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MFS MUNICIPAL INCOME TRUST
Form N-CSR
January 07, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-4841

MFS MUNICIPAL INCOME TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr.
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: October 31

Date of reporting period: October 31, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

MFS (R) MUNICIPAL INCOME TRUST

10/31/04

ANNUAL REPORT

[logo] M F S (R)
INVESTMENT MANAGEMENT

ANNUAL REPORT

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LETTER FROM THE CEO

Dear Shareholders,

[Photo of Robert J. Manning]

For most investors, the main factor in determining long-term success is asset allocation - how they spread their money among stocks, bonds, and cash. In fact, the total returns of investors may be more influenced by their asset allocation strategy than by their security selection within each asset class. The principle behind asset allocation is simple: by diversifying across a variety of types of securities, investors reduce the overall risk of their portfolio because gains in one area are likely to offset losses in another.

One of the dangers of not having an asset allocation plan is the temptation to simply chase performance, by moving money into whichever asset class appears to be outperforming at the moment. The problem with this approach is that by the time a particular area of the market comes into favor, investors may have already missed some of the best performance. We would suggest that one way to benefit from swings in the market is to acquire a diversified portfolio so that investors hold a range of asset classes before the market swings in their direction.

UNDERSTAND YOUR EMOTIONS

It usually takes a bear market for people to appreciate the benefits of diversification. At MFS, we believe proper asset allocation is important in all market environments. But we understand that there are emotional components of investment decisions that sometimes keep investors from achieving their long term goals. The three common behaviors that negatively impact investment decisions are overconfidence, looking backwards, and loss aversion.

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- o Overconfidence. After experiencing gains in the market, particularly during a bull market, investors have a natural tendency to overestimate their own abilities. During the global bull market of the late 1990s, for example, a large number of investors traded their own stocks and made significant profits. However, most of these same investors later handed back those profits - and then some - because they focused more on short-term blips in the market and less on the fundamental factors that affect a company's long-term prospects.
- o Looking backwards. Although security prices are determined by expectations about the future, many investors make choices based on the recent past. Investors who have achieved momentary success in the market tend to take on too much risk, believing that better-than-average returns can be easily duplicated. On the other hand, those who have had negative experiences tend to become overly cautious and take on too little risk. Recent historical experience tends to dictate an investor's frame of reference and may lead to irrational decisions.
- o Loss aversion. Simply put, investors would rather avoid the immediate pain of losses than enjoy the future pleasure of gains. As a result, some investors tend to overreact to short-term downturns in the market by seeking to mitigate their losses, rather than remaining invested to benefit from the long-term growth potential of the stock and bond markets.

THINK LIKE A PROFESSIONAL INVESTOR

Asset allocation helps reduce the emotional factors that tend to affect the long-term returns of investors. Professional investors - those who manage assets for money management firms, pension funds, and endowments - have tended to outperform the average retirement investor because they focus on asset allocation. For example, the investment performance of the average 401(k) participant has lagged these professional investors by more than two percentage points a year, on average, over the past 10 years.(1)

We think asset allocation is one of the most important decisions for investors. A study of the performance of 91 large U.S. corporate pension plans with assets of more than \$100 million over a 10-year period beginning in 1974 concluded that asset allocation policies accounted for 93.6% of their returns, while individual security selection and the timing of their investments accounted for only 6.4% for their overall performance.(2)

Professional investors target a realistic level of return based on the amount of risk they are willing to take, then set allocations to meet their goals. On average, U.S. professional investors allocate 35% to 40% of their assets to domestic equity stocks; 20% to 30% to fixed income issues; 10% to international stocks; and between 10% and 20% to other investment classes such as real estate.(3) And within those categories, they hold a broad range of styles and asset classes.

In contrast, 401(k) participants who held company stock in their retirement plans at the end of 2002 had roughly 42% of their retirement assets in company stock while the rest was allocated to either growth or value stock funds.(4) These participants virtually ignored the broad range of equity, fixed-income, and international offerings provided by their retirement plans.

ALLOCATE, DIVERSIFY, REBALANCE

We recommend working with a professional adviser to find an optimal mix of investments based on your individual goals. In our view, a disciplined asset allocation strategy is composed of three simple steps: allocate, diversify and rebalance.

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- o Allocate. Investors should work with their financial adviser to specify their long-term goals and tolerance for risk. Then investors should allocate their assets across the major asset classes - stocks, bonds, and cash - to help them pursue an investment return that is consistent with their risk tolerance level.
- o Diversify. By diversifying their assets, investors trade some performance in the top performing categories for a more predictable and stable portfolio. At the same time, investors should include different investment styles and market capitalizations of stocks and a range of fixed-income investments, as well as U.S. and non-U.S. securities. Because security subclasses tend to move in and out of favor during various market and economic environments, a broad portfolio increases the benefits of diversification.
- o Rebalance. We suggest that investors consult with their professional advisers periodically to rebalance their portfolios to maintain the percentages that they have dedicated to each asset class. Allocations can shift as markets rise and fall, making for a riskier or more conservative portfolio than an investor originally intended. For example, a portfolio of 50% stocks and 50% bonds at the start of 2000 would have shifted to 32% stocks and 68% bonds at the end of 2002 because of the weak stock market. (5)

In short, these three simple concepts - allocate, diversify and rebalance - help take emotion out of the investment process and help prevent investors from trying to outguess the market. An asset allocation strategy cannot turn a down market cycle into a good one, but it is an invaluable tool to manage risk and keep investors on track toward reaching their long-term investment goals.

A DISCIPLINED INVESTMENT PROCESS IS PARAMOUNT

Disciplined diversification has helped investors pursue long-term, above-average results through the years. Since 1924, when we invented the mutual fund, MFS(R) has strived to give investors the products and tools they need to maintain well-diversified portfolios. MFS provides a variety of products in each asset class as well as a family of asset allocation funds. These asset allocation portfolios cover a range from conservative to moderate, growth, and aggressive growth allocations, each with a strategy based on a distinct level of risk. We recommend developing a comprehensive financial plan with an investment advisor who is familiar with your risk tolerance, your individual goals, and your financial situation.

As always, we appreciate your confidence in MFS and welcome any questions or comments you may have.

Respectfully,

/s/ Robert J. Manning

Robert J. Manning
Chief Executive Officer and Chief Investment Officer
MFS Investment Management (R)

November 15, 2004

Asset allocation and diversification can not guarantee a profit or protect against a loss.

The opinions expressed in this letter are those of MFS, and no forecasts can be guaranteed.

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- (1) Source: Watson Wyatt
- (2) "Determinants of Portfolio Performance," in Financial Analysts Journal, January/February 1995, by Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower
- (3) Source: Greenwich Associates
- (4) Source: Hewitt Associates
- (5) Source: Lipper Inc.

PORTFOLIO COMPOSITION

PORTFOLIO STRUCTURE

| | |
|-------------------------|-------|
| Bonds | 99.0% |
| Cash & Other Net Assets | 1.0% |

TOP FIVE BOND INDUSTRIES*

| | |
|------------------------------------|-------|
| Healthcare/Hospitals | 27.5% |
| Healthcare/Long Term Care | 9.8% |
| Investor Owned Utilities | 7.8% |
| Industrial Development Bonds/Paper | 6.1% |
| Industrial Development Bonds/Other | 3.7% |

CREDIT QUALITY**

| | |
|-----------|-------|
| AAA | 12.0% |
| AA | 4.2% |
| A | 10.0% |
| BBB | 32.6% |
| BB | 10.1% |
| B | 4.1% |
| CCC | 2.8% |
| CC | 0.3% |
| D | 0.0% |
| Not Rated | 23.5% |
| Other | 0.4% |

PORTFOLIO FACTS

| | |
|------------------|-----|
| Average Duration | 8.5 |
|------------------|-----|

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| | |
|----------------------------------|----------|
| Average Life | 17.0 Yrs |
| ----- | |
| Average Maturity*** | 18.4 Yrs |
| ----- | |
| Average Quality | BBB+ |
| ----- | |
| Average Quality Short Term Bonds | A-1 |
| ----- | |

Percentages are based on net assets including preferred shares as of 10/31/04.

* For purposes of this graphical presentation, the bond component includes both accrued interest amounts and the equivalent exposure from any derivative holdings, if applicable.

** Credit quality ratings are based on a weighted average of each security's 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 ratings assigned by Fitch, Inc. If not rated by any of the three agencies, the security is considered not rated, except for U.S. Treasuries and mortgage-backed securities, which are included in the "AAA"-rating category.

*** The average maturity shown is calculated using the final stated maturity on the portfolio's holdings without taking into account any holdings which have been pre-refunded to an earlier date or which have a mandatory put date prior to the stated maturity. The average life shown takes into account these earlier dates.

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

MANAGEMENT REVIEW

SUMMARY OF RESULTS

For the year ended October 31, 2004, the net asset value of MFS Municipal Income Trust was up 9.72%, outpacing the 6.03% return for the Lehman Brothers Municipal Bond Index.

MARKET ENVIRONMENT

In 2004, many measures of economic growth, including employment, corporate spending, and earnings growth continued to improve, though we feel that near-record-high oil prices, concerns about rising interest rates, and an unsettled geopolitical environment adversely affected U.S. markets. The U.S. Federal Reserve Board raised interest rates three times during the period, and this appears to have set expectations for an ongoing series of modest rate hikes.

CONTRIBUTORS TO RELATIVE PERFORMANCE

Strong security selection within the health care and utilities sectors was the principal source of the fund's relative outperformance for the period relative to its benchmark, the Lehman Brothers Municipal Bond Index. Our positioning along the yield curve also helped boost relative results. Shorter-maturity bonds experienced larger price declines than longer-maturity bonds over the period. The trust's overweighted position in bonds with maturities in the 15- to 20-year range, therefore, worked to its benefit as these bonds outperformed shorter-maturity bonds. Our underweighted position in shorter-maturity bonds

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also helped relative performance as that end of the curve underperformed longer-maturity bonds.

In addition, the trust's relative performance was positively impacted by credit quality. As a high-yield-oriented portfolio, the trust was overweighted in "BBB"-rated bonds which are the lowest quality investment-grade issues. The trust benefited as "BBB"-rated bonds outperformed higher-quality issues over the period. In addition, the trust's positions in noninvestment-grade debt, which is not held by the benchmark, also aided relative results.

DETRACTORS FROM RELATIVE PERFORMANCE

Duration - a measure of the trust's sensitivity to changes in interest rates - detracted modestly from relative performance during the 12-month period. The fund was slightly long in duration - i.e., more sensitive to interest rate changes - relative to its benchmark. Our longer duration stance modestly hurt performance, mainly during March and April of 2004, when rates rose sharply and bond prices retreated.

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

PERFORMANCE SUMMARY THROUGH 10/31/04

All results are historical. Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. More recent returns may be more or less than those shown. Past performance is no guarantee of future results.

PRICE SUMMARY

Year ended 10/31/04

| | Date | Price |
|-------------------------------|------------------|--------|
| Net asset value | 10/31/2003 | \$7.69 |
| | 10/31/2004 | \$7.86 |
| New York Stock Exchange Price | 10/31/2003 | \$7.49 |
| | 3/9/2004 (high)* | \$8.15 |
| | 5/10/2004 (low)* | \$6.83 |
| | 10/31/2004 | \$7.83 |

* For the period from November 1, 2003, through October 31, 2004.

TOTAL RETURN VS BENCHMARKS

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Year ended 10/31/04

| | |
|---|--------|
| New York Stock Exchange price** | 12.22% |
| Net asset value** | 9.72% |
| Lehman Brothers Municipal Bond Index# | 6.03% |
| Lipper Closed End High Yield Municipal Index+ | 8.72% |

** Includes reinvestment of dividend and capital gain distributions.

+ Source: Lipper Inc., an independent firm that reports mutual fund performance.

Source: Standard & Poor's Micropal, Inc.

INDEX DEFINITIONS

Lipper Closed End High Yield Municipal Index - an index composed of 10 closed-end funds (including MFS Municipal Income Trust) that invests at least 50% of their assets in lower rated municipal debt securities.

Lehman Brothers Municipal Bond Index - measures the municipal bond market.

It is not possible to invest directly in an index.

NOTES TO PERFORMANCE SUMMARY

The trust's shares may trade at a discount to net asset value. Shareholders do not have the right to cause the trust to repurchase their shares at net asset value. The trust's shares also may trade at a premium to their net asset value. When trust shares trade at a premium, buyers pay more than the asset value underlying trust shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the trust'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 trust'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. Returns of shareholder capital have the effect of reducing the trust's assets and increasing the trust's expense ratio.

KEY RISK CONSIDERATIONS

A portion of income may be subject to state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax.

The portfolio may invest in derivative securities, which may include futures and options. These types of instruments can increase price fluctuation.

The portfolio may invest in government guaranteed securities. These guarantees apply to the underlying securities only and not to the prices and yields of the portfolio.

Investments in high yield or lower-rated securities may provide greater returns

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but are subject to greater-than-average risk.

The portfolio may invest a higher percentage of its assets in a small number of issuers', the portfolio is more susceptible to any (non-diversified) single economic, political or regulatory event affecting those issuers than is a diversified fund.

The portfolio may focus in a limited number of states making it more susceptible to adverse economic, political, or regulatory developments affecting those states than a portfolio that invests more broadly.

The portfolio's value will fluctuate in response to market conditions and issuer, regulatory, economic, or political developments. In general, fixed income securities will decline when interest rates rise and will increase when interest rates fall. Many fixed income securities also involve credit risk, which is the risk that issuers may fail to make timely principal or interest payments. In addition, fixed income securities with longer maturity dates will be subject to greater price fluctuations than those with shorter maturity periods. Please see the prospectus for further information on these and other risk considerations.

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

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The trust offers a Dividend Reinvestment and Cash Purchase Plan that allows you to reinvest either all of the distributions paid by the trust or only the long-term capital gains. 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 discounted price of either the net asset value or 95% of the market price, whichever is greater. Twice each year you can also buy shares. Investments may be made in any amount over \$100 in January and July on the 15th of the month or shortly thereafter.

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 trust. 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 commissions. 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.

To enroll in or withdraw from the plan, or if you have any questions, call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time. Please have available the name of the trust and your account and Social Security numbers. 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 two ways: a check for the value of the full and fractional shares, or a certificate for the full shares and a check for the fractional shares.

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RESULTS OF SHAREHOLDER MEETING (unaudited) - 10/31/04

At the annual meeting of shareholders of MFS Municipal Income Trust, which was held on October 7, 2004, the following actions were taken:

ITEM 1. The election of the following Trustees of the trust by holders of common shares:

| NOMINEE | NUMBER OF COMMON SHARES | |
|-----------------------|-------------------------|--------------------|
| | FOR | WITHHOLD AUTHORITY |
| Robert J. Manning | 34,383,020.097 | 732,400.089 |
| Lawrence H. Cohn M.D. | 34,390,236.535 | 725,183.651 |
| Lawrence T. Perera | 34,412,202.034 | 703,218.152 |

ITEM 2. The election of the following Trustees of the trust by holders of preferred shares:

| NOMINEE | NUMBER OF PREFERRED SHARES | |
|-----------------|----------------------------|--------------------|
| | FOR | WITHHOLD AUTHORITY |
| Elaine R. Smith | 5,104 | 10 |

ITEM 3. The ratification of the election of Deloitte & Touche LLP as the independent public accountants to be employed by the trust for the fiscal year ending October 31, 2004.

| | NUMBER OF SHARES |
|-------------|------------------|
| Affirmative | 34,507,755.100 |
| Against | 258,535.969 |
| Abstain | 349,129.117 |

PORTFOLIO OF INVESTMENTS - 10/31/04

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

Municipal Bonds - 141.7%

| ISSUER | PAR AMOUNT | \$ VALUE |
|--------|------------|----------|
|--------|------------|----------|

Airport & Port Revenue - 5.5%

Chicago, IL, O'Hare International Airport Rev. RITES, XLCA,

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| | | |
|---|-------------|--------------|
| 9.0787%, 2022+(+) | \$1,500,000 | \$1,784,490 |
| ----- | | |
| Cleveland Cuyahoga County, OH, Port Authority Rev. (Cleveland City Project), "B", 4.5%, 2030 | 1,485,000 | 1,485,772 |
| ----- | | |
| Dayton Montgomery County, OH, Port Authority Rev. (Parking Garage Project), 6.125%, 2024 | 1,130,000 | 1,176,161 |
| ----- | | |
| Oklahoma City, OK, Airport Trust Rev., FSA, 5.75%, 2016 | 3,125,000 | 3,430,344 |
| ----- | | |
| Port Authority, NY, Special Obligations Rev. (JFK International), MBIA, 5.75%, 2022 | 7,000,000 | 7,667,730 |
| ----- | | |
| Port of Seattle, Rev, FGIC, 5.625%, 2018 | 1,500,000 | 1,646,835 |
| ----- | | |
| | | \$17,191,332 |
| ----- | | |
| Chemicals - 0.7% | | |
| ----- | | |
| Red River Authority, TX, Pollution Control Rev. (Celanese Project), 6.7%, 2030 | \$2,125,000 | \$2,136,071 |
| ----- | | |
| General Obligations - General Purpose - 1.4% | | |
| ----- | | |
| Jefferson County, OH, ASST GTY, 7.125%, 2005(++) | \$1,000,000 | \$1,075,390 |
| ----- | | |
| Lake County, IL, Land Acquisition & Development, 5.75%, 2017 | 1,000,000 | 1,139,350 |
| ----- | | |
| New York City, NY, 6.125%, 2006(++) | 2,000,000 | 2,134,480 |
| ----- | | |
| | | \$4,349,220 |
| ----- | | |
| Healthcare Revenue - Hospitals - 38.2% | | |
| ----- | | |
| Allegheny County, PA, Hospital Development Authority Rev. (South Hills Health Systems), 6.75%, 2025 | \$500,000 | \$530,125 |
| ----- | | |
| Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), 9.25%, 2022 | 1,000,000 | 1,152,480 |
| ----- | | |
| Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), 9.25%, 2030 | 2,000,000 | 2,304,520 |
| ----- | | |
| Athens County, OH, Hospital Facilities Rev. (O'Bleness Memorial Hospital), 7.125%, 2033 | 1,500,000 | 1,536,840 |
| ----- | | |
| Baldwin County, AL, Eastern Shore Health Care Authority Rev. (Thomas Hospital), 5.75%, 2027 | 700,000 | 679,315 |
| ----- | | |
| Brookhaven, NY, Civic Facilities Rev. (Memorial Hospital Medical Center, Inc.), 7.75%, 2010 | 805,000 | 859,965 |
| ----- | | |
| Chautauqua County, NY, Civic Facilities Rev. (Women's Christian Assn.), 6.35%, 2017 | 275,000 | 278,033 |
| ----- | | |
| Chautauqua County, NY, Civic Facilities Rev. (Women's Christian Assn.), 6.4%, 2029 | 980,000 | 931,804 |
| ----- | | |
| Chemung County, NY, Civic Facilities Rev. (St. Joseph's Hospital-Elmira), 6%, 2013 | 590,000 | 593,617 |
| ----- | | |

