MFS CHARTER INCOME TRUST
Form N-CSR
February 04, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF

REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5822

MFS CHARTER INCOME TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2007

ITEM 1. REPORTS TO STOCKHOLDERS.

Annual report

11/30/07

MCR-ANN

MFS® Charter Income Trust

MFS® Charter Income Trust

New York Stock Exchange Symbol: MCR

NOT FDIC INSURED   MAY LOSE VALUE

NO BANK OR CREDIT UNION GUARANTEE   NOT A DEPOSIT

NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR

NCUA/NCUSIF

LETTER FROM THE CEO

Dear Shareholders:

The past year has been a great example of why investors should keep their eyes on the long term.

In 2006 the Dow Jones Industrial Average returned 19% and was fairly stable. This year we have seen a greater level of volatility than has been experienced in recent years. The Dow hit several new highs but also experienced swift drops as a global credit crisis swept through markets, spurred by defaults on U.S. subprime loans and a liquidity crunch. Still, even with this volatility, the Dow ended the first three quarters of 2007 with a return near 13%.

U.S. Treasury bonds gained ground, especially in the third quarter as investors sought less risky asset classes. The spreads of many lower-quality debt investments widened.

In 2007 the U.S. dollar fell against the euro, oil prices hit their highest levels yet, and gold spiked to its steepest price in 28 years. Around the globe, stocks sold off as risk aversion mounted. As we have said before, markets can be volatile, and investors should make sure they have an investment plan that can carry them through the peaks and troughs.

If you are focused on a long-term investment strategy, the short-term ups and downs of the markets should not necessarily dictate portfolio action on your part. In our view, investors who remain committed to a long-term plan are more likely to achieve their financial goals.

In any market environment, we believe individual investors are best served by following a three-pronged investment strategy of allocating their holdings across the major asset classes, diversifying within each class, and regularly rebalancing their portfolios to maintain their desired allocations. Of course, these strategies cannot guarantee a profit or protect against a loss. Investing and planning for the long term require diligence and patience, two traits that in our experience are essential to capitalizing on the many opportunities the financial markets can offer through both up and down economic cycles.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management

January 15, 2008

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

PORTFOLIO COMPOSITION

Portfolio structure (i)

Fixed income sectors (i)	
Non U.S. Government Bonds	21.7%
High Yield Corporates	15.3%
High Grade Corporates	15.3%
Mortgage-Backed Securities	14.5%
U.S. Treasury Securities	10.2%
Emerging Market Bonds	9.1%
Commercial Mortgage-Backed Securities	3.4%
Asset-Backed Securities	1.4%
U.S. Government Agencies	1.3%
Floating Rate Loans	0.9%
Collateralized Debt Obligations	0.3%

Credit quality of bonds (r)	
AAA	53.1%
AA	4.5%
A	6.4%
BBB	15.0%
BB	12.5%
B	7.3%
CCC	1.1%
Not Rated	0.1%

Portfolio facts	
Average Duration (d)(i)	5.2
Average Life (i)(m)	7.7 yrs.
Average Maturity (i)(m)	12.3 yrs.
Average Credit Quality of Rated Securities (long-term) (a)	A+
Average Credit Quality of Rated Securities (short-term) (a)	A-1

Country weightings (i)	
United States	65.7%
Japan	5.4%
Germany	4.9%
Netherlands	3.0%
France	2.7%
Russia	2.2%
Canada	1.9%
United Kingdom	1.8%
Spain	1.6%
Other Countries	10.8%

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

(d) Duration is a measure of how much a bond s price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.

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

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Portfolio composition continued

(m) 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 or pre-paid 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.

(r) Each security is assigned a rating from Moody s Investors Service. If not rated by Moody s, the rating will be that assigned by Standard & Poor s. Likewise, if not assigned a rating by Standard & Poor s, it will be based on the rating assigned by Fitch, Inc. For those portfolios that hold a security which is not rated by any of the three agencies, the security is considered Not Rated. Holdings in U.S. Treasuries and government agency mortgage-backed securities, if any, are included in the AAA -rating category. Percentages are based on the total market value of investments as of 11/30/07.

Percentages are based on net assets as of 11/30/07, unless otherwise noted.

