 and are included in miscellaneous expense on 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 \$1,638, 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.

Table of Contents*Notes to Financial Statements (unaudited) continued***(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 | \$7,910,260 | \$62,009,234 |
| Investments (non-U.S. Government securities) | \$150,627,585 | \$108,361,922 |

(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 114,800 shares of beneficial interest during the six months ended May 31, 2009 at an average price per share of \$6.94 and a weighted average discount of 11.07% per share. The fund repurchased and retired 277,999 shares of beneficial interest during the year ended November 30, 2008 at an average price per share of \$7.71 and a weighted average discount of 13.97% per share. Transactions in fund shares were as follows:

| | Six months ended | | Year ended | |
|----------------------------|-------------------------|---------------|-------------------|---------------|
| | 5/31/09 | | 11/30/08 | |
| | Shares | Amount | Shares | Amount |
| Treasury shares reacquired | (114,800) | \$(796,999) | (277,999) | \$(2,137,517) |

(6) Loan Agreement

At May 31, 2009, the fund had a credit agreement with a bank for a revolving line of credit that can be drawn upon up to \$100,000,000. The credit agreement matures on August 28, 2009. Borrowing under the agreement can be made for liquidity or leverage purposes. Interest is charged at a rate per annum equal to LIBOR plus 1.00% or an alternate rate, at the option of the borrower, stated as the greater of the Federal Funds Rate plus 0.50% or the bank's prime lending rate. The fund did not incur any borrowings under this agreement at May 31, 2009. The fund did incur a commitment fee of \$53,272 during the period, which is based on the average daily unused portion of the line of credit. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

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Notes to Financial Statements (unaudited) continued

(7) Transactions in Underlying 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 affiliated issuers:

| Underlying Funds | Beginning Shares/Par Amount | Acquisitions Shares/Par Amount | Dispositions Shares/Par Amount | Ending Shares/Par Amount |
|---|--|---|---|---|
| MFS Institutional Money Market Portfolio | | 87,553,039 | (65,941,295) | 21,611,744 |

| Underlying Funds | Realized Gain (Loss) | Capital Gain Distributions | Dividend Income | Ending Value |
|---|---------------------------------|---------------------------------------|----------------------------|-------------------------|
| MFS Institutional Money Market Portfolio | \$ | \$ | \$19,158 | \$21,611,744 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of the MFS Charter Income Trust

We have reviewed the accompanying statement of assets and liabilities of the MFS Charter Income Trust (the Fund), including the portfolio of investments, as of May 31, 2009, and the related statements of operations, changes in net assets, and financial highlights for the six-month period ended May 31, 2009. These interim financial statements and financial highlights are the responsibility of the Fund's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements and financial highlights for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of changes in net assets for the year ended November 30, 2008, and financial highlights for each of the five years in the period ended November 30, 2008, and in our report dated January 20, 2009, we expressed an unqualified opinion on such statement of changes in net assets and financial highlights.

Boston, Massachusetts

July 17, 2009

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's two most recent reviews and renewals 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 and Performance" section of the MFS Web site (*mfs.com*).

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, 2008 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. The fund's Form N-Q 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. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and copies of this information 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.

A shareholder can also obtain the quarterly portfolio holdings report at *mfs.com*.

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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

500 Boylston Street, Boston, MA 02116

New York Stock Exchange Symbol: MCR

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ITEM 2. CODE OF ETHICS.

The Registrant has not amended any provision in its Code of Ethics (the Code) that relates to any element of the Code s definition enumerated in paragraph (b) of Item 2 of this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for semi-annual reports.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for semi-annual reports.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for semi-annual reports.

ITEM 6. SCHEDULE OF INVESTMENTS

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

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

Not applicable for semi-annual reports.

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

There were no changes during this period.

Table of Contents**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.****MFS Charter Income Trust**

| Period | (a) Total number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs |
|-------------------|---|---|---|---|
| 12/01/08-12/31/08 | 114,800 | 7.79 | 114,800 | 5,133,654 |
| 1/01/09-1/31/09 | 0 | N/A | 0 | 5,113,654 |
| 2/01/09-2/28/09 | 0 | N/A | 0 | 5,113,654 |
| 3/01/09-3/31/09 | 0 | N/A | 0 | 5,487,174 |
| 4/01/09-4/30/09 | 0 | N/A | 0 | 5,487,174 |
| 5/01/09-5/31/09 | 0 | N/A | 0 | 5,487,174 |
| Total | 114,800 | | 114,800 | |

Note: The Board of Trustees approves procedures to repurchase shares annually. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1st of each year. The programs conform to the conditions of Rule 10b-18 of the securities Exchange Act of 1934 and limit the aggregate number of shares that may be purchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of shares available for purchase for the March 1, 2009 plan year is 5,487,174.

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

There were no material changes to the procedures by which shareholders may send recommendations to the Board for nominees to the Registrant's Board since the Registrant last provided disclosure as to such procedures in response to the requirements of Item 407 (c)(2)(iv) of Regulation S-K or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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ITEM 12. EXHIBITS.

- (a) File the exhibits listed below as part of this form. Letter or number the exhibits in the sequence indicated.
- (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit.
 - (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

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Notice

A copy of the Amended and Restated Declaration of Trust of the Registrant is on file with the Secretary of State of the Commonwealth of Massachusetts and notice is hereby given that this instrument is executed on behalf of the Registrant by an officer of the Registrant as an officer and not individually and the obligations of or arising out of this instrument are not binding upon any of the Trustees or shareholders individually, but are binding only upon the assets and property of the respective constituent series of the Registrant.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant MFS CHARTER INCOME TRUST

By (Signature and Title)* MARIA F. DWYER
Maria F. Dwyer, President

Date: July 17, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* MARIA F. DWYER
Maria F. Dwyer, President
(Principal Executive Officer)

Date: July 17, 2009

By (Signature and Title)* JOHN M. CORCORAN
John M. Corcoran, Treasurer
(Principal Financial Officer
and Accounting Officer)

Date: July 17, 2009

* Print name and title of each signing officer under his or her signature.