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|---|-----------|-----------|
| Chemung County, NY, Civic Facilities Rev. (St. Joseph's Hospital-Elmira), 6.35%, 2013 | 150,000 | 153,782 |
| <hr/> | | |
| Chester County, PA, Health & Educational Facilities Rev. (Chester County Hospital), 6.75%, 2021 | 1,625,000 | 1,718,226 |
| <hr/> | | |
| Citrus County, FL, Hospital Development Authority Rev. (Citrus Memorial Hospital), 6.25%, 2023 | 985,000 | 1,035,441 |
| <hr/> | | |
| Coffee County, GA, Hospital Authority Rev. (Coffee Regional Medical Center, Inc.), 5%, 2026 | 40,000 | 39,008 |
| <hr/> | | |
| Colorado Health Facilities Authority Rev. (Parkview Medical Center), 6.5%, 2020 | 1,230,000 | 1,365,497 |
| <hr/> | | |
| Colorado Health Facilities Authority Rev. (Parkview Medical Center), 6.6%, 2025 | 1,000,000 | 1,102,410 |
| <hr/> | | |
| Colorado Health Facilities Authority Rev. (Portercare Adventist Health Systems), 6.625%, 2026 | 675,000 | 748,791 |
| <hr/> | | |
| Comal County, TX, Health Facilities Development Rev. (McKenna Memorial Hospital), 6.125%, 2022 | 500,000 | 513,145 |
| <hr/> | | |
| Crittenden County, AR, Arkansas Hospital Rev., 7%, 2020 | 1,030,000 | 1,027,291 |
| <hr/> | | |
| Cumberland County PA, Municipal Authority Rev. (Carlisle Hospital & Health Centers), 6.8%, 2004(++) | 250,000 | 255,425 |
| <hr/> | | |
| Cuyahoga County, OH, Hospital Facilities Rev. (Canton, Inc.), 7.5%, 2030 | 1,330,000 | 1,476,832 |
| <hr/> | | |
| Delaware Health Facilities Authority Rev. (Nanticoke Memorial Hospital), 5.625%, 2032 | 1,250,000 | 1,311,900 |
| <hr/> | | |
| Denver, CO, Health & Hospital Authority Rev., 5.25%, 2013 | 635,000 | 658,216 |
| <hr/> | | |
| Denver, CO, Health & Hospital Authority Rev., 5.375%, 2018 | 1,500,000 | 1,535,850 |
| <hr/> | | |
| Denver, CO, Health & Hospital Authority Rev., 5.375%, 2028 | 860,000 | 858,306 |
| <hr/> | | |
| Denver, CO, Health & Hospital Authority Rev., "A", 6%, 2023 | 250,000 | 256,628 |
| <hr/> | | |
| District of Columbia, Health & Hospital Authority Rev. (Medstar University Hospital), "D", 6.875%, 2007(++) | 1,200,000 | 1,330,044 |
| <hr/> | | |
| Farmington, NM, Hospital Rev. (San Juan Regional Medical Center), "A", 5%, 2023 | 835,000 | 838,975 |
| <hr/> | | |
| Grand Forks, ND, Health Care Authority Rev. (Altru Health Systems Obligation Group), 7.125%, 2024 | 755,000 | 824,656 |
| <hr/> | | |
| Gulfport, MS, Healthcare Authority Rev. (Memorial Hospital), 5.75%, 2031 | 1,000,000 | 1,044,180 |
| <hr/> | | |
| Highlands County, FL, Health Facilities Authority Rev. (Adventist/Sunbelt Hospital), 6%, 2031 | 900,000 | 968,571 |
| <hr/> | | |
| Houston County, AL, Health Care Authority Rev., AMBAC, 6.25%, 2030 | 2,000,000 | 2,271,160 |
| <hr/> | | |
| Huntsville, AL, Health Care Authority Rev., 5.625%, 2026 | 875,000 | 909,694 |

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|---|-----------|-----------|
| Illinois Development Finance Authority, Hospital Authority Rev. (Adventist/Sunbelt Hospital), 5.65%, 2024 | 1,750,000 | 1,829,765 |
| Illinois Health Facilities Authority Rev. (Centegra Health Systems), 5.25%, 2018 | 1,000,000 | 1,016,740 |
| Indiana Health Facilities Financing Authority, Hospital Rev. (Munster Medical Research Foundation, Inc.), 6.375%, 2031 | 3,990,000 | 4,106,029 |
| Indiana Health Facilities Financing Authority, Hospital Rev. (Riverview Hospital), 6.125%, 2031 | 1,000,000 | 1,038,060 |
| Kentucky Economic Development Finance Authority, Health Systems Rev. (Norton Healthcare, Inc.), 6.5%, 2020 | 5,000,000 | 5,442,700 |
| Knox County, TN, Health Educational Housing Facilities Board, Hospital Facilities Rev. (Baptist Health Systems), 6.5%, 2031 | 1,725,000 | 1,723,931 |
| Lauderdale County & Florence, AL, Health Care Authority Rev. (Coffee Health Group), MBIA, 5.625%, 2021 | 3,000,000 | 3,340,650 |
| Lufkin, TX, Health Facilities Rev. (Memorial Health System of East Texas), 6.875%, 2026 | 1,615,000 | 1,698,076 |
| Lufkin, TX, Health Facilities Rev. (Memorial Health System of East Texas), 5.7%, 2028 | 995,000 | 1,009,507 |
| Macomb County, MI, Hospital Finance Authority Rev. (Mount Clemens General Hospital), 5.75%, 2025 | 1,000,000 | 933,850 |
| Macomb County, MI, Hospital Finance Authority Rev. (Mount Clemens General Hospital), 5.875%, 2034 | 905,000 | 843,080 |
| Maryland Health & Higher Educational Facilities Authority Rev. (Medstar Health), 5.5%, 2033 | 380,000 | 387,855 |
| Maryland Health & Higher Educational Facilities Authority Rev. (North Arundel Hospital), 6.5%, 2031 | 1,500,000 | 1,664,475 |
| Massachusetts Health & Educational Facilities Authority Rev. (Berkshire Health Systems), 6.25%, 2031 | 1,900,000 | 1,989,357 |
| Massachusetts Health & Educational Facilities Authority Rev. (Caritas Christi), 6.5%, 2012 | 600,000 | 672,114 |
| Massachusetts Health & Educational Facilities Authority Rev. (Caritas Christi), 5.7%, 2015 | 500,000 | 517,935 |
| Massachusetts Health & Educational Facilities Authority Rev. (Jordan Hospital), 5.25%, 2018 | 1,400,000 | 1,304,576 |
| Massachusetts Health & Educational Facilities Authority Rev. (Northern Berkshire Health), "B", 6.375%, 2034 | 890,000 | 878,902 |
| Massachusetts Health & Educational Facilities Authority Rev. (Saints Memorial Medical Center), 6%, 2023 | 465,000 | 451,013 |
| Miami Beach, FL, Health Facilities Rev. (Mount Sinai Medical Center), 6.75%, 2029 | 810,000 | 859,532 |

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|---|-----------|-----------|
| Miami Beach, FL, Health Facilities Rev. (Mount Sinai Medical Center), "A", 6.7%, 2019 | 995,000 | 1,034,442 |
| Mississippi Business Finance Corp., Health Facilities Rev. (Rush Medical Foundation, Inc.), 5.625%, 2023 | 845,000 | 807,524 |
| Mississippi Hospital Equipment, Health Facilities Rev. (Rush Medical Foundation, Inc.), 5.4%, 2007 | 315,000 | 323,829 |
| Mount Lebanon, PA, Hospital Authority Rev. (St. Clair Memorial Hospital), 5.625%, 2032 | 435,000 | 448,202 |
| Nassau County, NY, Industrial Development Agency, Civic Facilities Rev. (North Shore Health System), 5.625%, 2010 | 725,000 | 796,057 |
| Nassau County, NY, Industrial Development Agency, Civic Facilities Rev. (North Shore Health System), 5.875%, 2011 | 550,000 | 612,046 |
| New Hampshire Health & Educational Facilities Authority Rev. (Covenant Health), 6.5%, 2017 | 915,000 | 1,030,812 |
| New Hampshire Higher Educational & Health Facilities Authority Rev. (Catholic Medical Center), 6.125%, 2032 | 1,000,000 | 1,029,900 |
| New Hampshire Higher Educational & Health Facilities Authority Rev. (Littleton Hospital), 5.8%, 2018 | 1,000,000 | 961,280 |
| New Jersey Health Care Facilities, Financing Authority Rev. (St. Peter's University Hospital), 6.875%, 2030 | 3,000,000 | 3,320,190 |
| New York City, NY, Industrial Development Agency, Civic Facilities Rev. (Staten Island University Hospital), 6.375%, 2031 | 500,000 | 479,225 |
| New York City, NY, Health & Hospital Corp. Rev., 5.25%, 2017 | 700,000 | 731,220 |
| North Texas Health Facilities Development Corp. Rev. (United Regional Health Care System, Inc.), 6%, 2023 | 1,000,000 | 1,059,810 |
| Ohio County, WV, County Commission Health System Rev. (Ohio Valley Medical Center), 5.75%, 2013 | 850,000 | 797,649 |
| Oklahoma Development Finance Authority Rev. (Comanche County Hospital), 6.6%, 2031 | 1,875,000 | 1,968,544 |
| Rhode Island Health & Education Building Rev., Hospital Financing (Lifespan Obligated Group), 6.5%, 2032 | 505,000 | 537,588 |
| Rhode Island Health & Education Building Rev., Hospital Financing (Lifespan Obligation Group), 6.375%, 2021 | 1,805,000 | 1,933,317 |
| Royston, GA, Hospital Authority Rev. (Ty Cobb Healthcare Systems, Inc.), 6.375%, 2014 | 955,000 | 955,325 |
| Russell, KY, (Bon Secours Health Systems), ETM, 5.85%, 2005(++) | 3,000,000 | 3,121,620 |
| Salt Lake City, UT, Hospital Authority Rev. (Intermountain Health Care), AMBAC, INFLOS, ETM, 11.725%, 2020(+), (++) | 600,000 | 602,244 |
| Scranton-Lackawanna, PA, Health & Welfare Authority Rev. (Allied Rehab Hospital), 7.125%, 2005 | 285,000 | 286,935 |

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| Shelby County, TN, Educational & Hospital Facilities Board Hospital Rev. (Methodist Healthcare), 6.375%, 2019 | 625,000 | 759,481 |
| Shelby County, TN, Educational & Housing Facilities Board Hospital Rev. (Methodist Healthcare), 6.25%, 2018 | 315,000 | 380,076 |
| Shelby County, TN, Educational & Housing Facilities Board Hospital Rev. (Methodist Healthcare), ETM, 6.25%, 2018(++) | 185,000 | 217,114 |
| Shelby County, TN, Educational & Housing Facilities Board Hospital Rev. (Methodist Healthcare), ETM, 6.375%, 2019(++) | 375,000 | 449,194 |
| South Carolina Jobs & Economic Development Authority, Hospital Facilities Rev. (Palmetto Health Alliance), 6.25%, 2031 | 835,000 | 883,422 |
| South Carolina Jobs & Economic Development Authority (Bon Secours Health Systems, Inc.), "A", 5.625%, 2030 | 710,000 | 730,114 |
| South Dakota Health & Education Facilities Authority Rev. (Prairie Lakes Health Care System), 5.625%, 2032 | 670,000 | 681,022 |
| Southwestern Illinois Development Authority Rev. (Anderson Hospital), 5.625%, 2029 | 1,500,000 | 1,500,075 |
| Springfield, TN, Health & Educational Facilities Rev. (Northcrest Medical Center), 5.25%, 2018 | 1,400,000 | 1,377,936 |
| State of Arkansas, Development Finance Authority Rev. (Washington Regional Medical Center), 7.25%, 2020 | 500,000 | 553,435 |
| Steubenville, OH, Hospital Authority Rev. (Trinity Health Center), 6.5%, 2030 | 1,300,000 | 1,416,454 |
| Stillwater, OK, Medical Center Authority, 5.625%, 2023 | 1,000,000 | 1,028,250 |
| Suffolk County, NY, Industrial Development Agency Rev. (Southampton Hospital), 7.25%, 2020 | 750,000 | 750,503 |
| Suffolk County, NY, Industrial Development Agency Rev. (Southampton Hospital), 7.625%, 2030 | 750,000 | 760,590 |
| Tallahassee, FL, Health Facilities Rev. (Tallahassee Memorial Healthcare), 6.25%, 2020 | 3,085,000 | 3,173,478 |
| Texas Metro Health Facilities Development Corp., Metro Health Facilities Development Rev. (Wilson N. Jones Memorial Hospital), 7.2%, 2021 | 700,000 | 711,361 |
| Texas Metro Health Facilities Development Corp., Metro Health Facilities Development Rev. (Wilson N. Jones Memorial Hospital), 7.25%, 2031 | 1,000,000 | 1,016,200 |
| Tom Green County, TX, Health Facilities Rev. (Shannon Health System), 6.75%, 2021 | 1,250,000 | 1,333,313 |
| Upper Illinois River Valley Development, Health Facilities Rev. (Morris Hospital), 6.625%, 2031 | 600,000 | 642,072 |
| Valley, AL, Special Care Facilities, Financing Authority Rev. (Lanier Memorial Hospital), 5.6%, 2016 | 600,000 | 597,462 |
| Wapello County, IA, Hospital Authority Rev. (Ottumwa | | |

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|---|-----------|---------------|
| Regional Health Center), 6.375%, 2031 | 1,500,000 | 1,571,505 |
| ----- | | |
| Weirton, WV, Municipal Hospital Building, Commission Rev. (Weirton Hospital Medical Center), 6.375%, 2031 | 1,115,000 | 1,104,296 |
| ----- | | |
| Weslaco, TX, Health Facilities Rev. (Knapp Medical Center), 6.25%, 2032 | 1,000,000 | 1,055,440 |
| ----- | | |
| West Plains, MO, Industrial Development Authority Rev. (Ozarks Medical Center), 6.75%, 2024 | 170,000 | 173,788 |
| ----- | | |
| West Shore Pennsylvania, Hospital Authority Rev. (Holy Spirit Hospital), 6.2%, 2026 | 1,250,000 | 1,298,050 |
| ----- | | |
| Wichita, KS, Hospital Authority Rev. (Via Christi Health System), 6.25%, 2020 | 1,500,000 | 1,684,155 |
| ----- | | |
| Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), 6.875%, 2030 | 1,000,000 | 1,149,710 |
| ----- | | |
| Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), MBIA, 5.25%, 2017 | 5,000,000 | 5,420,950 |
| ----- | | |
| Yonkers, NY, Industrial Development Agency, Civic Facilities Rev. (St. John's Riverside Hospital), 6.8%, 2016 | 755,000 | 781,719 |
| ----- | | |
| Yonkers, NY, Industrial Development Agency, Civic Facilities Rev. (St. John's Riverside Hospital), 7.125%, 2031 | 490,000 | 503,103 |
| ----- | | |
| | | \$119,360,901 |
| ----- | | |
| Healthcare Revenue - Long Term Care - 13.9% | | |
| ----- | | |
| Abilene, TX, Health Facilities Development Co., Retirement Facilities Rev. (Sears Methodist Retirement), 7%, 2033 | \$345,000 | \$358,762 |
| ----- | | |
| Arizona Health Facilities Authority Rev. (The Terraces Project), 7.75%, 2033 | 750,000 | 776,820 |
| ----- | | |
| Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 7.75%, 2006 | 195,000 | 185,823 |
| ----- | | |
| Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 8.125%, 2016 | 1,085,000 | 877,591 |
| ----- | | |
| Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 8.5%, 2026 | 2,405,000 | 1,876,357 |
| ----- | | |
| Cambria County, PA, Industrial Development Authority Rev. (Beverly Enterprises, Inc.), 10%, 2012 | 440,000 | 488,026 |
| ----- | | |
| Chester County, PA, Industrial Development Authority Rev. (RHA Nursing Home), 8.5%, 2032 | 600,000 | 593,454 |
| ----- | | |
| Clarion, PA, Industrial Development Authority Rev. (Beverly Enterprises, Inc.), 7.5%, 2012 | 1,000,000 | 1,020,920 |
| ----- | | |
| Colorado Health Facilities Authority Rev. (Covenant Retirement Communities, Inc.), 6.125%, 2033 | 1,000,000 | 1,031,350 |
| ----- | | |
| Colorado Health Facilities Authority Rev. (Evangelical Lutheran), 6.9%, 2025 | 3,000,000 | 3,385,050 |