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

MANAGEMENT REVIEW

Summary of results

The MFS Charter Income Trust (the fund) is a closed-end fund and maintains a portfolio that includes investments in investment-grade and high-yield corporate bonds, U.S. government securities, and international investment-grade and emerging markets debt securities.

In our review of the performance of this portfolio, we look to a number of benchmarks, each reflecting the results of the various markets in which we invest. The benchmarks are the Citigroup World Government Bond Non-Dollar Hedged Index, JPMorgan Emerging Markets Bond Index Global (EMBI Global), Lehman Brothers U.S. Credit Bond Index, Lehman Brothers U.S. Government/ Mortgage Bond Index (U.S. Government/Mortgage), and the Lehman Brothers U.S. High-Yield Corporate Bond Index. For the twelve months ended November 30, 2007, these benchmarks generated returns of 4.22%, 6.32%, 4.04%, 6.92%, and 2.69%, respectively. In addition, the Charter Income Trust Blended Index, which is comprised of representative weightings of each of the aforementioned benchmarks, generated a return of 5.04% over the same period.

For the twelve months ended November 30, 2007, shares of the MFS Charter Income Trust provided a total return of 4.71%, at net asset value, outperforming three of the six benchmarks. The fund trailed the performance of the Charter Income Trust Blended Index, the U.S. Government/Mortgage, and EMBI Global indices. Total return for the fund is also calculated using the New York Stock Exchange price which can differ from the net asset value and accordingly the total return that is calculated based on the net asset value and the New York Stock Exchange price can be different. See the Performance Summary for additional information.

Market environment

Despite seemingly robust growth rates during the second and third quarters of 2007, underlying economic activity in the U.S. remained muted relative to other major economies. Overall, global economies witnessed moderate to strong growth during the reporting period as domestic demand improved and world trade accelerated.

With the strong global growth, however, concerns emerged about rising global inflation, especially as capacity became more constrained, wages rose, and energy and food prices advanced. During the reporting period, global central banks tightened monetary conditions, which in turn pushed global bond yields to their highest levels during this economic expansion.

However, financial markets particularly in the mortgage and structured-products areas experienced substantial volatility in recent months. Beginning in late July, heightened uncertainty and distress concerning the subprime mortgage market caused several global credit markets to tighten up, forcing central banks to inject liquidity and to reassess their tightening biases as

Management review continued

sovereign bond yields declined and credit spreads widened. While credit conditions improved somewhat by late October as the Federal Reserve Board cut interest rates, the level of market turbulence remained significant into November. Increased market turmoil was also exacerbated by U.S. home foreclosures and uncertainties surrounding falling housing prices. Despite increased volatility across all asset classes and the widening in credit spreads, U.S. labor markets were resilient and wages rose modestly. More broadly, global equity markets rebounded following summer losses and generally held those gains through the end of the reporting period.

Detractors from performance

During the reporting period, the fund s overweighted position in the financial sector held back performance as holdings of some finance companies suffered from the recent turmoil in the subprime market.

The fund s holdings of BB and BBB[s] rated securities also detracted from performance as credit spreads widened.

Our positioning along the yield curve[y] was another area of relative weakness.

Contributors to performance

The fund s underweighted position in weak-performing CCC rated securities contributed to performance and helped offset some of the negative impact from the fund s overweighted positions in BB and BBB rated bonds.

The fund s currency exposure, particularly to the Chinese RMB (Yuan), Singapore Dollar, and Brazilian Real, was another positive factor for performance during the reporting period.

Individual sovereign bonds of the Netherlands, Germany, and Spain were among the fund s top contributors.

Respectfully,

John Addeo	David Cole	Richard Hawkins	Matthew Ryan
Portfolio Manager	Portfolio Manager	Portfolio Manager	Portfolio Manager

Note to Shareholders: Effective October 23, 2007, the Board of Trustees of the fund authorized the fund to use leverage.

(s) Bonds rated BBB , Baa , or higher are considered investment grade; bonds rated BB , Ba , or below are considered non-investment grade. The primary source for bond quality ratings is Moody s Investors Service. If not available, ratings by Standard & Poor s are used, else ratings by Fitch, Inc. For securities which are not rated by any of the three agencies, the security is considered Not Rated.

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

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

PERFORMANCE SUMMARY THROUGH 11/30/07

The following chart represents the fund s historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares.