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| Contra Costa County, CA, Residential Rental Facilities Rev. (Cypress Meadows), 7%, 2028* | 1,840,000 | 1,633,478 |
| Cumberland County, PA, Retirement Community Rev. (Wesley Affiliated Services), 7.25%, 2035 | 1,000,000 | 1,044,470 |
| Franklin County, OH, Healthcare Facilities Rev. (Ohio Presbyterian), 7.125%, 2029 | 1,000,000 | 1,092,890 |
| Fulton County, GA, Residential Care Facilities (Canterbury Court), "A", 6.125%, 2034 | 330,000 | 331,264 |
| Goldsboro, NC, Housing Authority Rev. (North Carolina Housing Foundation, Inc.), 7.25%, 2029 | 385,000 | 334,168 |
| Grand Prairie, TX, Housing Finance Corp., Independent Senior Living Center Rev., 7.5%, 2017 | 600,000 | 594,066 |
| Greenville County, SC, Hospital Rev. (Chestnut Hill) "A", 8%, 2015 | 2,320,000 | 2,070,739 |
| Illinois Health Facilities Authority Rev. (Lutheran Senior Ministries), 7.375%, 2031 | 800,000 | 805,320 |
| Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives Project), 5.75%, 2018 | 895,000 | 835,581 |
| Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives Project), 9.25%, 2025 | 1,665,000 | 2,014,933 |
| Jacksonville, FL, Health Care Facilities Rev. (National Benevolent-Cypress Village), 6.25%, 2026* | 1,245,000 | 1,167,188 |
| Lenexa, KS, Health Care Facilities Rev. (Lakeview Village, Inc.), 6.25%, 2026 | 500,000 | 504,225 |
| Lenexa, KS, Health Care Facilities Rev. (Lakeview Village, Inc.), 6.875%, 2032 | 500,000 | 524,215 |
| Maine Health & Higher Educational Facilities Rev. (Piper Shores), 7.5%, 2019 | 825,000 | 872,479 |
| Massachusetts Industrial Finance Agency Rev. (Metro Health Foundation, Inc.), 6.75%, 2027 | 1,500,000 | 1,443,555 |
| Millbrae, CA, Residential Facilities Rev. (Magnolia of Millbrae), 7.375%, 2027 | 1,920,000 | 2,007,667 |
| Mocksville, NC, (North Carolina Housing Foundation, Inc.), 7.25%, 2029 | 385,000 | 334,168 |
| Montgomery County, PA, Higher Education & Health Authority Rev. (AHF/Montgomery), 10.5%, 2020 | 2,220,000 | 2,236,006 |
| New Hampshire Business Finance Authority, Health Care Facilities Rev. (Metro Health Foundation, Inc.), 6.55%, 2028 | 740,000 | 706,315 |
| New Jersey Economic Development Authority Rev. (Courthouse Convalescent Center), 8.7%, 2014 | 650,000 | 651,658 |
| New Jersey Economic Development Authority Rev., First | | |

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| Mortgage Gross Rev. (Wanaque Convalescent Center), 8.6%, 2011 | 1,000,000 | 1,002,090 |
| New Jersey Health Care Facilities Financing Authority Rev. (Cherry Hill), 8%, 2027 | 1,000,000 | 936,960 |
| Oklahoma Development Finance Authority Rev. (Inverness Village), 8%, 2032 | 1,010,000 | 845,037 |
| Reedley, CA, Certificate of Participation (Mennonite Home), 7.5%, 2026 | 2,760,000 | 2,845,118 |
| Santa Fe, NM, Industrial Development Rev. (Casa Real Nursing Home), 9.75%, 2013 | 940,000 | 944,268 |
| Shelby County, TN, Health Educational Rev. (Germantown Village), 7.25%, 2034 | 820,000 | 845,937 |
| State of Hawaii, Department of Budget & Finance, Special Purpose Rev. (Kahala Nui Senior Living Community), 8%, 2033 | 500,000 | 533,665 |
| Sterling, IL (Hoosier Care), 7.125%, 2034 | 720,000 | 592,452 |
| Washington County, FL, Industrial Development Authority Rev. (Washington County), 10%, 2016 | 940,000 | 942,538 |
| Waterford Township, MI, Economic Development Corp. Rev. (Canterbury Health), 6%, 2039 | 1,535,000 | 1,132,032 |
| Wilkesburg, PA, Municipal Authority Health Rev. (Monroeville Christian/Judea), 8.25%, 2027 | 990,000 | 941,906 |
| | | \$43,360,541 |
| Human Services - 2.8% | | |
| Cheneyville, LA, Westside Habilitation Center Rev., 8.375%, 2013 | \$1,510,000 | \$1,535,746 |
| Iowa Finance Authority, Community Provider (Boys & Girls Home), 6.25%, 2028 | 500,000 | 466,920 |
| Lehigh County, PA, Gen Purpose Authority (Kidspeace Corp.), 6%, 2023 | 3,000,000 | 2,756,610 |
| New York City, NY, Industrial Development Agency, Civic Facility Rev. (Special Needs Facilities), 6.5%, 2017 | 1,030,000 | 1,070,922 |
| New York City, NY, Industrial Development Agency, Civic Facility Rev. (A Very Special Place, Inc.), "A", 5.75%, 2029 | 1,000,000 | 887,730 |
| Orange County, FL, Health Facilities Authority Rev. (GF/ Orlando Healthcare Facilities), 8.75%, 2011 | 575,000 | 575,449 |
| Orange County, FL, Health Facilities Authority Rev. (GF/ Orlando Healthcare Facilities), 9%, 2031 | 1,000,000 | 1,019,540 |
| Osceola County, FL, Industrial Development Authority Rev. (Community Provider), 7.75%, 2017 | 454,000 | 457,963 |
| | | \$8,770,880 |

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Industrial Revenue - Airlines - 2.6%

| | | |
|--|-----------|-------------|
| Alliance Airport Authority, Inc., Special Facilities Rev. (AMR Corp.), 7.5%, 2029 | \$990,000 | \$632,372 |
| Cleveland, OH, Special Facilities Rev. (Continental Airlines, Inc.), 5.375%, 2027 | 500,000 | 324,865 |
| Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.), 7.25%, 2030 | 300,000 | 181,308 |
| Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.), 6.375%, 2035 | 2,150,000 | 1,217,029 |
| Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.) "B", 6.05%, 2029 | 495,000 | 470,834 |
| Hillsborough County, FL, Aviation Authority Rev. Special Purpose Facilities (U.S. Air Corp.), 8.6%, 2022* | 400,000 | 98,988 |
| Houston, TX, Airport Systems Rev. Special Facilities (Continental, Inc.) "E", 6.75%, 2029 | 1,000,000 | 763,130 |
| New Jersey Economic Development Authority (Continental Airlines, Inc.), 7.2%, 2030 | 1,595,000 | 1,276,223 |
| New York City, NY, Industrial Development Agencies Rev. (Continental Airlines, Inc.), 7.25%, 2008 | 205,000 | 204,719 |
| New York City, NY, Industrial Development Agencies Rev. (Continental Airlines, Inc.), 8%, 2012 | 300,000 | 286,335 |
| Tulsa, OK, Municipal Airport Trust Rev. (AMR Corp.), 5.8%, 2035 | 355,000 | 354,510 |
| Tulsa, OK, Municipal Airport Trust Rev. (AMR Corp.) "B", 6%, 2035 | 2,500,000 | 2,263,525 |
| | | \$8,073,838 |

Industrial Revenue - Chemicals - 1.5%

| | | |
|---|-------------|-------------|
| Michigan Strategic Fund Limited Rev. (Dow Chemical Co.), 4.6%, 2014 | \$1,500,000 | \$1,589,550 |
| Sweetwater County, WY, Solid Waste Disposal Rev. (FMC Corp.), "A", 7%, 2024 | 3,000,000 | 3,051,540 |
| | | \$4,641,090 |

Industrial Revenue - Environmental Services - 3.6%

| | | |
|---|-------------|-----------|
| California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Browning Ferris, Inc.), 5.8%, 2016 | \$1,000,000 | \$942,680 |
| California Statewide Community Development Authority, Solid Waste Facilities Rev. (Republic Services, Inc.), "A", 4.95%, 2012 | 1,000,000 | 1,059,490 |
| Gloucester County, NJ, Solid Waste Resource Recovery Rev. (Waste Management, Inc.), 6.85%, 2029 | 850,000 | 964,062 |
| Henrico County, VA, Industrial Development Authority Rev. | | |

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| (Browning Ferris, Inc.), 5.45%, 2014 | 1,750,000 | 1,632,715 |
| ----- | | |
| Illinois Development Finance Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), 5.85%, 2007 | 4,500,000 | 4,772,385 |
| ----- | | |
| Nevada Department of Business (Republic Services, Inc.), 5.625%, 2026 | 750,000 | 803,258 |
| ----- | | |
| New Morgan, PA, Industrial Development Authority, Solid Waste Disposal Rev. (New Morgan Landfill Co, Inc./Browning Ferris, Inc.), 6.5%, 2019 | 1,000,000 | 986,390 |
| ----- | | |
| | | \$11,160,980 |
| ----- | | |
| Industrial Revenue - Metals - 0.5% | | |
| ----- | | |
| Indiana Development Finance Authority Rev. (Inland Steel), 5.75%, 2011 | \$1,000,000 | \$972,450 |
| ----- | | |
| Mobile County, AL, Industrial Development Authority Rev. (Ipsco, Inc.), 6.875%, 2030 | 650,000 | 673,127 |
| ----- | | |
| Ohio Solid Waste Rev. (Republic Engineered Steels, Inc.), 8.25%, 2014* | 3,000,000 | 30 |
| ----- | | |
| Ohio Solid Waste Rev. (Republic Engineered Steels, Inc.), 9%, 2021* | 3,000,000 | 30 |
| ----- | | |
| | | \$1,645,637 |
| ----- | | |
| Industrial Revenue - Other - 5.2% | | |
| ----- | | |
| Gulf Coast, TX, Industrial Development Authority (Valero Energy Corp.), 5.6%, 2031 | \$1,750,000 | \$1,766,065 |
| ----- | | |
| Gulf Coast, TX, Waste Disposal Rev. (Valero Energy Corp.), 6.65%, 2032 | 1,000,000 | 1,082,380 |
| ----- | | |
| Hardeman County, TN, Correctional Facilities Rev., 7.75%, 2017 | 2,220,000 | 2,320,522 |
| ----- | | |
| New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.4%, 2015+** | 1,000,000 | 565,000 |
| ----- | | |
| New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.6%, 2017+** | 1,000,000 | 565,000 |
| ----- | | |
| Park Creek Metropolitan District, CO, Rev., Custodial Receipts, "CR-1" 7.875%, 2032## | 1,270,000 | 1,311,021 |
| ----- | | |
| Park Creek Metropolitan District, CO, Rev., Custodial Receipts, "CR-2", 7.875%, 2032## | 580,000 | 598,734 |
| ----- | | |
| Pennsylvania Economic Development Financing Authority, Finance Authority Facilities Rev. (Amtrak), "A", 6.25%, 2031 | 2,000,000 | 2,091,100 |
| ----- | | |
| Pennsylvania Economic Development Financing Authority, Wastewater Treatment Rev. (Sunoco Co.), 7.6%, 2024 | 750,000 | 768,345 |
| ----- | | |
| Philadelphia, PA, Industrial Development Authority Rev. (Host Marriott LP), 7.75%, 2017 | 3,255,000 | 3,313,720 |

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| Port Corpus Christ, TX, Industrial Development Authority Rev. (Citgo Petroleum Corp.), 8.25%, 2031 | 700,000 | 749,581 |
| State of Ohio, Air Quality Development Authority Rev. (USX Corp.), 5%, 2015 | 575,000 | 631,137 |
| Tooele County, UT, Hazardous Waste Treatment Rev. (Union Pacific Corp.), 5.7%, 2026 | 385,000 | 392,500 |
| | | \$16,155,105 |
| Industrial Revenue - Paper - 8.8% | | |
| Beauregard Parish, LA (Boise Cascade Corp.), 6.8%, 2027 | \$1,000,000 | \$1,044,970 |
| Bedford County, VA, Industrial Development Authority Rev. (Nekoosa Packaging), "A", 6.55%, 2025 | 1,000,000 | 1,036,610 |
| Butler, AL, Solid Waste Disposal Rev. (James River Corp.), 8%, 2028 | 500,000 | 513,510 |
| Columbus County, NC, Industrial Facilities & Pollution Control Financing Authority (International Paper, Co.), "A", 6.15%, 2021 | 5,000,000 | 5,215,250 |
| Courtland, AL, Solid Waste Disposal Rev. (Champion International Corp.), 6.375%, 2029 | 2,000,000 | 2,027,000 |
| Delta County, MI, Economic Development Corp., Environmental Improvements Rev. (Mead Westvaco Escanaba), 6.45%, 2023 | 500,000 | 541,085 |
| Delta County, MI, Economic Development Corp., Environmental Improvements Rev. (Mead Westvaco Escanaba), 6.25%, 2027 | 1,000,000 | 1,069,900 |
| Effingham County, GA, Development Authority, Solid Waste Disposal Rev. (Fort James), 5.625%, 2018 | 850,000 | 848,411 |
| Hodge, LA, Utilities Rev. (Stone Container Corp.), 7.45%, 2024 | 3,335,000 | 3,930,498 |
| Isle Wight County, VA, Industrial Development Authority, Solid Waste Disposal Facilities Rev. (Union Camp Corp.), 6.55%, 2024 | 4,000,000 | 4,092,840 |
| Lowndes County, MS, Solid Waste Disposal & Pollution Control Rev. (Weyerhaeuser Co.), 6.8%, 2022 | 2,000,000 | 2,399,600 |
| Navajo County, AZ, Industrial Development Authority (Stone Container Corp.), 7.2%, 2027 | 880,000 | 917,567 |
| Onondaga County, NY, Industrial Development Authority Rev., Solid Waste Disposal Rev. (Solvay Paperboard LLC), 6.8%, 2014 | 1,000,000 | 1,062,520 |
| West Point, VA, Solid Waste Disposal Rev. (Chesapeake Corp.), 6.25%, 2019 | 1,750,000 | 1,730,750 |
| York County, SC, Pollution Control Rev. (Bowater, Inc.), "A", 7.4%, 2010 | 1,045,000 | 1,053,402 |
| | | \$27,483,913 |

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Miscellaneous Revenue - Entertainment & Tourism - 2.7%

| | | |
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| California Statewide Communities Development Authority Rev., East Valley Tourist (Cabazon Casino)"A", 9.25%, 2020## | \$1,155,000 | \$1,227,800 |
| Capital Trust Agency of Florida Rev. (Seminole Tribe Convention), 10%, 2033 | 3,500,000 | 4,309,795 |
| Mississippi Development Bank, Special Obligation (Diamond Lakes Utilities), 6.25%, 2017 | 1,000,000 | 1,026,720 |
| Nevada Department of Business & Industry Rev. (Las Vegas Monorail), 7.375%, 2040 | 1,130,000 | 1,143,978 |
| Sandoval County, NM (Santa Ana Pueblo), 7.75%, 2015## | 675,000 | 694,879 |
| | | \$8,403,172 |

Miscellaneous Revenue - Other - 1.1%

| | | |
|---|-----------|-------------|
| Austin, TX, Convention Center (Convention Enterprises, Inc.), 6.6%, 2021 | \$400,000 | \$433,264 |
| Austin, TX, Convention Center (Convention Enterprises, Inc.), 6.7%, 2028 | 600,000 | 642,210 |
| Gallery Certificate Trust, PA, Parking Rev., FSA, 4.5%, 2013## | 955,000 | 957,569 |
| Rockbridge County, VA, Industrial Development Authority Rev. (Virginia Horse Center), 6.85%, 2021 | 700,000 | 662,858 |
| Southwestern Illinois Development Authority Rev., Solid Waste Disposal Rev., 5.9%, 2014 | 370,000 | 379,687 |
| St. Louis County, MO, Industrial Development Authority Rev. (Kiel Center Multipurpose Arena), 7.875%, 2024 | 300,000 | 301,110 |
| | | \$3,376,698 |

Multi-Family Housing Revenue - 4.3%

| | | |
|--|-------------|-------------|
| Bexar County, TX, Multi-Family Housing Rev. (American Opportunity Housing), "A", MBIA, 5.7%, 2021 | \$1,250,000 | \$1,319,088 |
| Charter Mac Equity Issuer Trust, 7.1%, 2009## | 1,000,000 | 1,121,470 |
| Charter Mac Equity Issuer Trust, 6%, 2019 | 2,000,000 | 2,129,920 |
| Dallas Fort Worth, TX, Housing Corp., 8.5%, 2011 | 815,000 | 818,203 |
| Eaglebend, CO, Affordable Housing Corp., Multi-Family Rev. (Housing Project), "A", 6.4%, 2017 | 1,000,000 | 990,500 |
| Florida Multi-Family Housing Finance Agency Rev. (Center Court Apartments), 8.5%, 2018 | 865,000 | 837,121 |
| Memphis, TN, Educational & Housing Facilities (Wesley Highland Terrace), 8.5%, 2024 | 115,000 | 114,116 |
| Metropolitan Government of Nashville & Davidson County, TN, Health & Educational & Housing Facilities Board Rev. (Berkshire Place), GNMA, 6%, 2023 | 500,000 | 523,600 |

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|---|-----------|--------------|
| Munimae TE Bond Subsidiaries LLC, 6.875%, 2009## | 2,000,000 | 2,224,080 |
| Munimae TE Bond Subsidiary LLC, 5.4%, 2049## | 1,000,000 | 998,430 |
| Ridgeland, MS, Urban Renewal (Northbrook I & II Apartments), 6.15%, 2019** | 280,000 | 134,904 |
| Ridgeland, MS, Urban Renewal (Northbrook I & III Apartments), 6.25%, 2029** | 475,000 | 227,948 |
| San Bernardino County, CA (Equity Residential/Redlands), "A", 5.2%, 2029 | 2,000,000 | 2,118,320 |
| | | \$13,557,700 |
| ----- | | |
| Single Family Housing - Local - 1.6% | | |
| Cook County, IL, Single Family Mortgage Rev., "A", 0%, 2015 | \$100,000 | \$30,978 |
| Corpus Christi, TX, Housing Finance Authority Rev., MBIA, 0%, 2011 | 3,000,000 | 1,560,210 |
| Dallas, TX, Housing Finance Corp., Single Family Mortgage Rev., MBIA, 0%, 2016 | 3,620,000 | 1,063,846 |
| Jefferson Parish, LA, Single Family Mortgage Rev., GNMA, 6.625%, 2023 | 355,000 | 389,030 |
| Jefferson Parish, LA, Single Family Mortgage Rev., GNMA, 6.3%, 2032 | 1,105,000 | 1,173,532 |
| Sedgwick & Shawnee Counties, KS, Single Family Housing Rev., GNMA, 6.45%, 2029 | 745,000 | 809,234 |
| | | \$5,026,830 |
| ----- | | |
| Single Family Housing - State - 3.1% | | |
| Colorado Housing & Finance Authority Rev., 7.15%, 2014 | \$8,000 | \$8,152 |
| Colorado Housing & Finance Authority Rev., 5.9%, 2023 | 275,000 | 287,117 |
| Colorado Housing & Finance Authority Rev., 6.9%, 2029 | 655,000 | 679,523 |
| Colorado Housing & Finance Authority Rev., 6.6%, 2032 | 305,000 | 314,958 |
| Colorado Housing & Finance Authority Rev., 6.375%, 2033 | 140,000 | 150,612 |
| Georgia Housing & Finance Authority Rev., 5.65%, 2021 | 2,490,000 | 2,577,773 |
| Louisiana Housing Finance Agency, Single Family Mortgage Rev., GNMA, 6.4%, 2032 | 355,000 | 367,109 |
| Minnesota Housing Finance Agency Rev., Residential Housing Finance "B", 4.8%, 2023 | 315,000 | 322,176 |
| Missouri State Housing Development Commission, Single Family Mortgage Rev. (Home Loan Program), GNMA 6.35%, 2032 | 500,000 | 524,810 |
| Missouri State Housing Development Commission, Single Family Mortgage Rev. (Home Loan Program), GNMA, 6.85%, 2032 | 230,000 | 254,369 |

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| | | |
|---|-------------|-------------|
| Nebraska Investment Finance Authority Single Family Mortgage Rev., 0%, 2015 | 8,525,000 | 3,126,459 |
| Nebraska Investment Finance Authority, "C", 6.25%, 2021 | 915,000 | 948,407 |
| New Hampshire Housing Finance Authority Rev., GNMA 5.875%, 2030 | 180,000 | 186,194 |
| | | \$9,747,659 |
| ----- | | |
| Solid Waste Revenue - 2.3% | | |
| Delaware County, PA, Industrial Development Authority Rev., Resource Recovery Facilities, (American Re-Fuel) "A", 6.5%, 2008 | \$1,600,000 | \$1,716,672 |
| Delaware County, PA, Industrial Development Authority Rev., Resource Recovery Facilities, (American Ref-fuel) "A", 6.1%, 2005 | 2,000,000 | 2,007,720 |
| Massachusetts Development Finance Agency Rev. (Ogden Haverhill Associates), 6.7%, 2014 | 725,000 | 773,945 |
| Massachusetts Industrial Finance Agency Rev., Resource Recovery Rev. (Ogden Haverhill Associates), 5.6%, 2019 | 2,850,000 | 2,860,517 |
| | | \$7,358,854 |
| ----- | | |
| State & Local Agencies - 2.3% | | |
| Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.7328%, 2016+(+) | \$1,300,000 | \$1,683,604 |
| Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.7328%, 2017+(+) | 1,050,000 | 1,365,882 |
| College Park, GA (Civic Center), AMBAC, 5.75%, 2020 | 1,000,000 | 1,141,860 |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, "B", 5.375%, 2028 | 2,000,000 | 2,067,940 |
| Houston, TX, Certificates of Participation, 6.3%, 2020 | 815,000 | 891,765 |
| | | \$7,151,051 |
| ----- | | |
| Student Loan Revenue - 0.5% | | |
| Access to Loans for Learning, California Student Loan Rev., 7.95%, 2030 | \$650,000 | \$682,877 |
| Arizona Student Loan Acquisition Authority, Student Loan Rev., 7.625%, 2010 | 750,000 | 767,543 |
| | | \$1,450,420 |
| ----- | | |
| Tax Assessment - 3.7% | | |
| Capital Region Community Development District of Florida, Capital Improvement Rev., 5.95%, 2006 | \$265,000 | \$268,466 |
| Chicago IL, Ryan Garfield Tax Increment Allocation, | | |

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| | | |
|--|------------|--------------|
| 10.125%, 2007 | 775,000 | 776,163 |
| ----- | | |
| Concorde Estates Community Development District, Florida Capital Improvement Rev., "B", 5%, 2011 | 650,000 | 649,799 |
| ----- | | |
| Fishhawk Community Development District of Florida, 5.125%, 2009 | 590,000 | 598,177 |
| ----- | | |
| Heritage Isles, FL, Community Development District, "A", 5.75%, 2005 | 135,000 | 135,259 |
| ----- | | |
| Katy, TX, Development Authority Rev., 5.8%, 2011 | 870,000 | 911,908 |
| ----- | | |
| Katy, TX, Development Authority Rev., 6%, 2018 | 1,025,000 | 1,068,552 |
| ----- | | |
| Killarney, FL, Community Development District, "B", 5.125%, 2009 | 310,000 | 313,004 |
| ----- | | |
| Lakes By The Bay South Community Development District, Florida Special Assessment, "B", 5.3%, 2009 | 1,140,000 | 1,154,421 |
| ----- | | |
| Markham, IL, Tax Increment Rev., 9%, 2012 | 1,080,000 | 1,084,061 |
| ----- | | |
| Middle Village Community Development District, Florida Special Assessment, "B", 5%, 2009 | 800,000 | 806,488 |
| ----- | | |
| Panther Trace, FL, Community Development District Rev., 5.4%, 2008 | 425,000 | 429,705 |
| ----- | | |
| Parkway Center, FL, Community Development District Rev., "B", 5.625%, 2014 | 1,260,000 | 1,277,690 |
| ----- | | |
| Preserve At Wilderness Lake, FL, Community Development District, Capital Improvement, "B", 5%, 2009 | 665,000 | 664,661 |
| ----- | | |
| Reunion East Community Development District, FL, Special Assessment, 5.9%, 2007 | 225,000 | 230,166 |
| ----- | | |
| Sterling Hill Community Development District of Florida, Capital Improvement Rev., 5.5%, 2010 | 540,000 | 548,289 |
| ----- | | |
| Villasol Community Development District of Florida, Special Assessment Rev., "B", 5.375%, 2008 | 655,000 | 667,786 |
| ----- | | |
| | | \$11,584,595 |
| ----- | | |
| Tax - Other - 1.8% | | |
| ----- | | |
| Black Hawk, CO, Device Tax Rev., 5.625%, 2021 | \$250,000 | \$248,413 |
| ----- | | |
| Dade County, FL, Special Obligations Rev., Capital Appreciation Bond, "B", AMBAC, 0%, 2008(++) | 15,080,000 | 3,059,581 |
| ----- | | |
| New Jersey Economic Development Authority Rev. Cigarette Tax, 5.5%, 2024 | 340,000 | 347,640 |
| ----- | | |
| New Jersey Economic Development Authority Rev. Cigarette Tax, 5.75%, 2029 | 615,000 | 631,703 |
| ----- | | |
| New Jersey Economic Development Authority Rev. Cigarette Tax, 5.5%, 2031 | 270,000 | 271,609 |
| ----- | | |

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| | | |
|---|-------------|--------------|
| New Jersey Economic Development Authority Rev. Cigarette Tax, 5.75%, 2034 | 410,000 | 420,640 |
| Virgin Islands Public Finance Authority Rev., 6%, 2006 | 250,000 | 261,213 |
| Virgin Islands Public Finance Authority Rev., "E", 5.875%, 2018 | 500,000 | 521,090 |
| | | \$5,761,889 |
| ----- | | |
| Tobacco - 4.6% | | |
| ----- | | |
| Badger Tobacco, WI (Asset Securitization Corp.), 6.125%, 2027 | \$3,190,000 | \$3,104,061 |
| California Statewide Financing Authority, Tobacco Settlement, 5.625%, 2029 | 1,840,000 | 1,673,038 |
| District of Columbia, Tobacco Settlement, 6.25%, 2024 | 1,260,000 | 1,217,059 |
| Golden State Tobacco Securitization, "A", 5%, 2021 | 990,000 | 992,208 |
| Golden State Tobacco Securitization, Tobacco Settlement, 7.8%, 2042 | 1,000,000 | 1,070,230 |
| Iowa Tobacco Settlement Authority, Tobacco Settlement Rev., Asset Backed, "B", 5.3%, 2025 | 2,000,000 | 1,691,100 |
| Louisiana Tobacco Settlement Authority, 5.5%, 2030 | 1,435,000 | 1,286,664 |
| New Jersey Tobacco Settlement Authority, 5.75%, 2032 | 1,005,000 | 936,771 |
| South Carolina Tobacco Settlement Authority, 6.375%, 2028 | 1,000,000 | 950,300 |
| Southern California Tobacco Settlement Authority, 5.25%, 2027 | 1,170,000 | 1,159,997 |
| Washington Tobacco Settlement Authority, 6.5%, 2026 | 160,000 | 157,781 |
| | | \$14,239,209 |
| ----- | | |
| Toll Roads - 1.3% | | |
| ----- | | |
| Arapahoe County, CO, Capital Improvement Highway Rev., "C", 0%, 2005(++) | \$1,000,000 | \$478,550 |
| Niagara Falls, NY, Bridge Commission, Toll Rev., RITES, FGIC, 8.1705%, 2015(++) | 1,500,000 | 1,954,200 |
| Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2011 | 1,000,000 | 479,780 |
| Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2012 | 1,000,000 | 451,750 |
| Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2015 | 1,750,000 | 803,845 |
| | | \$4,168,125 |
| ----- | | |
| Transportation - Special Tax - 3.3% | | |
| ----- | | |
| Missouri Highways & Transportation Commission, State Road Rev., "A", 5.625%, 2018 | \$4,500,000 | \$5,066,640 |

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| | | |
|--|-----------|--------------|
| Telluride, CO (Gondola Transit Co.), 9%, 2006(++) | 790,000 | 867,783 |
| ----- | | |
| Telluride, CO, Real Estate Transfer Assessment Rev. (Gondola Transit Co.), ETM, 11.5%, 2012(++) | 2,900,000 | 4,333,296 |
| ----- | | |
| | | \$10,267,719 |
| ----- | | |
| Universities - Colleges - 3.7% | | |
| ----- | | |
| California Educational Facilities Authority Rev. (L.A. College of Chiropractic), 5.6%, 2017 | \$750,000 | \$724,268 |
| ----- | | |
| Houston, TX, Community College Systems, MBIA, 7.875%, 2025 | 2,500,000 | 3,245,825 |
| ----- | | |
| Illinois Educational Facilities Authority Rev. (Augustana College), "A", 5.625%, 2022 | 400,000 | 426,140 |
| ----- | | |
| Islip, NY, Community Development Agency Rev. (New York Institute of Technology), 7.5%, 2006(++) | 2,500,000 | 2,730,325 |
| ----- | | |
| Louisiana State University (Health Sciences Center Project), MBIA, 6.375%, 2031 | 2,500,000 | 2,913,525 |
| ----- | | |
| Savannah, GA, Economic Development Authority Rev. (College of Art & Design, Inc.), 6.5%, 2009(++) | 625,000 | 734,038 |
| ----- | | |
| State of Massachusetts, Development Finance Agency Rev. (Eastern Nazarene College), 5.625%, 2029 | 750,000 | 639,075 |
| ----- | | |
| University of Arkansas, University Rev. (UAMS Campus), "B", MBIA, 5%, 2034 | 300,000 | 307,080 |
| ----- | | |
| | | \$11,720,276 |
| ----- | | |
| Universities - Secondary Schools - 1.3% | | |
| ----- | | |
| California Statewide Communities, Development Authority Rev. (Escondido Charter High School), 7.5%, 2023 | \$585,000 | \$593,208 |
| ----- | | |
| California Statewide Communities, Development Authority Rev. (Escondido Charter High School), 7.5%, 2036 | 1,000,000 | 1,015,320 |
| ----- | | |
| Michigan Municipal Bond Authority Rev. (Detroit Academy of Arts & Sciences), 8%, 2031 | 1,000,000 | 985,420 |
| ----- | | |
| Michigan Municipal Bond Authority Rev. (YMCA Service Learning Academy), 7.625%, 2021 | 1,000,000 | 1,012,100 |
| ----- | | |
| Pima County, AZ, Industrial Development Authority Education Rev. (Arizona Charter Schools), "C", 6.75%, 2031 | 500,000 | 515,165 |
| ----- | | |
| | | \$4,121,213 |
| ----- | | |
| Utilities - Cogeneration - 3.6% | | |
| ----- | | |
| Alaska Industrial Development Export Authority, Power Rev., Upper Lynn Canal Regional Power, 5.8%, 2018 | \$830,000 | \$767,974 |
| ----- | | |
| Carbon County, PA, Industrial Development Authority Rev. (Panther Creek Partners), 6.65%, 2010 | 2,620,000 | 2,835,967 |
| ----- | | |
| Klamath Falls, OR, Electric Rev. (Klamath Cogeneration), | | |

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| | | |
|--|-----------|--------------|
| 6%, 2025 | 2,260,000 | 2,256,429 |
| ----- | | |
| Mecklenburg County, VA, Industrial Development Authority Rev. (UAE Mecklenburg, LP), 6.5%, 2017 | 800,000 | 824,496 |
| ----- | | |
| Pennsylvania Economic Development Financing Authority Rev., Resources Recovery Rev. (Northampton Generating), 6.4%, 2009 | 350,000 | 355,492 |
| ----- | | |
| Pennsylvania Economic Development Financing Authority Rev., Resources Recovery Rev. (Northampton Generating), 6.5%, 2013 | 1,000,000 | 1,014,970 |
| ----- | | |
| Pittsylvania County, VA, Industrial Development Authority Rev. (Multi-trade of Pittsylvania), 7.5%, 2014 | 3,000,000 | 3,081,030 |
| ----- | | |
| | | \$11,136,358 |
| ----- | | |
| Utilities - Investor Owned - 11.1% | | |
| ----- | | |
| Brazos River Authority, TX, (Reliant Energy, Inc.), "A", 5.375%, 2019 | \$500,000 | \$504,260 |
| ----- | | |
| Brazos River Authority, TX, (Reliant Energy, Inc.), "B", AMBAC, 5.125%, 2020 | 2,000,000 | 2,115,680 |
| ----- | | |
| Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), 7.7%, 2033 | 575,000 | 672,601 |
| ----- | | |
| Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), "B", 6.3%, 2032 | 500,000 | 530,685 |
| ----- | | |
| Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), "C", 6.75%, 2038 | 715,000 | 761,875 |
| ----- | | |
| Calcasieu Parish, LA, Industrial Development Board, Pollution Control Rev. (Energy Gulf States, Inc.), 5.45%, 2010 | 1,250,000 | 1,268,613 |
| ----- | | |
| California Pollution Control Financing Authority, Pollution Control Rev. (Pacific Gas & Electric Co.), MBIA, 5.35%, 2016 | 1,000,000 | 1,093,840 |
| ----- | | |
| California Pollution Control Financing Authority, Pollution Control Rev. (Southern California Edison Co.), 6.4%, 2024 | 1,000,000 | 1,003,940 |
| ----- | | |
| Connecticut Development Authority, Pollution Control Rev. (Connecticut Light & Power Co.), 5.85%, 2028 | 2,000,000 | 2,115,300 |
| ----- | | |
| Connecticut Development Authority, Pollution Control Rev. (Connecticut Light & Power Co.), 5.95%, 2028 | 2,270,000 | 2,392,194 |
| ----- | | |
| Farmington, NM, Pollution Control Rev. (New Mexico Public Service), 5.8%, 2022 | 2,105,000 | 2,140,869 |
| ----- | | |
| Farmington, NM, Pollution Control Rev. (New Mexico Public Service), "A", 6.3%, 2016 | 2,195,000 | 2,392,748 |
| ----- | | |
| Forsyth, MT, Pollution Control Rev. (Portland General), 5.2%, 2033 | 230,000 | 244,090 |
| ----- | | |
| Matagorda County, TX, (Centerpoint Energy), 5.6%, 2027 | 1,500,000 | 1,553,325 |
| ----- | | |

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| | | |
|--|-------------|---------------|
| Matagorda County, TX, Pollution Control Rev. (Central Power & Light Co.), 4.55%, 2029 | 2,000,000 | 2,078,100 |
| Matagorda County, TX, Pollution Control Rev. (Reliant Energy), 5.95%, 2030 | 1,655,000 | 1,656,142 |
| New Hampshire Business Finance Authority, Pollution Control Rev. (Public Service of New Hampshire), 6%, 2021 | 1,000,000 | 1,050,500 |
| Ohio Air Quality Development Authority Rev., Pollution Control, Rev. (Cleveland Electric) "B", 6%, 2020 | 3,000,000 | 3,123,990 |
| Pima County, AZ, Industrial Development Authority Rev. (Tucson Electric Power Co.), 6.1%, 2025 | 650,000 | 650,013 |
| Pima County, AZ, Industrial Development Authority Rev. (Tucson Electric Power Co.), 6%, 2029 | 2,905,000 | 2,906,017 |
| Port Morrow, OR, Pollution Control Rev. (Portland General Electric), 5.2%, 2033 | 550,000 | 583,693 |
| Sullivan, IN, Pollution Control Rev. (Indiana-Michigan Power Co.), "C", 5.95%, 2009 | 250,000 | 252,530 |
| Trinity River Authority, TX, Pollution Control Rev. (TXU Electric Co.), 6.25%, 2028 | 500,000 | 539,810 |
| West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 7.7%, 2014 | 550,000 | 565,785 |
| West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 5.8%, 2015 | 1,500,000 | 1,518,855 |
| West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 5.8%, 2016 | 1,000,000 | 1,023,530 |
| | | \$34,738,985 |
| Utilities - Municipal Owned - 3.0% | | |
| California State Department Water Resources Power Supply Rev. "A", 5.75%, 2017 | \$1,250,000 | \$1,418,163 |
| North Carolina Eastern Municipal Power Agency, Power Systems Rev., "B", 5.55%, 2014 | 2,150,000 | 2,305,940 |
| North Carolina Municipal Power Agency (Catawba Electric Rev.) "B", 6.5%, 2020 | 2,000,000 | 2,258,740 |
| Seattle, WA, Municipal Light & Power Rev., 5.625%, 2017 | 3,000,000 | 3,333,780 |
| Southern California Public Power Authority (Transmission Project Rev.), RIBS, 9.84%, 2012(+) | 100,000 | 100,882 |
| | | \$9,417,505 |
| Water & Sewer Utility Revenue - 1.7% | | |
| New York City, NY, Municipal Water & Sewer Finance Authority Rev., 5.5%, 2033 | \$5,000,000 | \$5,383,950 |
| Total Municipal Bonds (Identified Cost, \$426,766,206) | | \$442,941,716 |