Price Summary

Year Ended 11/30/07	Date	Price
Net Asset Value	11/30/07	$9.54
	11/30/06	$9.64
New York Stock Exchange Price	11/30/07	$8.30
	5/04/07 (high) (t)	$8.60
	8/16/07 (low) (t)	$8.15
	11/30/06	$8.51

Total Returns vs Index

Year Ended 11/30/07

New York Stock Exchange Price (r)	3.20%
Net Asset Value (r)	4.71%
Charter Income Trust Blended Index (f)(x)	5.04%
Citigroup World Government Bond Non-Dollar Hedged Index (f)	4.22%
JPMorgan EMBI Global (f)	6.32%
Lehman Brothers U.S. Credit Bond Index (f)	4.04%
Lehman Brothers U.S. Government/Mortgage Bond Index (f)	6.92%
Lehman Brothers U.S. High-Yield Corporate Bond Index (f)	2.69%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2006 through November 30, 2007.

(x) Charter Income Trust Blended Index is at a point in time and allocations during the period can change. As of November 30, 2007, the blended index was comprised of 25.33% Citigroup World Government Bond Non-Dollar Hedged Index, 8.00% JPMorgan Emerging Markets Bond Index Global (EMBI Global), 16.67% Lehman Brothers U.S. Credit Bond Index, 33.33% Lehman Brothers U.S. Government/Mortgage Bond Index, and 16.67% Lehman Brothers U.S. High-Yield Corporate Bond Index.

Performance summary continued

Index Definitions

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

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

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

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

Lehman Brothers U.S. High-Yield Corporate Bond Index a market capitalization-weighted index that measures the performance of non-investment grade, fixed rate debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded.

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund s shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund s liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different. The fund s monthly distributions may include a return of capital to shareholders. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder s basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. Returns of shareholder capital have the effect of reducing the fund s assets and may increase the fund s expense ratio.

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

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

INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

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

Principal Investment Strategies

MFS normally invests the fund s assets primarily in debt instruments. MFS normally invests the fund s assets in U.S. Government securities, foreign government securities, mortgage backed and other asset-backed securities of U.S. and foreign issuers, corporate bonds of U.S. and foreign issuers, and debt instruments of issuers located in emerging market countries. MFS allocates the fund s assets across these categories with a view toward broad diversification across and within these categories. MFS may invest up to 100% of the fund s assets in lower quality debt instruments, including those that are in default.

MFS may invest the fund s assets in U.S. and foreign securities, including emerging market securities. MFS may invest a relatively high percentage of the fund s assets in a single country or a small number of countries.

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

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

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

The fund may use leverage by borrowing up to 33 $^{1}/3$% of the fund s gross assets and investing the proceeds pursuant to its investment strategies.

Principal Risks

The portfolio s yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicator s in whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. Foreign investments can be more volatile than U.S. investments. Changes in currency exchange rates can affect the U.S. dollar rate of foreign currency investments and investments denominated in foreign currency. Investing in emerging markets can involve risks in addition to those generally associated with investing in more developed foreign markets. To the extent that investments are purchased with the proceeds from the borrowings from a bank, the fund s net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the prospectus for further information regarding these and other risk considerations. A copy of the fund s prospectus is available on the EDGAR database on the Securities and Exchange Commission s Internet Web site at http://www.sec.gov.

PORTFOLIO MANAGERS   PROFILES

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

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan that allows you to reinvest either all of the distributions paid by the fund 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 fund. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. 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 9 a.m. to 5 p.m. Eastern time. Please have available the name of the fund 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.

Effective May 1, 2007, Computershare Trust Company, N.A. (the Transfer Agent for the fund) became the agent for the plan.

PORTFOLIO OF INVESTMENTS

11/30/07

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

Bonds - 95.6%		
Issuer	**Shares/Par**	**Value ($)**
Aerospace - 0.3%		
Bombardier, Inc., 8%, 2014 (n)	$ 987,000	$ 1,021,545
Hawker Beechcraft Acquisition Corp., 8.5%, 2015 (n)	400,000	402,000
TransDigm, Inc., 7.75%, 2014	110,000	111,082
		$ 1,534,627
Airlines - 0.2%		
Continental Airlines, Inc., 7.566%, 2020	$ 887,997	$ 861,357
Asset Backed & Securitized - 5.1%		
Asset Securitization Corp., FRN, 8.63%, 2026	$ 1,549,825	$ 1,687,581
Bayview Financial Acquisition Trust, FRN, 5.483%, 2045	404,000	392,325
Bayview Financial Revolving Mortgage Loan Trust, FRN, 5.6%, 2040 (z)	1,160,000	986,000
Bear Stearns Commercial Mortgage Securities, Inc., FRN, 5.116%, 2041	1,120,248	1,097,731
Citigroup/Deutsche Bank Commercial Mortgage Trust, FRN, 5.366%, 2049	1,605,000	1,577,312
Commercial Mortgage Pass-Through Certificates, FRN, 5.986%, 2046	230,000	229,196
Countrywide Asset-Backed Certificates, FRN, 5.147%, 2035	2,000,000	1,978,802
Credit Suisse Mortgage Capital Certificate, 5.343%, 2039	1,080,744	1,028,760
Crest Ltd., CDO, 7%, 2040	2,000,000	1,644,980
DLJ Commercial Mortgage Corp., 6.04%, 2031 (z)	2,000,000	1,993,400
First Union-Lehman Brothers Bank of America, FRN, 0.681%, 2028 (i)	55,849,157	678,271
First Union-Lehman Brothers Commercial Mortgage Trust, 7%, 2029 (n)	691,288	733,368
JPMorgan Chase Commercial Mortgage Securities Corp., 5.372%, 2047	940,000	900,385
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.723%, 2047	596,997	471,993
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.26%, 2051	185,000	173,831
Merrill Lynch Mortgage Trust, FRN, 5.442%, 2044	1,400,000	1,353,267
Merrill Lynch Mortgage Trust, FRN, 6.022%, 2050	185,000	171,444
Morgan Stanley Capital I, Inc., 5.168%, 2042	1,532,020	1,507,241
Mortgage Capital Funding, Inc., FRN, 0.749%, 2031 (i)	12,140,501	23,896
New Century Home Equity Loan Trust, FRN, 4.532%, 2035	2,500,000	2,465,280
Spirit Master Funding LLC, 5.05%, 2023 (z)	1,791,322	1,760,153
Structured Asset Securities Corp., FRN, 4.67%, 2035	1,661,316	1,656,947
Wachovia Bank Commercial Mortgage Trust, FRN, 5.383%, 2043	2,640,000	2,522,772
		$ 27,034,935

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Automotive - 0.3%		
DaimlerChrysler N.A. Holdings Corp., 8.5%, 2031	$ 400,000	$ 511,584
Ford Motor Credit Co. LLC, 9.75%, 2010	590,000	573,098
General Motors Corp., 8.375%, 2033	404,000	335,320
TRW Automotive, Inc., 7%, 2014 (n)	250,000	233,750
		$ 1,653,752
Broadcasting - 1.7%		
Allbritton Communications Co., 7.75%, 2012	$ 855,000	$ 846,450
CBS Corp., 6.625%, 2011	1,036,000	1,079,601
Clear Channel Communications, Inc., 6.25%, 2011	1,240,000	1,140,800
Clear Channel Communications, Inc., 5.5%, 2014	280,000	223,256
Grupo Televisa S.A., 8.5%, 2032	962,000	1,203,746
Intelsat Bermuda Ltd., 11.25%, 2016	250,000	258,750
Intelsat Subsidiary Holding Co. Ltd., 8.625%, 2015	340,000	342,550
Lamar Media Corp., 7.25%, 2013	675,000	666,563
Lamar Media Corp., 6.625%, 2015	25,000	23,750
Lamar Media Corp., 6.625%, 2015 (z)	245,000	232,750
Lin Television Corp., 6.5%, 2013	550,000	519,750
Local TV Finance LLC, 9.25%, 2015 (n)(p)	295,000	279,513
News America Holdings, 7.7%, 2025	1,140,000	1,291,992
News America, Inc., 6.2%, 2034	542,000	522,105
Univision Communications, Inc., 9.75%, 2015 (n)(p)	455,000	423,150
		$ 9,054,726
Brokerage & Asset Managers - 1.1%		
Goldman Sachs Group, Inc., 5.625%, 2017	$ 2,387,000	$ 2,322,821
INVESCO PLC, 5.625%, 2012	1,440,000	1,433,318
Lehman Brothers Holdings, Inc., 6.5%, 2017	1,260,000	1,269,246
Morgan Stanley, 5.75%, 2016	662,000	651,996
		$ 5,677,381
Building - 0.1%		
Nortek Holdings, Inc., 8.5%, 2014	$ 340,000	$ 275,400
Business Services - 0.5%		
SunGard Data Systems, Inc., 10.25%, 2015	$ 570,000	$ 587,100
Xerox Corp., 6.4%, 2016	2,000,000	2,068,754
		$ 2,655,854
Cable TV - 0.4%		
CCO Holdings LLC, 8.75%, 2013	$ 480,000	$ 469,200
TCI Communications, Inc., 9.8%, 2012	1,169,000	1,357,686
Videotron Ltee, 6.875%, 2014	230,000	220,225
		$ 2,047,111