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Floating Rate Demand Notes - 1.2%

| | | |
|---|-----------|---------------|
| Allegheny County, PA, Hospital Development Authority Rev. (Presbyterian University Hospital), "A", 1.77%, due 11/04/04 | \$200,000 | \$200,000 |
| Allegheny County, PA, Hospital Development Authority Rev. (Presbyterian University Hospital), "B", 1.77%, due 11/04/04 | 500,000 | 500,000 |
| Allegheny County, PA, Hospital Development Authority Rev. (Presbyterian University Hospital), "D", 1.77%, due 11/04/04 | 1,300,000 | 1,300,000 |
| Bay Area Toll Authority, CA, Toll Bridge Rev. "A", 1.71%, due 11/04/04 | 400,000 | 400,000 |
| New Castle, PA, Area Hospital Authority (Jameson Memorial Hospital), 1.82%, due 11/03/04 | 125,000 | 125,000 |
| Pinellas County, FL, Health Facilities Authority Rev., Pooled Hospital Loan Program, 1.76%, due 11/01/04 | 1,100,000 | 1,100,000 |
| San Francisco, CA, City & County Financial Corp. Lease Rev., Moscone Center Expansion, 1.73%, due 11/04/04 | 100,000 | 100,000 |
| Sevier County, TN, Public Building Authority, 1.77%, due 11/04/04 | 65,000 | 65,000 |
| State of California, Department of Water Resources, Power Supply Rev., "C-2", 1.75%, due 11/04/04 | 100,000 | 100,000 |
| Total Floating Rate Demand Notes, at Identified Cost | | \$3,890,000 |
| Total Investments (Identified Cost, \$430,656,206) | | \$446,831,716 |

\$ VALUE

Preferred Shares - (44.8)% \$ (140,024,056)

Other Assets, Less Liabilities - 1.9% 6,017,287

Net Assets - 100.0% \$312,824,947

- * Non-income producing security.
- ** Interest received was less than stated coupon rate.
- + Restricted security.
- (+) Inverse floating rate security.
- (++) Refunded bond.
- ## SEC Rule 144A restriction.

The following abbreviations are used in the Portfolio of Investments and are defined:

ETM= Escrowed to maturity

INSURERS

AMBAC = AMBAC Indemnity Corp.
ASST GTY = Asset Guaranty Insurance Co.
FGIC = Financial Guaranty Insurance Co.

INVERSE FLOATERS

INFLOS = Inverse Floating Security
RIBS = Residual Interest Bonds
RITES = Residual Interest Tax-Exempt Security

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FSA = Financial Security Assurance Inc.
 GNMA = Government National Mortgage Assn.
 MBIA = Municipal Bond Investors Corp.
 XLCA = XL Capital Insurance Co.

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS STATEMENT OF ASSETS AND LIABILITIES

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

AT 10/31/04

ASSETS

| | | |
|--|---------------|----------------------|
| Investments, at value (identified cost, \$430,656,206) | \$446,831,716 | |
| Cash | 38,258 | |
| Receivable for investments sold | 1,143,560 | |
| Interest receivable | 8,508,095 | |
| Other assets | 2,180 | |
| Total assets | | \$456,523,800 |

LIABILITIES

| | | |
|---|-------------|----------------------|
| Distributions payable on common shares | \$162,598 | |
| Payable for investments purchased | 346,296 | |
| Unrealized depreciation on interest rate swap agreements | 2,803,610 | |
| Payable to affiliates | | |
| Management fee | 29,073 | |
| Transfer agent and dividend disbursing costs | 6,500 | |
| Administrative fee | 216 | |
| Accrued expenses and other liabilities | 326,513 | |
| Series T and Series TH auction preferred shares (5,600 shares issued and outstanding at \$25,000 per share) at liquidation value plus cumulative unpaid dividends | 140,024,056 | |
| Total liabilities | | \$143,698,860 |
| Net assets applicable to common shares | | \$312,824,940 |

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NET ASSETS CONSIST OF

| | | |
|--|---------------|---------------|
| Paid-in capital - common shares | \$328,326,469 | |
| Unrealized appreciation (depreciation) on investments | 13,371,900 | |
| Accumulated net realized gain (loss) on investments | (35,682,660) | |
| Accumulated undistributed net investment income | 6,809,238 | |
| Net assets applicable to common shares | | \$312,824,947 |
| Preferred shares, at value (5,600 shares issued and outstanding at \$25,000 per share) | | 140,000,000 |
| Net assets including preferred shares | | \$452,824,947 |
| Common shares of beneficial interest outstanding (39,832,578 shares issued less 55,500 treasury shares) | | 39,777,078 |
| Net asset value per common share (312,824,947/39,777,078) | | \$7.87 |

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS

This statement describes how much your trust received in investment income and paid in expenses. It also describes any gains and/or losses generated by trust operations.

FOR YEAR ENDED 10/31/04

NET INVESTMENT INCOME

| | | |
|--|-------------|--------------|
| Interest income | | \$28,266,777 |
| Expenses | | |
| Management fee | \$3,571,178 | |
| Trustees' compensation | 50,192 | |
| Administrative fee | 41,070 | |
| Transfer agent and dividend disbursing costs | 78,623 | |
| Preferred shares remarketing agent fee | 351,304 | |
| Custodian fee | 103,334 | |
| Printing | 40,614 | |
| Postage | 143,903 | |
| Auditing fees | 63,415 | |

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| | | |
|---|---------|-------------|
| Legal fees | 5,206 | |
| Miscellaneous | 49,431 | |
| Total expenses | | \$4,498,27 |
| Fees paid indirectly | (3,309) | |
| Reduction of expenses by investment adviser | (878) | |
| Net expenses | | \$4,494,08 |
| Net investment income | | \$23,772,69 |

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Realized gain (loss) (identified cost basis)

| | | |
|---|--------------|--------------|
| Investment transactions | \$ (465,227) | |
| Swap transactions | (1,475,616) | |
| Net realized gain (loss) on investments | | \$ (1,940,84 |

Change in unrealized appreciation (depreciation)

| | | |
|---|--------------|------------|
| Investments | \$12,031,942 | |
| Swap transactions | (3,718,628) | |
| Net unrealized gain (loss) on investments | | \$8,313,31 |

| | | |
|--|--|------------|
| Net realized and unrealized gain (loss) on investments | | \$6,372,47 |
|--|--|------------|

| | | |
|--|--|-------------|
| Distributions declared from preferred shares | | \$(1,507,80 |
|--|--|-------------|

| | | |
|--------------------------------------|--|-------------|
| Change in net assets from operations | | \$28,637,35 |
|--------------------------------------|--|-------------|

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS

This statement describes the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

FOR YEARS ENDED 10/31

2004

2003

CHANGE IN NET ASSETS

OPERATIONS

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| | | |
|---|-----------------|---------------|
| Net investment income | \$23,772,695 | \$24,126,02 |
| Net realized gain (loss) on investments | (1,940,843) | (10,546,64 |
| Net unrealized gain (loss) on investments | 8,313,314 | 12,101,89 |
| Distributions declared from preferred shares | (1,507,808) | (1,449,56 |
| Change in net assets from operations | \$28,637,358 | \$24,231,72 |
| DISTRIBUTIONS DECLARED TO SHAREHOLDERS | | |
| From net investment income | \$ (21,706,248) | \$ (21,191,72 |
| TRUST SHARE (PRINCIPAL) TRANSACTIONS | | |
| Net asset value of shares issued to common shareholders in reinvestment of distributions | \$511,173 | \$332,93 |
| Total change in net assets | \$7,442,283 | \$3,372,93 |
| NET ASSETS | | |
| At beginning of period | \$305,382,664 | \$302,009,73 |
| At end of period (including accumulated undistributed net investment income of \$6,809,238 and \$6,215,604, respectively) | \$312,824,947 | \$305,382,66 |
| SEE NOTES TO FINANCIAL STATEMENTS | | |

FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the trust's financial performance. Certain information reflects financial results for a single trust share. The total returns in the table represent the total return which an investor would have earned (or lost) on an investment in the trust (assuming reinvestment of distributions) for the entire period. This information has been audited by the trust's independent registered public accounting firm. The financial highlights table, together with the trust's financial statements, are included in this report.

| FOR YEARS ENDED 10/31 | 2004 | 2003 | 2002 |
|--|--------|--------|--------|
| Net asset value, beginning of period | \$7.69 | \$7.61 | \$7.93 |
| INCOME FROM INVESTMENT OPERATIONS#(S) | | | |
| Net investment income | \$0.60 | \$0.61 | \$0.64 |
| Net realized and unrealized gain (loss) on investments | 0.16 | 0.04 | (0.38) |
| Distributions declared to shareholders on | | | |

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| | | | |
|--|----------|----------|----------|
| preferred shares | (0.04) | (0.04) | (0.05) |
| ----- | | | |
| Total from investment operations | \$0.72 | \$0.61 | \$0.21 |
| ----- | | | |
| Distributions declared to shareholders from net investment income, common shares | \$(0.55) | \$(0.53) | \$(0.53) |
| ----- | | | |
| Preferred shares offering cost charged to paid-in capital | \$-- | \$-- | \$-- |
| ----- | | | |
| Net asset value, end of period | \$7.86 | \$7.69 | \$7.61 |
| ----- | | | |
| Common share market value, end of period | \$7.83 | \$7.49 | \$7.15 |
| ----- | | | |
| Total return at common market value (%) * | 12.22 | 12.51 | (2.23) |
| ----- | | | |

Financial Highlights - continued

| FOR YEARS ENDED 10/31 | 2004 | 2003 | 2002 |
|--|-----------|-----------|-----------|
| RATIOS (%) TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES AND SUPPLEMENTAL DATA^: | | | |
| Expenses### | 1.46 | 1.51 | 1.56 |
| ----- | | | |
| Net investment income+(S) | 7.70 | 7.98 | 8.26 |
| ----- | | | |
| Portfolio turnover | 9 | 11 | 16 |
| ----- | | | |
| Net assets at end of period (000 Omitted) | \$312,825 | \$305,383 | \$302,010 |
| ----- | | | |

^ Effective June 7, 2004, the investment adviser has voluntarily agreed to reimburse the trust for Independent Chief Compliance Officer services paid to Tarantino LLC. If this fee had been incurred investment income per share would have been:

| | | | |
|-----------------------|----------|----|----|
| Net investment income | \$0.60** | -- | -- |
| ----- | | | |

RATIOS (%) TO AVERAGE NET ASSETS
APPLICABLE TO COMMON SHARES:

| | | | |
|---------------------------|--------|----|----|
| Expenses### | 1.46** | -- | -- |
| ----- | | | |
| Net investment income+(S) | 7.70** | -- | -- |
| ----- | | | |

Supplemental Ratios (%)

| | | | |
|---|------|------|------|
| Ratios of expenses to average net assets including preferred shares+### | 1.00 | 1.03 | 1.07 |
| ----- | | | |
| Preferred shares dividends | 0.49 | 0.48 | 0.68 |
| ----- | | | |
| Net investment income available to common shares(S) | 7.22 | 7.50 | 7.58 |
| ----- | | | |

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Senior securities

| | | | |
|--|----------|----------|----------|
| Total preferred shares outstanding | 5,600 | 5,600 | 5,600 |
| Asset coverage per preferred share++ | \$80,862 | \$79,533 | \$79,090 |
| Involuntary liquidation preference per preferred share | \$25,000 | \$25,000 | \$25,000 |
| Approximate market value per preferred share | \$25,000 | \$25,000 | \$25,000 |

(S) As required, effective November 1, 2001, the trust has adopted the provisions of the AICPA Uniform Investment Companies and began accreting market discount on debt securities. The effect of the October 31, 2002 was to increase net investment income per share by \$0.01, decrease net realized losses per share by \$0.01, and to increase the ratio of net investment income to average net assets ratios, and supplemental data for periods prior to November 1, 2001 have not been restated to conform with this presentation.

+ Ratio excludes dividend payment on auction preferred shares.

++ Calculated by subtracting the trust's total liabilities (not including preferred shares) from total assets and dividing this by the number of preferred shares outstanding.

Per share data are based on average shares outstanding.

Ratios do not reflect reductions from fees paid indirectly.

* As revised, to reflect transactions conducted prior to close, not included in closing activities for 2002. Such amount was previously reported as (2.64)%. Additionally, for the year ended October 31, 2001, the amount previously reported was based on net asset value (5.20%).

** The reimbursement per share amount and ratios were less than \$0.01 and 0.01%, respectively.

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(1) BUSINESS AND ORGANIZATION

MFS Municipal Income Trust (the trust) is a non-diversified trust that 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 trust can invest up to 100% of its portfolio in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline in value.

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INVESTMENT VALUATIONS - Bonds and other fixed income securities (other than short-term obligations) in the trust's portfolio are valued at an evaluated bid price as reported by an independent pricing service, or to the extent a valuation is not reported by a pricing service, such securities are valued on the basis of quotes from brokers and dealers. Prices obtained from pricing services utilize both dealer-supplied valuations and electronic data processing techniques which take into account appropriate 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 without exclusive reliance upon quoted prices or exchange or over-the-counter prices, since such valuations are believed to reflect more accurately the fair value of such securities. Short-term obligations with a remaining maturity in excess of 60 days will be valued upon dealer-supplied valuations. All other short-term obligations in the trust's portfolio are valued at amortized cost, which constitutes market value as determined by the Board of Trustees. When pricing service information or market quotations are not readily available, securities are priced at fair value as determined under the direction of the Board of Trustees.

SWAP AGREEMENTS - The trust may enter into swap agreements. A swap is an exchange of cash payments between the trust and another party, which is based on a specific financial index. Cash payments are exchanged at specified intervals and the expected income or expense is recorded on the accrual basis. The value of the swap is adjusted daily and the change in value is recorded as unrealized appreciation or depreciation. Risks may arise upon entering into these agreements from the potential inability of counterparties to meet the terms of their contract and from unanticipated changes in the value of the financial index on which the swap agreement is based. The trust uses swaps for both hedging and non-hedging purposes. For hedging purposes, the trust may use swaps to reduce its exposure to interest and foreign exchange rate fluctuations. For non-hedging purposes, the trust may use swaps to take a position on anticipated changes in the underlying financial index.

INTEREST RATE SWAP AGREEMENTS - Interest rate swap agreements are agreements to exchange cash flows periodically based on a notional principal amount, for example the exchange of fixed rate interest payments for floating rate interest payments which are based on a specific financial index, or the exchange of two distinct floating rate payments. The net receivable or payable associated with these payments is accrued daily and is recorded as net interest income or expense. For financial statement purposes, the net interest income or expense periodically recognized for an interest rate swap is recorded in the same line item as any unrealized and realized gains or losses recognized for that instrument. The primary risk associated with interest rate swap agreements is that unfavorable changes in the fluctuation of interest rates could adversely impact the trust.

RATE LOCK SWAPS - The trust may enter into rate lock swaps, which are used to reduce the interest rate risk of the portfolio. A rate lock swap is a payment or receipt of cash on a specified future date, calculated as the difference between the strike rate and a specific index yield on that date. The payment received or made at the end of the measurement period is recorded as a realized gain or loss in the Statement of Operations. The value of the swap is adjusted daily and the change in value is recorded as unrealized appreciation or depreciation.

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. All premium and original issue discount is amortized or accreted for tax reporting purposes as required by federal income tax regulations. Legal fees and other related

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expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions made directly to the security issuer, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as additions to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses. Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are expensed.

FEES PAID INDIRECTLY - The trust custody fee is reduced according to an arrangement that measures the value of cash deposited with the custodian by the trust. This amount, for the year ended October 31, 2004, is shown as a reduction of total expenses on the Statement of Operations.

TAX MATTERS AND DISTRIBUTIONS - The trust's policy is to comply with the provisions of the Internal Revenue Code (the Code) applicable to regulated investment companies and to distribute to shareholders all of its net tax-exempt and taxable net income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is provided. Distributions paid by the trust from net interest received on tax-exempt municipal bonds are not includable by shareholders as gross income for federal income tax purposes because the trust intends to meet certain requirements of the Code applicable to regulated investment companies, which will enable the trust to pay exempt-interest dividends. The portion of such interest, if any, earned on private activity bonds issued after August 7, 1986 may be considered a tax-preference item to shareholders.

Distributions to shareholders are recorded on the ex-dividend date. The trust distinguishes between distributions on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as distributions from paid-in capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits, which result in temporary over-distributions for financial statement purposes, are classified as distributions in excess of net investment income or net realized gains. Common types of book and tax differences that could occur include differences in accounting for defaulted bonds, capital losses, and amortization and accretion on debt securities.