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Chemicals - 0.9%		
Equistar Chemicals LP, 10.125%, 2008	$ 214,000	$ 221,490
Momentive Performance Materials, Inc., 9.75%, 2014 (n)	445,000	412,738
Mosaic Co., 7.625%, 2016 (n)	1,725,000	1,845,750
Nalco Co., 7.75%, 2011	120,000	121,200
Nalco Co., 8.875%, 2013	45,000	46,800
Yara International A.S.A., 5.25%, 2014 (n)	2,000,000	1,955,444
		$ 4,603,422
Computer Software - 0.4%		
Seagate Technology HDD Holdings, 6.375%, 2011	$ 1,950,000	$ 1,932,938
Conglomerates - 0.4%		
Actuant Corp., 6.875%, 2017 (n)	$ 1,005,000	$ 979,875
Kennametal, Inc., 7.2%, 2012	1,140,000	1,242,403
		$ 2,222,278
Consumer Goods & Services - 0.5%		
Corrections Corp. of America, 6.25%, 2013	$ 305,000	$ 301,188
Fortune Brands, Inc., 5.125%, 2011	1,150,000	1,163,997
Jarden Corp., 7.5%, 2017	250,000	225,000
Service Corp. International, 7%, 2017	775,000	730,438
Service Corp. International, 7.625%, 2018	120,000	119,100
Visant Holding Corp., 8.75%, 2013	162,000	161,595
		$ 2,701,318
Containers - 0.6%		
Crown Americas LLC, 7.75%, 2015	$ 565,000	$ 576,300
Greif, Inc., 6.75%, 2017	1,220,000	1,155,950
Owens-Brockway Glass Container, Inc., 8.875%, 2009	378,000	379,418
Owens-Brockway Glass Container, Inc., 8.25%, 2013	1,250,000	1,293,750
		$ 3,405,418
Defense Electronics - 0.8%		
BAE Systems Holdings, Inc., 4.75%, 2010 (n)	$ 790,000	$ 796,570
BAE Systems Holdings, Inc., 5.2%, 2015 (n)	750,000	737,834
L-3 Communications Corp., 5.875%, 2015	1,350,000	1,296,000
L-3 Communications Corp., 6.375%, 2015	1,500,000	1,485,000
		$ 4,315,404
Electronics - 0.1%		
Flextronics International Ltd., 6.25%, 2014	$ 465,000	$ 442,331
NXP B.V./NXP Funding LLC, 7.875%, 2014	300,000	288,000
		$ 730,331

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Emerging Market Quasi-Sovereign - 1.8%		
Banco do Brasil S.A., 7.95%, 2049 (n)	$ 161,000	$ 160,598
Codelco, Inc., 5.625%, 2035	1,900,000	1,785,010
Gazprom International S.A., 7.201%, 2020	1,002,483	1,021,943
Gazprom International S.A., 6.51%, 2022 (n)	1,300,000	1,247,740
Majapahit Holding B.V., 7.25%, 2017 (n)	1,478,000	1,404,100
OAO Gazprom, 9.625%, 2013	80,000	91,416
OAO Gazprom, 7.288%, 2037 (n)	100,000	102,300
Pemex Project Funding Master Trust, 5.75%, 2018 (z)	666,000	670,646
Ras Laffan Liquefied Natural Gas Co. Ltd., 8.294%, 2014 (n)	2,490,000	2,798,576
		$ 9,282,329
Emerging Market Sovereign - 2.4%		
Federative Republic of Brazil, 6%, 2017	$ 3,170,000	$ 3,238,155
Republic of Argentina, FRN, 5.389%, 2012	3,121,875	2,742,543
Republic of Colombia, FRN, 7.33%, 2015	1,520,000	1,569,400
Republic of Ghana, 8.5%, 2017 (n)	100,000	104,500
Republic of Indonesia, 6.875%, 2017 (n)	171,000	177,413
Republic of Panama, 9.375%, 2029	1,121,000	1,527,363
Republic of Panama, 6.7%, 2036	580,000	610,740
Republic of Philippines, 9.375%, 2017	449,000	545,535
Republic of South Africa, 5.875%, 2022	816,000	818,938
United Mexican States, 5.625%, 2017	1,150,000	1,166,100
		$ 12,500,687
Energy - Independent - 0.7%		
Chaparral Energy, Inc., 8.875%, 2017 (n)	$ 380,000	$ 338,200
Chesapeake Energy Corp., 6.875%, 2016	1,070,000	1,051,275
Forest Oil Corp., 7.25%, 2019 (n)	210,000	207,900
Hilcorp Energy I LP, 7.75%, 2015 (n)	625,000	604,688
Newfield Exploration Co., 6.625%, 2014	295,000	289,100
OPTI Canada, Inc., 8.25%, 2014 (n)	290,000	285,650
Plains Exploration & Production Co., 7%, 2017	685,000	650,750
Quicksilver Resources, Inc., 7.125%, 2016	400,000	386,000
		$ 3,813,563
Energy - Integrated - 0.2%		
Petroleum Co. of Trinidad & Tobago Ltd., 6%, 2022 (n)	$ 430,000	$ 430,000
TNK-BP Finance S.A., 7.5%, 2013 (z)	118,000	117,558
TNK-BP Finance S.A., 7.5%, 2016 (n)	581,000	561,478
		$ 1,109,036

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Entertainment - 0.4%		
AMC Entertainment, Inc., 11%, 2016	$ 200,000	$ 209,500
Turner Broadcasting System, Inc., 8.375%, 2013	1,784,000	2,010,068
		$ 2,219,568
Financial Institutions - 1.6%		
American Express Co., 6.15%, 2017	$ 410,000	$ 420,064
Capmark Financial Group, Inc., 5.875%, 2012 (n)	940,000	728,653
Countrywide Financial Corp., 6.25%, 2016	1,250,000	787,638
General Motors Acceptance Corp., 5.85%, 2009	1,842,000	1,755,124
General Motors Acceptance Corp., 6.875%, 2011	1,759,000	1,536,842
GMAC LLC, 6.125%, 2008	234,000	231,916
ILFC E-Capital Trust I, 5.9% to 2010, FRN to 2065 (n)	2,500,000	2,492,090
Residential Capital LLC, 7.625%, 2008	215,000	167,700
Residential Capital LLC, 8%, 2012	497,000	323,050
		$ 8,443,077
Food & Beverages - 0.6%		
ARAMARK Corp., 8.5%, 2015	$ 610,000	$ 612,288
B&G Foods, Inc., 8%, 2011	170,000	164,900
Dean Foods Co., 7%, 2016	545,000	482,325
Del Monte Corp., 6.75%, 2015	125,000	117,500
General Mills, Inc., 5.65%, 2012	260,000	268,057
Tyson Foods, Inc., 6.85%, 2016	1,520,000	1,576,508
		$ 3,221,578
Forest & Paper Products - 0.5%		
Buckeye Technologies, Inc., 8.5%, 2013	$ 460,000	$ 464,600
Norske Skog Canada Ltd., 7.375%, 2014	695,000	521,250
Stora Enso Oyj, 6.404%, 2016 (n)	1,560,000	1,543,578
		$ 2,529,428
Gaming & Lodging - 1.1%		
Harrah s Operating Co., Inc., 5.375%, 2013	$ 750,000	$ 588,750
Harrah s Operating Co., Inc., 5.75%, 2017	260,000	185,900
Host Marriott LP, 6.75%, 2016	1,000,000	992,500
Isle of Capri Casinos, Inc., 7%, 2014	285,000	243,675
Mandalay Resort Group, 9.375%, 2010	450,000	464,625
MGM Mirage, Inc., 8.375%, 2011	805,000	823,113
MGM Mirage, Inc., 6.75%, 2013	230,000	221,950
MGM Mirage, Inc., 7.5%, 2016	635,000	623,888
Scientific Games Corp., 6.25%, 2012	380,000	362,900
Station Casinos, Inc., 6.5%, 2014	430,000	348,300
Tropicana Entertainment LLC, 9.625%, 2014	585,000	406,575