The tax character of distributions declared for the years ended October 31, 2004 and October 31, 2003 was as follows:

| | 10/31/04 | 10/31/03 |
|------------------------------|--------------|--------------|
| Distributions declared from: | | |
| ----- | | |
| Tax-exempt income | \$23,043,028 | \$22,599,683 |
| ----- | | |
| Ordinary income | 171,028 | 41,603 |
| ----- | | |
| Total distributions declared | \$23,214,056 | \$22,641,286 |
| ----- | | |

During the year ended October 31, 2004 accumulated undistributed net investment income increased by \$34,995, accumulated net realized loss on investments decreased by \$8,739,610, and paid-in capital decreased by \$8,774,605 due to differences between book and tax accounting for amortization and accretion on debt securities, market discount, and capital losses. This change had no effect on the net assets or net asset value per share.

As of October 31, 2004 the components of distributable earnings (accumulated losses) on a tax basis were as follows:

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| | |
|--|--------------|
| Undistributed tax-exempt income | \$7,792,198 |
| ----- | |
| Undistributed ordinary income | 60,086 |
| ----- | |
| Capital loss carryforward | (36,437,335) |
| ----- | |
| Unrealized appreciation (depreciation) | 14,002,173 |
| ----- | |
| Other temporary differences | (918,644) |
| ----- | |

For federal income tax purposes, the capital loss carryforward may be applied against any net taxable realized gains of each succeeding year until the earlier of its utilization or expiration.

| | |
|------------------|----------------|
| EXPIRATION DATE | |
| October 31, 2005 | \$(16,518,819) |
| ----- | |
| October 31, 2006 | (1,383,806) |
| ----- | |
| October 31, 2009 | (2,847,429) |
| ----- | |
| October 31, 2010 | (2,883,947) |
| ----- | |
| October 31, 2011 | (10,944,821) |
| ----- | |
| October 31, 2012 | (1,858,513) |
| ----- | |
| Total | \$(36,437,335) |
| ----- | |

AUCTION PREFERRED SHARES - The trust issued 2,800 shares of Auction Preferred Shares (APS), series T and 2,800 of Auction Preferred Shares (APS), series TH. Dividends are cumulative at a rate that is reset every seven days for both series through an auction process. During the year ended October 31, 2004 the dividend rates ranged from 1.31% to 2.59%. The trust pays an annual fee equivalent to 0.25% of the preferred share liquidation value for remarketing efforts associated with the preferred auction. The APS are redeemable at the option of the trust in whole or in part at the redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends. The APS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied. The trust is required to maintain certain asset coverage with respect to the APS as defined in the trust's By-Laws and the Investment Company Act of 1940.

In accordance with the provisions of FASB 150, "Accounting for certain financial instruments with characteristics of both Liabilities and Equity", effective for the current period, the trust has reclassified its Auction Preferred Shares ("APS") outside of permanent equity in the Net Assets section of the Statement of Assets and Liabilities. In addition, distributions to APS shareholders are now classified as a component of the "Increase in net assets from operations" on the Statement of Operations and Statement of Changes in Net Assets and as a component of the "Total from investment operations" in the Financial Highlights. Prior year amounts presented have been reclassified to conform to this period's presentation. This change has no impact of the net assets applicable to common shares of the trust.

(3) TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISER - The trust has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment

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advisory and administrative services, and general office facilities. The management fee is computed daily and paid monthly at an annual rate of 0.40% of the trust's average daily net assets and 6.32% of investment income. Management fees incurred for the year ended October 31, 2004 were charged an effective rate of 0.80% of average daily net assets, including preferred shares, on an annualized basis.

The trust pays compensation to its Independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons, and pays no compensation directly to its Trustees who are officers of the investment adviser, or to officers of the trust, all of whom receive remuneration for their services to the trust from MFS. Certain officers and Trustees of the trust are officers or directors of MFS and MFS Service Center, Inc. (MFSC). The trust has an unfunded defined benefit plan for retired Independent Trustees. Included in Trustees' compensation is a pension expense of \$10,611 for retired Independent Trustees for the year ended October 31, 2004.

This trust and certain other MFS funds (the "funds") have entered into a services agreement (the "Agreement") which provides for payment of fees by the funds to Tarantino LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) for the funds. The ICCO is an officer of the funds and the sole member of Tarantino LLC. MFS has agreed to reimburse each of the funds for a proportional share of substantially all of the payments made by the funds to Tarantino LLC and also to provide office space and other administrative support and supplies to the ICCO. The funds can terminate the Agreement with Tarantino LLC at any time under the terms of the Agreement.

ADMINISTRATOR - MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to certain funds for which MFS acts as investment adviser. Under an administrative services agreement between the funds and MFS, MFS is entitled to partial reimbursement of the costs MFS incurs to provide these services, subject to review and approval by the Board of Trustees. Each fund is allocated a portion of these administrative costs based on its size and relative average net assets.

Prior to April 1, 2004, the trust paid MFS an administrative fee up to the following annual percentage rates of the trust's average daily net assets:

| | |
|--------------------------|---------|
| First \$2 billion | 0.0175% |
| ----- | ----- |
| Next \$2.5 billion | 0.0130% |
| ----- | ----- |
| Next \$2.5 billion | 0.0005% |
| ----- | ----- |
| In excess of \$7 billion | 0.0000% |
| ----- | ----- |

Effective April 1, 2004, the trust paid MFS an administrative fee up to the following annual percentage rates of the trust's average daily net assets:

| | |
|--------------------------|----------|
| First \$2 billion | 0.01120% |
| ----- | ----- |
| Next \$2.5 billion | 0.00832% |
| ----- | ----- |
| Next \$2.5 billion | 0.00032% |
| ----- | ----- |
| In excess of \$7 billion | 0.00000% |
| ----- | ----- |

For the year ended October 31, 2004, the trust paid MFS \$41,070 equivalent to

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0.00916% of average daily net assets including preferred shares, to partially reimburse MFS for the costs of providing administrative services.

TRANSFER AGENT - Included in transfer agent and dividend disbursing costs is a fee paid to MFSC, a wholly owned subsidiary of MFS, for its services as registrar and dividend disbursing agent for the trust. The agreement provides that the trust will pay MFSC an account maintenance fee of no more than \$9.00 and a dividend services fee of \$0.75 per reinvestment. These fees amounted to \$65,362 for the year ended October 31, 2004. Also included in transfer agent and dividend disbursing costs are out-of-pocket expenses, paid to MFSC, which amounted to \$2,567 for the year ended October 31, 2004, as well as other expenses paid to unaffiliated vendors.

(4) PORTFOLIO SECURITIES

Purchases and sales of investments, other than U.S. government securities, purchased option transactions, and short-term obligations, aggregated \$37,474,287 and \$42,172,561, respectively.

The cost and unrealized appreciation and depreciation in the value of the investments owned by the trust, as computed on a federal income tax basis, are as follows:

| | |
|---|---------------|
| Aggregate cost | \$430,025,933 |
| <hr style="border-top: 1px dashed black;"/> | |
| Gross unrealized appreciation | \$31,325,653 |
| <hr style="border-top: 1px dashed black;"/> | |
| Gross unrealized depreciation | (14,519,870) |
| <hr style="border-top: 1px dashed black;"/> | |
| Net unrealized appreciation (depreciation) | \$16,805,783 |
| <hr style="border-top: 1px dashed black;"/> | |

(5) SHARES OF BENEFICIAL INTEREST

The trust'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 trust of up to 10% annually of its own shares of beneficial interest. During the year ended October 31, 2004, the trust did not repurchase any shares. Transactions in trust shares were as follows:

| | Year ended 10/31/04 | | Year ended 10/31/03 | |
|--|---------------------|-----------|---------------------|-----------|
| | SHARES | AMOUNT | SHARES | AMOUNT |
| Shares issued to shareholders in reinvestment of distributions | 64,891 | \$511,173 | 42,903 | \$332,939 |
| <hr style="border-top: 1px dashed black;"/> | | | | |

(6) LINE OF CREDIT

The trust and other affiliated funds participate in an \$800 million unsecured line of credit provided by a syndication of banks under a line of credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus 0.50%. In addition, a commitment fee, based on the average daily, unused portion of the line of credit, is allocated among the participating funds at the end of each calendar quarter. The commitment fee allocated to the trust for the year ended October 31, 2004 was \$1,513, and is included in miscellaneous expense. The trust had no significant borrowings during the year ended October 31, 2004.

(7) FINANCIAL INSTRUMENTS

The trust trades financial instruments with off-balance-sheet risk in the

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normal course of its investing activities in order to manage exposure to market risks such as interest rates and foreign currency exchange rates. These financial instruments include swap agreements. The notional or contractual amounts of these instruments represent the investment the trust has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

Swap Agreements

Interest Rate Swaps

| EXPIRATION | NOTIONAL PRINCIPAL AMOUNT OF CONTRACT | CASH FLOWS PAID BY THE TRUST | CASH FLOWS RECEIVED BY THE TRUST | UNREALIZED APPRECIATION (DEPRECIATION) |
|------------|--|---|--|--|
| 11/16/16 | USD 10,500,000 | Fixed - 12 year BMA swap index 4.371% | Floating - 7 day BMA swap index | \$ (|
| 4/6/17 | USD 36,000,000 | Fixed - 12 year BMA swap index 3.884% | Floating - 7 day BMA swap index | (|
| 6/15/25 | USD 20,000,000 | Fixed - 20 year BMA swap index 4.7264% | Floating - 7 day BMA swap index | (1, \$ (2, |

(8) RESTRICTED SECURITIES

At October 31, 2004 the trust owned the following restricted securities which are subject to legal or contractual restrictions on resale, excluding securities issued under Rule 144A, constituting 1.7% of net assets, including preferred shares, which may not be publicly sold without registration under the Securities Act of 1933. The trust does not have the right to demand that such securities be registered. The value of these securities is determined by valuations furnished by dealers or by a pricing service, or if not available, in good faith at the direction of the Trustees.

| DESCRIPTION | DATE OF ACQUISITION | PAR AMOUNT | COST |
|---|------------------------|---------------|-------------|
| Chicago, IL, O'Hare International Airport Rev., RITES, XLCA, 9.0787%, 2022 | 8/21/03 | 1,500,000 | \$1,599,510 |
| Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC 8.7328%, 2016 | 3/11/99 | 1,300,000 | 1,403,610 |
| Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC 8.7328%, 2017 | 3/11/99 | 1,050,000 | 1,123,542 |
| New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.4%, 2015 | 1/30/97 | 1,000,000 | 1,049,280 |

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| | | | |
|---|---------|-----------|-----------|
| New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.6%, 2017 | 1/30/97 | 1,000,000 | 1,051,940 |
| Niagara Falls, NY, Bridge Commission, Toll Rev., RITES, FGIC, 8.1705%, 2015 | 5/21/99 | 1,500,000 | 1,609,680 |

(9) CONCENTRATION OF CREDIT RISK

At October 31, 2004 17% of securities in the portfolio of investments are backed by letters of credit or bond insurance of various financial institutions and financial guaranty assurance agencies. The percentage of investments insured by or supported (backed) by a letter of credit from any one institution or agency did not exceed 8.5% of total investments.

(10) LEGAL PROCEEDINGS

On March 31, 2004, MFS settled an administrative proceeding with the Securities and Exchange Commission ("SEC") regarding disclosure of brokerage allocation practices in connection with MFS fund sales (the term "MFS funds" means the open-end registered management investment companies sponsored by MFS). Under the terms of the settlement, in which MFS neither admitted nor denied any wrongdoing, MFS agreed to pay (one dollar) \$1.00 in disgorgement and \$50 million in penalty to certain MFS funds, pursuant to a plan developed by an independent distribution consultant. The brokerage allocation practices which were the subject of this proceeding were discontinued by MFS in November 2003. The agreement with the SEC is reflected in an order of the SEC. Pursuant to the SEC order, on July 28, 2004, MFS transferred these settlement amounts to the SEC, and those MFS funds entitled to these settlement amounts accrued an estimate of their pro rata portion of these amounts. Once the final distribution plan is approved by the SEC, these amounts will be distributed by the SEC to the affected MFS funds. The SEC settlement order states that MFS failed to adequately disclose to the Boards of Trustees and to shareholders of the MFS funds the specifics of its preferred arrangements with certain brokerage firms selling MFS fund shares. The SEC settlement order states that MFS had in place policies designed to obtain best execution of all MFS fund trades. As part of the settlement, MFS retained an independent compliance consultant to review the completeness of its current policies and practices regarding disclosure to MFS fund trustees and to MFS fund shareholders of strategic alliances between MFS or its affiliates and broker-dealers and other financial advisers who support the sale of MFS fund shares.

In addition, in February, 2004, MFS reached agreement with the SEC, the New York Attorney General ("NYAG") and the Bureau of Securities Regulation of the State of New Hampshire ("NH") to settle administrative proceedings alleging false and misleading information in certain MFS open-end retail fund ("MFS retail funds") prospectuses regarding market timing and related matters (the "February Settlements"). These regulators alleged that prospectus language for certain MFS retail funds was false and misleading because, although the prospectuses for those funds in the regulators' view indicated that they prohibited market timing, MFS did not limit trading activity in 11 domestic large cap stock, high grade bond and money market retail funds. MFS' former Chief Executive Officer, John W. Ballen, and former President, Kevin R. Parke, also reached agreement with the SEC in which they agreed to, among other terms, monetary fines and temporary suspensions from association with any investment adviser or registered investment company. Messrs. Ballen and Parke have resigned their positions with, and will not be returning to, MFS and the MFS

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funds. Under the terms of the February Settlements, MFS and the executives neither admit nor deny wrongdoing.

Under the terms of the February Settlements, a \$225 million pool has been established for distribution to shareholders in certain MFS retail funds, which has been funded by MFS and of which \$50 million is characterized as a penalty. This pool will be distributed in accordance with a methodology developed by an independent distribution consultant in consultation with MFS and the Board of Trustees of the MFS retail funds, and acceptable to the SEC. MFS has further agreed with NYAG to reduce its management fees in the aggregate amount of approximately \$25 million annually over the next five years, and not to increase certain management fees during this period. MFS has also paid an administrative fine to NH in the amount of \$1 million, which will be used for investor education purposes (NH retained \$250,000 and \$750,000 was contributed to the North American Securities Administrators Association's Investor Protection Trust). In addition, under the terms of the February Settlements, MFS is in the process of adopting certain governance changes and reviewing its policies and procedures.

Since December 2003, MFS, MFS Fund Distributors, Inc., MFS Service Center, Inc., MFS Corporation Retirement Committee, Sun Life Financial Inc., various MFS funds, certain current and/or former Trustees of these MFS funds, and certain officers of MFS have been named as defendants in multiple lawsuits filed in federal and state courts. The lawsuits variously have been commenced as class actions or individual actions on behalf of investors who purchased, held or redeemed shares of the MFS funds during specified periods, as class actions on behalf of participants in certain retirement plan accounts, or as derivative actions on behalf of the MFS funds. The lawsuits relating to market timing and related matters have been transferred to, and consolidated before, the United States District Court for the District of Maryland, as part of a multi-district litigation of market timing and related claims involving several other fund complexes (In re Mutual Funds Investment Litigation (Alger, Columbia, Janus, MFS, One Group, Putnam, Allianz Dresdner), No. 1:04-md-15863 (transfer began March 19, 2004)). The plaintiffs in these consolidated lawsuits generally seek injunctive relief including removal of the named Trustees, adviser and distributor, rescission of contracts and 12b-1 Plans, disgorgement of fees and profits, monetary damages, punitive damages, attorney's fees and costs and other equitable and declaratory relief. Four lawsuits alleging improper brokerage allocation practices and excessive compensation are pending in the United States District Court for the District of Massachusetts (Forsythe v. Sun Life Financial Inc., et al., No. 04cv10584 (GAO) (March 25, 2004); Eddings v. Sun Life Financial Inc., et al., No. 04cv10764 (GAO) (April 15, 2004); Marcus Dumond, et al. v. Massachusetts Financial Servs. Co., et al., No. 04cv11458 (GAO) (May 4, 2004); and Koslow v. Sun Life Financial Inc., et al., No. 04cv11019 (GAO) (May 20, 2004)). The plaintiffs in these lawsuits generally seek compensatory damages, punitive damages, recovery of fees, rescission of contracts, an accounting, restitution, declaratory relief, equitable and/or injunctive relief and attorney's fees and costs. The various lawsuits generally allege that some or all of the defendants (i) permitted or acquiesced in market timing and/or late trading in some of the MFS funds, inadequately disclosed MFS' internal policies concerning market timing and such matters, and received excessive compensation as fiduciaries to the MFS funds, or (ii) permitted or acquiesced in the improper use of fund assets by MFS to support the distribution of MFS fund shares and inadequately disclosed MFS' use of fund assets in this manner. The actions assert that some or all of the defendants violated the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Advisers Act of 1940, the Employee Retirement Income Security Act of 1974, as well as fiduciary duties and other violations of common law. Insofar as any of the actions is appropriately brought derivatively on behalf of any of the MFS funds, any recovery will inure to the benefit of the MFS funds. The defendants are reviewing the allegations of the multiple complaints and will

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respond appropriately. Additional lawsuits based on similar allegations may be filed in the future.

Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against MFS, the MFS funds, or any other named defendant. As noted above, as part of the regulatory settlements, MFS has established a restitution pool in the amount of \$225 million to compensate certain shareholders of certain MFS retail funds for damages that they allegedly sustained as a result of market timing or late trading in certain of the MFS retail funds, and transferred \$50 million for distribution to affected MFS funds to compensate those funds based upon the amount of brokerage commissions allocated in recognition of MFS fund sales. It is not clear whether these amounts will be sufficient to compensate shareholders for all of the damage they allegedly sustained, whether certain shareholders or putative class members may have additional claims to compensation, or whether the damages that may be awarded in any of the actions will exceed these amounts. In the event the MFS funds incur any losses, costs or expenses in connection with such lawsuits, the Boards of Trustees of the affected MFS funds may pursue claims on behalf of such funds against any party that may have liability to the funds in respect thereof.