Portfolio of Investments continued

Issuer		Shares/Par		Value ($)
Bonds - continued				
Gaming & Lodging - continued				
Wyndham Worldwide Corp., 6%, 2016	$	270,000	$	267,782
Wynn Las Vegas LLC, 6.625%, 2014		365,000		354,050
			$	5,884,008
Industrial - 0.2%				
JohnsonDiversey Holdings, Inc., B , 9.625%, 2012	$	735,000	$	749,700
Wesco Distribution, Inc., 7.5%, 2017		90,000		82,800
			$	832,500
Insurance - 0.0%				
American International Group, Inc., 6.25%, 2037	$	210,000	$	187,903
Insurance - Health - 0.1%				
Centene Corp., 7.25%, 2014	$	295,000	$	287,625
Insurance - Property & Casualty - 1.2%				
AXIS Capital Holdings Ltd., 5.75%, 2014	$	1,689,000	$	1,721,253
Fund American Cos., Inc., 5.875%, 2013		1,351,000		1,381,719
USI Holdings Corp., FRN, 9.432%, 2014 (n)		1,005,000		899,475
ZFS Finance USA Trust V, FRN, 6.5%, 2037 (n)		2,490,000		2,266,020
			$	6,268,467
International Market Quasi-Sovereign - 6.4%				
Canada Housing Trust, 4.6%, 2011	CAD	654,000	$	664,845
Development Bank of Japan, 1.75%, 2010	JPY	307,000,000		2,819,683
Development Bank of Japan, 1.4%, 2012	JPY	462,000,000		4,221,808
Development Bank of Japan, 1.05%, 2023	JPY	654,000,000		5,212,978
Development Bank of Japan, 2.3%, 2026	JPY	190,000,000		1,768,697
Japan Finance Corp. for Municipal Enterprises, 1.55%, 2012	JPY	463,000,000		4,264,199
Japan Finance Corp. for Municipal Enterprises, 2%, 2016	JPY	850,000,000		8,005,363
KfW Bankengruppe, 1.35%, 2014	JPY	723,000,000		6,559,966
			$	33,517,539
International Market Sovereign - 14.6%				
Federal Republic of Germany, 5.25%, 2010	EUR	6,501,000	$	9,838,141
Federal Republic of Germany, 3.75%, 2015	EUR	2,555,000		3,669,735
Federal Republic of Germany, 6.25%, 2030	EUR	2,593,000		4,667,091
Government of Canada, 5.5%, 2009	CAD	1,305,000		1,336,431
Government of Canada, 4.5%, 2015	CAD	1,125,000		1,165,278
Government of Canada, 5.75%, 2033	CAD	396,000		492,107
Kingdom of Denmark, 4%, 2015	DKK	6,915,000		1,343,671
Kingdom of Netherlands, 3.75%, 2009	EUR	8,727,000		12,733,672
Kingdom of Netherlands, 3.75%, 2014	EUR	1,787,000		2,567,811
Kingdom of Spain, 5.35%, 2011	EUR	4,570,000		7,006,808