Review of these matters by the independent Trustees of the MFS funds and their counsel is continuing. There can be no assurance that these regulatory actions and lawsuits, or the adverse publicity associated with these developments, will not result in increased fund redemptions, reduced sales of fund shares, or other adverse consequences to the MFS funds.

While these developments relate to MFS and the MFS' open-end funds, there can be no assurance that these developments, or the adverse publicity associated with these developments, will not result in an increase to the market discount of the MFS closed-end fund shares or other adverse consequences.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS Municipal Income Trust:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the MFS Municipal Income Trust (the "Trust"), as of October 31, 2004, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of the securities owned as of October 31, 2004 by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to

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above present fairly, in all material respects, the financial position of MFS Municipal Income Trust as of October 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 20, 2004

TRUSTEES AND OFFICERS -- IDENTIFICATION AND BACKGROUND

The Trustees and officers of the trust, as of December 10, 2004, are listed below, together with principal occupations during the past five years. (Their titles may have varied during that period) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

| NAME, DATE OF BIRTH ----- | POSITION(S) HELD WITH FUND ----- | TRUSTEE/OFFICER SINCE(1) ----- | PRINCIPAL OCCUPATIONS & DIRECTORSHIPS(2) DURING THE PAST FIVE YEARS ----- |
|---|--|--------------------------------------|---|
| INTERESTED TRUSTEES | | | |
| Robert J. Manning(3) (born 10/20/63) | Trustee and President | February 2004 | Massachusetts Financial Services Company, Chief Executive Officer, President, Chief Investment Officer and Director |
| Robert C. Pozen(3) (born 08/08/46) | Trustee | February 2004 | Massachusetts Financial Services Company, Chairman (since February 2004); Harvard Law School (education), John Olin Visiting Professor (since July 2002); Secretary of Economic Affairs, Commonwealth of Massachusetts (January 2002 to December 2001); Fidelity Investments, Vice Chairman (June 2000 to December 2001); Fidelity Management Research Company (investment adviser), President (March 2000 to July 2001); The Bank of New York (financial services), Director; Bell Canada Enterprises (telecommunications), Director; Medtronic, Inc. (medical technology), Director; Telcel (satellite communications) Director |
| INDEPENDENT TRUSTEES | | | |
| J. Atwood Ives (born 05/01/36) | Trustee and Chair of Trustees | February 1992 | Private investor; Eastern Enterprises (diversified services company), Chairman, Trustee; Chief Executive Officer (until November 2000) |

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| | | | |
|---|-----------------------|----------------|---|
| Lawrence H. Cohn, M.D. (born 03/11/37) | Trustee | August 1993 | Brigham and Women's Hospital, Chief of Cardiac Surgery; Medical School, Professor of Surgery |
| David H. Gunning (born 05/30/42) | Trustee | January 2004 | Cleveland-Cliffs Inc. (mineral products and service provider), Vice Chairman/Director (since April 2001); Encinitos Ventures (private investment company), Principal (1997 to April 2001); Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Southwest Gas Corporation (natural gas distribution company), Director |
| William R. Gutow (born 09/27/41) | Trustee | December 1993 | Private investor and real estate consultant; Capitol Entertainment Management Company (video distribution franchise), Vice Chairman |
| Amy B. Lane (born 02/08/53) | Trustee | January 2004 | Retired; Merrill Lynch & Co., Inc., Managing Director, Investment Banking Group (since February 2001); Borders Group, Inc. (book and music retailer), Director; Federal Realty Investment Trust (real estate investment trust), Trustee |
| Lawrence T. Perera (born 06/23/35) | Trustee | July 1981 | Hemenway & Barnes (attorney), Partner |
| William J. Poorvu (born 04/10/35) | Trustee | August 1982 | Private investor; Harvard University Graduate School of Business Administration, Class of 1961 Adjunct Professor in Entrepreneurship Emeritus |
| J. Dale Sherratt (born 09/23/38) | Trustee | August 1993 | Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner (since 1993); Cambridge Nutraceuticals (professional nutritional products), Chief Executive Officer (until May 2001) |
| Elaine R. Smith (born 04/25/46) | Trustee | February 1992 | Independent health care industry consultant |
| OFFICERS | | | |
| Robert J. Manning(3) (born 10/20/63) | President and Trustee | February 2004 | Massachusetts Financial Services Company, Chief Executive Officer, President, Chief Investment Officer and Director |
| James R. Bordewick, Jr.(3) | Assistant | September 1990 | Massachusetts Financial Services |

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| | | | |
|--|---|----------------|---|
| (born 03/06/59) | Secretary and Assistant Clerk | | Company, Senior Vice President Associate General Counsel |
| Jeffrey N. Carp(3) (born 12/01/56) | Secretary and Clerk | September 2004 | Massachusetts Financial Services Company, Senior Vice President General Counsel and Secretary (since April 2004); Hale and LLP (law firm) (prior to April 2004) |
| Stephanie A. DeSisto(3) (born 10/01/53) | Assistant Treasurer | May 2003 | Massachusetts Financial Services Company, Vice President (since April 2003); Brown Brothers Harriman & Co., Senior Vice President (November 2002 to 2003); ING Groep N.V./Aelt Investment Management, Senior President (prior to November 2003) |
| James F. DesMarais(3) (born 03/09/61) | Assistant Secretary and Assistant Clerk | September 2004 | Massachusetts Financial Services Company, Assistant General Counsel |
| Robert R. Flaherty(3) (born 09/18/63) | Assistant Treasurer | August 2000 | Massachusetts Financial Services Company, Vice President (since August 2000); UAM Fund Services Senior Vice President (prior to August 2000) |
| Richard M. Hisey(3) (born 08/29/58) | Treasurer | August 2002 | Massachusetts Financial Services Company, Senior Vice President (since July 2002); The Bank of New York, Senior Vice President (September 2000 to July 2002); Lexington Global Asset Management Inc., Executive Vice President Chief Financial Officer (prior to September 2000); Lexington Chief Financial Officer (prior to September 2000) |
| Brian T. Hourihan(3) (born 11/11/64) | Assistant Secretary and Assistant Clerk | September 2004 | Massachusetts Financial Services Company, Vice President, Senior Counsel and Assistant Secretary (since June 2004); Affiliated Managers Group, Inc., Chief Officer/Centralized Compliance Program (January to April 2004); Fidelity Research & Management Company, Assistant General Counsel (prior to January 2004) |
| Ellen Moynihan(3) (born 11/13/57) | Assistant Treasurer | April 1997 | Massachusetts Financial Services Company, Vice President |
| Frank L. Tarantino (born 03/07/44) | Independent Chief Compliance Officer | June 2004 | Tarantino LLC (provider of compliance services), Principal (since June 2004); CRA Business Strategies Group (consulting services), Executive Vice President (April 2003 to June 2004); David L. Babson & Company |

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(investment adviser), Mana
Director, Chief Administra
Officer and Director (Febr
1997 to March 2003)

James O. Yost (3) Assistant September 1990 Massachusetts Financial Se
(born 06/12/60) Treasurer Company, Senior Vice Presi

- (1) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise.
- (2) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").
- (3) "Interested person" of MFS within the meaning of the Investment Company Act of 1940 (referred the 1940 Act), which is the principal federal law governing investment companies like the fun address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

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

Each of the trust's Trustees and officers holds comparable positions with certain other funds of MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. Each Trustee serves as a board member of 99 funds within the MFS Family Funds.

On October 29, 2004, Robert J. Manning, as Chief Executive Officer of the trust, certified to the New York Stock Exchange that as of the date of his certification he was not aware of any violation by the trust of the corporate governance listing standards of the New York Stock Exchange.

The trust filed with the Securities and Exchange Commission the certifications of its principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to the trust's Form N-CSR for the period covered by this report.

INVESTMENT ADVISER
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA
02116-3741

CUSTODIAN
State Street Bank and Trust Company
225 Franklin Street, Boston, MA 02110

DISTRIBUTOR
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA
02116-3741

INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

PORTFOLIO MANAGER
Geoffrey Schechter

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 About MFS section of mfs.com or by visiting the SEC's Web site at <http://www.sec.gov>.

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

QUARTERLY PORTFOLIO DISCLOSURE

The trust 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 trust's Form N-Q may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
Washington, D.C. 20549-0102

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The trust's Form N-Q is available on the EDGAR database on the Commission's Internet website 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.

FEDERAL TAX INFORMATION (UNAUDITED)

In January 2005, shareholders will be mailed a Tax Form Summary or Form 1099-DIV, if applicable, reporting the federal tax status of all distributions paid during the calendar year 2004.

For federal income tax purposes, approximately 99.26% of the total dividends paid by the trust from net investment income during the year ended October 31, 2004, is designated as an exempt-interest dividend.

CONTACT INFORMATION AND NUMBER OF SHAREHOLDERS

INVESTOR INFORMATION

Transfer Agent, Registrar and Dividend Disbursing Agent

Call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time

Write to: State Street Bank and Trust Company
c/o MFS Service Center, Inc.
P.O. Box 55024
Boston, MA 02205-5024

NUMBER OF SHAREHOLDERS

As of October 31, 2004, our records indicate that there are 3,483 registered shareholders and approximately 13,643 shareholders owning trust shares in

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"street" name, such as through brokers, banks, and other financial intermediaries.

As of October 31, 2004, 2,800 shares of Auction Preferred Shares (APS), Series T and 2,800 shares of Auction Preferred Shares, Series TH were issued and outstanding.

If you are a "street" name shareholder and wish to directly receive our reports, which contain important information about the trust, please write or call:

State Street Bank and Trust Company
c/o MFS Service Center, Inc.
P.O. Box 55024
Boston, MA 02205-5024
1-800-637-2304

[logo] M F S(R)
INVESTMENT MANAGEMENT

(C) 2004 MFS Investment Management (R)
500 Boylston Street, Boston, MA 02116.

MFM-ANN-12/04 23M

ITEM 2. CODE OF ETHICS.

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Mr. J. Atwood Ives and Ms. Amy B. Lane, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Mr. Ives and Ms. Lane are both "independent" members of the Audit Committee as defined in Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

ITEMS 4(A) THROUGH 4(D) AND 4(G):

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

For the fiscal years ended October 31, 2004 and 2003, audit fees billed to the Registrant by Deloitte were as follows:

| FEES BILLED BY DELOITTE: | Audit Fees | |
|----------------------------|------------|--------|
| | 2004 | 2003 |
| MFS Municipal Income Trust | 37,115 | 34,910 |
| TOTAL | 37,115 | 34,910 |

For the fiscal years ended October 31, 2004 and 2003, fees billed by Deloitte for audit-related, tax and other services provided to the Registrant and for audit-related, tax and other services provided to MFS and MFS Related Entities

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were as follows:

| FEES BILLED BY DELOITTE: | Audit-Related Fees(1) | | Tax Fees(2) | |
|--|-----------------------|---------|-------------|--------|
| | 2004 | 2003 | 2004 | 2003 |
| | ---- | ---- | ---- | ---- |
| To MFS Municipal Income Trust | 18,000 | 18,000 | 10,600 | 5,800 |
| To MFS and MFS Related Entities relating directly to the operations and financial reporting of the above Registrant* | 928,350 | 166,150 | 35,000 | 20,000 |
| To Registrant, MFS and MFS Related Entities# | 946,350 | 184,150 | 45,600 | 43,429 |

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

This amount reflects the aggregate fees billed by Deloitte for non-audit services rendered to the Registrant and for non-audit services rendered to MFS and the MFS Related Entities.

- (1) The fees included under "Audit-Related Fees" are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under "Audit Fees," including accounting consultations, agreed-upon procedure reports, attestation reports and comfort letters.
- (2) The fees included under "Tax Fees" are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis.
- (3) The fees included under "All Other Fees" are fees for products and services provided by Deloitte other than those reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees."

For periods prior to May 6, 2003, the amounts shown above under "Audit-Related Fees," "Tax Fees" and "All Other Fees" relate to permitted non-audit services that would have been subject to pre-approval if the Securities and Exchange Commission's rules relating to pre-approval of non-audit services had been in effect.

ITEM 4(E) (1):

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees relating to the pre-approval of audit and non-audit related services: To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Funds and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next

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

ITEM 4(E) (2):

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

ITEM 4(F): Not applicable.

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

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Registrant has an Audit Committee established in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Messrs. J. Atwood Ives, William J. Poorvu and J. Dale Sherratt and Ms. Amy B. Lane.

ITEM 6. SCHEDULE OF INVESTMENTS

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

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

The Board of Trustees and the Board of Managers of the investment companies (the "MFS Funds") advised by Massachusetts Financial Services Company ("MFS") have delegated to MFS the right and obligation to vote proxies for shares that are owned by the MFS Funds, in accordance with MFS' proxy voting policies and procedures (the "MFS Proxy Policies"). The MFS Proxy Policies are set forth below:

MASSACHUSETTS FINANCIAL SERVICES COMPANY

PROXY VOTING POLICIES AND PROCEDURES

SEPTEMBER 17, 2003, AS REVISED ON SEPTEMBER 20, 2004

Massachusetts Financial Services Company, MFS Institutional Advisors, Inc. and MFS' other investment adviser subsidiaries (collectively, "MFS") have adopted proxy voting policies and procedures, as set forth below, with respect to securities owned by the clients for which MFS serves as investment adviser and has the power to

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vote proxies, including the registered investment companies sponsored by MFS, other than the MFS Union Standard Equity Fund (the "MFS Funds").

These policies and procedures include:

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

A. VOTING GUIDELINES

1. GENERAL POLICY; POTENTIAL CONFLICTS OF INTEREST

MFS' policy is that proxy voting decisions are made in what MFS believes to be the best long-term economic interests of MFS' clients, and not in the interests of any other party or in MFS' corporate interests, including interests such as the distribution of MFS Fund shares, administration of 401(k) plans, and institutional relationships.

MFS has carefully reviewed matters that in recent years have been presented for shareholder vote by either management or shareholders of public companies. Based on the guiding principle that all votes made by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, which are set forth below, that govern how MFS generally plans to vote on specific matters presented for shareholder vote. In all cases, MFS will exercise its discretion to vote these items in accordance with this guiding principle. These underlying guidelines are simply that - guidelines. Each proxy item is considered on a case-by-case basis, in light of all relevant facts and circumstances, and there may be instances in which MFS may vote proxies in a manner different from these guidelines.

As a general matter, MFS maintains a consistent voting position with respect to similar proxy proposals made by various issuers. In addition, MFS generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts. However, MFS recognizes that there are gradations in certain types of proposals that might result in different voting positions being taken with respect to the different proxy statements. There also may be situations involving matters presented for shareholder vote that are not clearly governed by the guidelines, such as proposed mergers and acquisitions. Some items that otherwise would be acceptable will be voted against the proponent when it is seeking extremely broad flexibility without offering a valid explanation. MFS reserves the right to override the guidelines with respect to a particular shareholder vote when such an override is, in MFS' best judgment, consistent with the guiding principle of voting proxies in the best long-term economic interests of MFS' clients.

From time to time, MFS receives comments on these guidelines and regarding particular voting issues from its clients. Those comments are reviewed and considered periodically, and these guidelines are reviewed each year with MFS Equity Research Department management, the MFS Proxy Review Group and the MFS Proxy Consultant and are revised as appropriate.

These policies and procedures are intended to address any potential material conflicts of interest on the part of MFS or its affiliates that could

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arise in connection with the voting of proxies on behalf of MFS' clients. MFS shall be mindful of any and all potential material conflicts of interest that could arise in the voting of these proxies, shall identify, analyze, document and report on any such potential conflicts, and shall ultimately vote these proxies in what MFS believes to be the best long-term economic interests of its clients. The MFS Proxy Review Group is responsible for monitoring and reporting on all potential conflicts of interest.

2. MFS' POLICY ON SPECIFIC ISSUES

NON-SALARY COMPENSATION PROGRAMS

Managements have become increasingly creative and generous with compensation programs involving common stock. The original stock option plans, which called for the optionee to pay the money to exercise the option, are now embellished with no risk benefits such as stock appreciation rights, the use of unexercised options to "buy" stock, and restricted stock at bargain prices.

Stock option plans are supposed to reward results rather than tenure, so the use of restricted stock at bargain prices is not favored. In some cases, restricted stock is granted to the recipient at deep discounts to fair market value, sometimes at par value. The holder cannot sell for a period of years, but in the meantime is able to vote and receive dividends. Eventually the restrictions lapse and the stock can be sold.

MFS votes against option programs for officers, employees or non-employee directors that do not require an investment by the optionee, that give "free rides" on the stock price, or that permit grants of restricted stock at deep discounts to fair market value. MFS generally votes against stock option plans that involve stock appreciation rights or the use of unexercised options to "buy" stock.

MFS opposes plans that provide unduly generous compensation for officers, directors or employees, or could result in excessive dilution to other shareholders. As a general guideline, MFS votes against stock option plans if all such plans for a particular company involve potential dilution, in the aggregate, of more than 15%.

MFS votes in favor of stock option plans for non-employee directors as long as they satisfy the requirements set forth above with respect to stock option plans for employees. Stock option plans that include options for consultants and other third parties not involved in the management of the company generally are opposed by MFS.

"GOLDEN PARACHUTES"

From time to time, shareholders of companies have submitted proxy proposals that would require shareholder approval of any severance packages for executive officers that exceed certain predetermined thresholds. MFS votes in favor of such shareholder proposals when they would require shareholder approval of any severance package for an executive officer that exceeds a certain percentage of such officer's annual compensation. When put to a vote, MFS votes against very large golden parachutes.

ANTI-TAKEOVER MEASURES

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

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REINCORPORATION AND REORGANIZATION PROPOSALS

When presented with a proposal to reincorporate a company under the laws of a different state, or to effect some other type of corporate reorganization, MFS considers the underlying purpose and ultimate effect of such a proposal in determining whether or not to support such a measure. While MFS generally votes in favor of management proposals that it believes are in the best long-term economic interests of its clients, MFS may oppose such a measure if, for example, the intent or effect would be to create additional inappropriate impediments to possible acquisitions or takeovers.

DILUTION

There are many reasons for issuance of stock and most are legitimate. As noted above under "Non-Salary Compensation Programs", when a stock option plan (either individually or when aggregated with other plans of the same company) would substantially dilute the existing equity (e.g., by approximately 15% or more), MFS generally votes against the plan. In addition, MFS votes against proposals where management is asking for authorization to issue common or preferred stock with no reason stated (a "blank check") because the unexplained authorization could work as a potential anti-takeover device.

CONFIDENTIAL VOTING

MFS votes in favor of proposals to ensure that shareholder voting results are kept confidential. For example, MFS supports proposals that would prevent management from having access to shareholder voting information that is compiled by an independent proxy tabulation firm.

INDEPENDENCE OF BOARDS OF DIRECTORS AND COMMITTEES THEREOF

While MFS acknowledges the potential benefits of a company's inclusion of directors who are "independent" from management, MFS generally opposes shareholder proposals that would require that a majority (or a "super-majority") of a company's board be comprised of "independent" directors. Such proposals could inappropriately reduce a company's ability to engage in certain types of transactions, could result in the exclusion of talented directors who are not deemed "independent", or could result in the unnecessary addition of additional "independent" directors to a company's board. However, in view of the special role and responsibilities of various committees of a board of directors, MFS supports proposals that would require that the Audit, Nominating and Compensation Committees be comprised entirely of directors who are deemed "independent" of the company.

INDEPENDENT AUDITORS

Recently, some shareholder groups have submitted proposals to limit the non-audit activities of a company's audit firm. Some proposals would prohibit the provision of any non-audit services (unless approved in advance by the full board) whereas other proposals would cap non-audit fees so that such fees do not exceed a certain percentage of the audit fees. MFS supports such shareholder proposals that would cap non-audit fees at an amount deemed to be not excessive.

BEST PRACTICES STANDARDS

Best practices standards are rapidly evolving in the corporate governance areas as a result of recent corporate failures, the Sarbanes-Oxley Act of 2002 and revised listing standards on major stock exchanges. MFS generally support these changes. However, many issuers are not publicly registered, are not subject to these enhanced listing standards or are not operating in an environment that is comparable to that in the United States. In reviewing proxy proposals under these circumstances, MFS votes for proposals

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that enhance standards of corporate governance so long as we believe that -- within the circumstances of the environment within which the issuers operate -- the proposal is consistent with the best long-term economic interests of our clients.

FOREIGN ISSUERS - SHARE BLOCKING

In accordance with local law or business practices, many foreign companies prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting ("share blocking"). Depending on the country in which a company is domiciled, the blocking period may begin a stated number of days prior to the meeting (e.g., one, three or five days) or on a date established by the company. While practices vary, in many countries the block period can be continued for a longer period if the shareholder meeting is adjourned and postponed to a later date. Similarly, practices vary widely as to the ability of a shareholder to have the "block" restriction lifted early (e.g., in some countries shares generally can be "unblocked" up to two days prior to the meeting whereas in other countries the removal of the block appears to be discretionary with the issuer's transfer agent). Due to these restrictions, MFS must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. For companies in countries with potentially long block periods, the disadvantage of being unable to sell the stock regardless of changing conditions generally outweighs the advantages of voting at the shareholder meeting for routine items. Accordingly, MFS generally will not vote those proxies in the absence of an unusual, significant vote. Conversely, for companies domiciled in countries with very short block periods, MFS generally will continue to cast votes in accordance with these policies and procedures.

SOCIAL ISSUES

There are many groups advocating social change, and many have chosen the publicly-held corporation as a vehicle for their agenda. Common among these are resolutions requiring the corporation to refrain from investing or conducting business in certain countries, to adhere to some list of goals or principles (e.g., environmental standards) or to report on various activities. MFS votes against such proposals unless their shareholder-oriented benefits will outweigh any costs or disruptions to the business, including those that use corporate resources to further a particular social objective outside the business of the company or when no discernible shareholder economic advantage is evident.

The laws of various states may regulate how the interests of certain clients subject to those laws are voted. For example, the General Laws of The Commonwealth of Massachusetts prohibit the investment of state funds, including retirement system assets, in the following types of investments: (i) financial institutions which directly or through any subsidiary have outstanding loans to any individual or corporation engaged in manufacturing, distribution or sale of firearms, munitions, rubber or plastic bullets, tear gas, armored vehicles or military aircraft for use or deployment in any activity in Northern Ireland; or (ii) any stocks, securities or obligations of any company so engaged.

Because of these statutory restrictions, it is necessary when voting proxies for securities held in Massachusetts public pension accounts to support the purpose of this legislation. Thus, on issues relating to these or similar state law questions, it may be necessary to cast ballots differently for these portfolios than MFS might normally do for other accounts.

B. ADMINISTRATIVE PROCEDURES

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1. MFS PROXY REVIEW GROUP

The administration of these policies and procedures is overseen by the MFS Proxy Review Group, which includes senior MFS Legal Department officers and MFS' Proxy Consultant. The MFS Proxy Review Group:

- a. Reviews these policies and procedures at least annually and recommends any amendments considered to be necessary or advisable;
- b. Determines whether any material conflicts of interest exist with respect to instances in which (i) MFS seeks to override these guidelines and (ii) votes not clearly governed by these guidelines; and
- c. Considers special proxy issues as they may arise from time to time.

The current MFS Proxy Consultant is an independent proxy consultant who performs these services exclusively for MFS.

2. POTENTIAL CONFLICTS OF INTEREST

The MFS Proxy Review Group is responsible for monitoring potential material conflicts of interest on the part of MFS or its affiliates that could arise in connection with the voting of proxies on behalf of MFS' clients. Any attempt to influence MFS' voting on a particular proxy matter should be reported to the MFS Proxy Review Group. The MFS Proxy Consultant will assist the MFS Proxy Review Group in carrying out these responsibilities.

In cases where proxies are voted in accordance with these policies and guidelines, no conflict of interest will be deemed to exist. In cases where (i) MFS is considering overriding these policies and guidelines, or (ii) matters presented for vote are not clearly governed by these policies and guidelines, the MFS Proxy Review Group and the MFS Proxy Consultant will follow these procedures:

- a. Compare the name of the issuer of such proxy against a list of significant current and potential (i) distributors of MFS Fund shares, (ii) retirement plans administered by MFS, and (iii) MFS institutional clients (the "MFS Significant Client List");
- b. If the name of the issuer does not appear on the MFS Significant Client List, then no material conflict of interest will be deemed to exist, and the proxy will be voted as otherwise determined by the MFS Proxy Review Group;
- c. If the name of the issuer appears on the MFS Significant Client List, then the MFS Proxy Review Group will carefully evaluate the proposed votes in order to ensure that the proxy ultimately is voted in what MFS believes to be the best long-term economic interests of MFS' clients, and not in MFS' corporate interests; and
- d. For all potential material conflicts of interest identified under clause (c) above, the MFS Proxy Review Group will document: the name of the issuer, the issuer's relationship to MFS, the analysis of the matters submitted for proxy vote, and the basis for the determination that the votes ultimately were cast in what MFS believes to be the best long-term economic interests of MFS' clients, and not in MFS' corporate interests.

The MFS Proxy Review Group is responsible for creating and maintaining the MFS Significant Client List, in consultation with MFS' distribution, retirement plan administration and institutional business units. The MFS

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Significant Client List will be reviewed and updated as necessary, but no less frequently than quarterly.

3. GATHERING PROXIES

Nearly all proxies received by MFS originate at Automatic Data Processing Corp. ("ADP"). ADP and issuers send proxies and related material directly to the record holders of the shares beneficially owned by MFS' clients, usually to the client's custodian or, less commonly, to the client itself. Each client's custodian is responsible for forwarding all proxy solicitation materials to MFS (except in the case of certain institutional clients for which MFS does not vote proxies). This material will include proxy cards, reflecting the proper shareholdings of Funds and of clients on the record dates for such shareholder meetings, and proxy statements, the issuer's explanation of the items to be voted upon.

MFS, on behalf of itself and the Funds, has entered into an agreement with an independent proxy administration firm, Institutional Shareholder Services, Inc. (the "Proxy Administrator"), pursuant to which the Proxy Administrator performs various proxy vote processing and recordkeeping functions for MFS' Fund and institutional client accounts. The Proxy Administrator does not make recommendations to MFS as to how to vote any particular item. The Proxy Administrator receives proxy statements and proxy cards directly from various custodians, logs these materials into its database and matches upcoming meetings with MFS Fund and client portfolio holdings, which are input into the Proxy Administrator's system by an MFS holdings datafeed. Through the use of the Proxy Administrator system, ballots and proxy material summaries for the upcoming shareholders' meetings of over 10,000 corporations are available on-line to certain MFS employees, the MFS Proxy Consultant and the MFS Proxy Review Group and most proxies can be voted electronically. In addition to receiving the hard copies of materials relating to meetings of shareholders of issuers whose securities are held by the Funds and/or clients, the ballots and proxy statements can be printed from the Proxy Administrator's system and forwarded for review.

4. ANALYZING PROXIES

After input into the Proxy Administrator system, proxies which are deemed to be completely routine (e.g., those involving only uncontested elections of directors, appointments of auditors, and/or employee stock purchase plans)(1) are automatically voted in favor by the Proxy Administrator without being sent to either the MFS Proxy Consultant or the MFS Proxy Review Group for further review. Proxies that pertain only to merger and acquisition proposals are forwarded initially to an appropriate MFS portfolio manager or research analyst for his or her recommendation. All proxies that are reviewed by either the MFS Proxy Consultant or a portfolio manager or analyst are then forwarded with the corresponding recommendation to the MFS Proxy Review Group.(2)

(1) Proxies for foreign companies often contain significantly more voting items than those of U.S. companies. Many of these items on foreign proxies involve repetitive, non-controversial matters that are mandated by local law. Accordingly, there is an expanded list of items that are deemed routine (and therefore automatically voted in favor) for foreign issuers, including the following: (i) receiving financial statements or other reports from the board; (ii) approval of declarations of dividends; (iii) appointment of shareholders to sign board meeting minutes; (iv) the discharge of management and supervisory boards; and (v) approval of share repurchase programs.

(2) From time to time, due to travel schedules and other commitments, an appropriate portfolio manager or research analyst is not available to provide a recommendation on a merger or acquisition proposal. If such a

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recommendation cannot be obtained within a few business days prior to the shareholder meeting, the MFS Proxy Review Group will determine the vote in what MFS believes to be the best long-term economic interests of its clients.

Recommendations with respect to voting on non-routine issues are generally made by the MFS Proxy Consultant in accordance with the policies summarized under "Voting Guidelines," and all other relevant materials. His or her recommendation as to how each proxy proposal should be voted is indicated on copies of proxy cards, including his or her rationale on significant items. These cards are then forwarded to the MFS Proxy Review Group.

As a general matter, portfolio managers and investment analysts are consulted and involved in developing MFS' substantive proxy voting guidelines, but have little or no involvement in or knowledge of proxy proposals or voting positions taken by MFS. This is designed to promote consistency in the application of MFS' voting guidelines, to promote consistency in voting on the same or similar issues (for the same or for multiple issuers) across all client accounts, and to minimize or remove the potential that proxy solicitors, issuers, and third parties might attempt to exert influence on the vote or might create a conflict of interest that is not in what MFS believes to be the best long-term economic interests of our clients. In limited, specific instances (e.g., mergers), the MFS Proxy Consultant or the MFS Proxy Review Group may consult with or seek recommendations from portfolio managers or analysts. The MFS Proxy Review Group would ultimately determine the manner in which all proxies are voted.

As noted above, MFS reserves the right to override the guidelines when such an override is, in MFS' best judgment, consistent with the guiding principle of voting proxies in the best long-term economic interests of MFS' clients. Any such override of the guidelines shall be examined, explained and reported in accordance with the procedures set forth in these policies.

5. VOTING PROXIES

After the proxy card copies are reviewed, they are voted electronically through the Proxy Administrator's system. In accordance with its contract with MFS, the Proxy Administrator also generates a variety of reports for the MFS Proxy Consultant and the MFS Proxy Review Group, and makes available on-line various other types of information so that the MFS Proxy Review Group and the MFS Proxy Consultant may monitor the votes cast by the Proxy Administrator on behalf of MFS' clients.

C. MONITORING SYSTEM

It is the responsibility of the Proxy Administrator and MFS' Proxy Consultant to monitor the proxy voting process. As noted above, when proxy materials for clients are received, they are forwarded to the Proxy Administrator and are input into the Proxy Administrator's system. Additionally, through an interface with the portfolio holdings database of MFS, the Proxy Administrator matches a list of all MFS Funds and clients who hold shares of a company's stock and the number of shares held on the record date with the Proxy Administrator's listing of any upcoming shareholder's meeting of that company.

When the Proxy Administrator's system "tickler" shows that the date of a shareholders' meeting is approaching, a Proxy Administrator representative checks that the vote for MFS Funds and clients holding that security has been recorded in the computer system. If a proxy card has not been received from the client's custodian, the Proxy Administrator calls the custodian requesting that the materials be forward immediately. If it is not possible to receive the proxy card from the custodian in time to be voted at the meeting, MFS may instruct the custodian to cast the vote in the manner specified and to mail the proxy

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directly to the issuer.

D. RECORDS RETENTION

MFS will retain copies of these policies and procedures in effect from time to time and will retain all proxy voting reports submitted to the Board of Trustees and Board of Managers of the MFS Funds for a period of six years. Proxy solicitation materials, including electronic versions of the proxy cards completed by the MFS Proxy Consultant and the MFS Proxy Review Group, together with their respective notes and comments, are maintained in an electronic format by the Proxy Administrator and are accessible on-line by the MFS Proxy Consultant and the MFS Proxy Review Group. All proxy voting materials and supporting documentation, including records generated by the Proxy Administrator's system as to proxies processed, the dates when proxies were received and returned, and the votes on each company's proxy issues, are retained for six years.

E. REPORTS

MFS FUNDS

Periodically, MFS will report the results of its voting to the Board of Trustees and Board of Managers of the MFS Funds. These reports will include: (i) a listing of how votes were cast; (ii) a review of situations where MFS did not vote in accordance with the guidelines and the rationale therefor; (iii) a review of the procedures used by MFS to identify material conflicts of interest; and (iv) a review of these policies and the guidelines and, as necessary or appropriate, any proposed modifications thereto to reflect new developments in corporate governance and other issues. Based on these reviews, the Trustees and Managers of the MFS Funds will consider possible modifications to these policies to the extent necessary or advisable.

ALL MFS ADVISORY CLIENTS

At any time, a report can be printed by MFS for each client who has requested that MFS furnish a record of votes cast. The report specifies the proxy issues which have been voted for the client during the year and the position taken with respect to each issue.

Generally, MFS will not divulge actual voting practices to any party other than the client or its representatives (unless required by applicable law) because we consider that information to be confidential and proprietary to the client.

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

Not applicable at this time.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATE

| MFS MUNICIPAL INCOME TRUST | | | | |
|----------------------------|--------------------------------------|----------------------------------|--|-------------------------------|
| PRIOR | (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) TOTAL NUMBER OF SHARES OF |
| | | | | |

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| | | | |
|---------------------|---|---|---|
| 11/01/03 - 11/30/03 | 0 | 0 | 0 |
| 12/01/03 - 12/31/03 | 0 | 0 | 0 |
| 01/01/04 - 01/31/04 | 0 | 0 | 0 |
| 02/01/04 - 02/28/04 | 0 | 0 | 0 |
| 03/01/04 - 03/31/04 | 0 | 0 | 0 |
| 04/01/04 - 04/30/04 | 0 | 0 | 0 |
| 05/01/04 - 05/31/04 | 0 | 0 | 0 |
| 06/01/04 - 06/30/04 | 0 | 0 | 0 |
| 07/01/04 - 07/31/04 | 0 | 0 | 0 |
| 08/01/04 - 08/31/04 | 0 | 0 | 0 |
| 09/01/04 - 09/30/04 | 0 | 0 | 0 |
| 10/01/04 - 10/31/04 | 0 | 0 | 0 |
| TOTALS/YEAR | 0 | 0 | 0 |

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, 2004 plan year are 3,966,928.

For the year ended October 31, 2004, no shares of the Registrant have been repurchased pursuant to the plans described above.

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

The Board of Trustees of the Registrant has adopted procedures by which shareholders may send communications, including recommendations to the Board for nominees to the Registrant's Board. Shareholders may mail written recommendations to the Board to the attention of the Board of Trustees, MFS Municipal Income Trust, Massachusetts Financial Services Company, 500 Boylston Street, Boston, MA 02116, c/o , Jeffrey N. Carp, Secretary of the Trust. Shareholder communications must be in writing and be signed by the shareholder and identify the series of the Registrant to which they relate. Such recommendations must be accompanied by the candidate's biographical and occupational data (including whether the candidate would be an "interested person" of the Registrant), a written consent of the candidate to be named as a nominee and to serve as Trustee if elected, record and ownership information for the recommending shareholder with respect to the series of the Registrant to which the recommendation relates and a description of any arrangements or understandings regarding recommendation of the candidate for consideration.

ITEM 11. CONTROLS AND PROCEDURES.

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- (a) Based upon their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under 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.

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: Code of Ethics attached hereto.

(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.

(3) Any written solicitation to purchase securities under Rule 23c-1 under the Act sent or given during the period covered by the report by or on behalf of the Registrant to 10 or more persons. Not applicable.

(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.

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 MUNICIPAL INCOME TRUST

By (Signature and Title)* ROBERT J. MANNING

Robert J. Manning, President

Date: December 21, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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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)* ROBERT J. MANNING

Robert J. Manning, President
(Principal Executive Officer)

Date: December 21, 2004

By (Signature and Title)* RICHARD M. HISEY

Richard M. Hisey, Treasurer (Principal Financial
Officer and Accounting Officer)

Date: December 21, 2004

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