Portfolio of Investments continued

Issuer		Shares/Par		Value ($)
Bonds - continued				
International Market Sovereign - continued				
Kingdom of Sweden, 4.5%, 2015	SEK	4,390,000	$	701,914
Republic of Austria, 4.65%, 2018	EUR	4,347,000		6,549,230
Republic of France, 4.75%, 2012	EUR	1,281,000		1,935,872
Republic of France, 5%, 2016	EUR	2,150,000		3,327,668
Republic of France, 6%, 2025	EUR	874,000		1,504,363
Republic of France, 4.75%, 2035	EUR	3,517,000		5,226,317
Republic of Ireland, 4.6%, 2016	EUR	3,420,000		5,130,178
United Kingdom Treasury, 8%, 2015	GBP	944,000		2,365,631
United Kingdom Treasury, 8%, 2021	GBP	980,000		2,671,965
United Kingdom Treasury, 4.25%, 2036	GBP	1,346,000		2,671,419
			$	76,905,302
Machinery & Tools - 0.1%				
Case New Holland, Inc., 7.125%, 2014	$	380,000	$	379,050
Major Banks - 0.8%				
BNP Paribas, 5.186% to 2015, FRN to 2049 (n)	$	1,667,000	$	1,494,489
MUFG Capital Finance 1 Ltd., 6.346% to 2016, FRN to 2049		1,408,000		1,351,829
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n)		320,000		314,927
Unicredit Luxembourg Finance S.A., 6%, 2017 (n)		830,000		838,084
			$	3,999,329
Medical & Health Technology & Services - 1.7%				
Advanced Medical Optics, Inc., 7.5%, 2017	$	150,000	$	136,500
Community Health Systems, Inc., 8.875%, 2015		530,000		535,300
Cooper Cos., Inc., 7.125%, 2015		655,000		635,350
Covidien Ltd., 6%, 2017 (z)		350,000		364,020
Covidien Ltd., 6.55%, 2037 (n)		190,000		198,762
DaVita, Inc., 6.625%, 2013		170,000		164,900
DaVita, Inc., 7.25%, 2015		915,000		889,838
Fisher Scientific International, Inc., 6.125%, 2015		2,090,000		2,085,665
HCA, Inc., 8.75%, 2010		630,000		630,788
HCA, Inc., 6.375%, 2015		160,000		132,800
HCA, Inc., 9.25%, 2016		780,000		807,300
Hospira, Inc., 6.05%, 2017		1,091,000		1,116,623
Owens & Minor, Inc., 6.35%, 2016		970,000		993,897
Psychiatric Solutions, Inc., 7.75%, 2015		390,000		380,250
			$	9,071,993
Metals & Mining - 1.5%				
Arch Western Finance LLC, 6.75%, 2013	$	305,000	$	295,088
FMG Finance Ltd., 10.625%, 2016 (n)		650,000		747,500
Foundation PA Coal Co., 7.25%, 2014		490,000		471,625

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Metals & Mining - continued		
Freeport-McMoRan Copper & Gold, Inc., 8.25%, 2015	$ 200,000	$ 213,500
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 2017	1,040,000	1,123,200
Freeport-McMoRan Copper & Gold, Inc., FRN, 8.394%, 2015	185,000	188,238
International Steel Group, Inc., 6.5%, 2014	1,300,000	1,362,678
Ispat Inland ULC, 9.75%, 2014	1,200,000	1,311,630
Peabody Energy Corp., 5.875%, 2016	425,000	403,750
Peabody Energy Corp., B , 6.875%, 2013	465,000	466,163
Steel Dynamics, Inc., 7.375%, 2012 (n)	1,620,000	1,607,850
		$ 8,191,222
Mortgage Backed - 14.5%		
Fannie Mae, 3.81%, 2013	$ 560,681	$ 541,972
Fannie Mae, 4.1%, 2013	908,138	890,134
Fannie Mae, 4.19%, 2013	776,573	763,572
Fannie Mae, 4.845%, 2013	245,502	247,609
Fannie Mae, 4.547%, 2014	728,371	723,101
Fannie Mae, 4.6%, 2014	742,483	742,254
Fannie Mae, 4.621%, 2014	911,395	908,405
Fannie Mae, 4.77%, 2014	578,920	579,877
Fannie Mae, 4.56%, 2015	311,387	309,044
Fannie Mae, 4.665%, 2015	252,286	251,891
Fannie Mae, 4.7%, 2015	240,750	240,837
Fannie Mae, 4.74%, 2015	594,973	592,840
Fannie Mae, 4.78%, 2015	695,836	698,176
Fannie Mae, 4.815%, 2015	600,000	599,795
Fannie Mae, 4.87%, 2015	508,602	513,144
Fannie Mae, 4.89%, 2015	169,729	171,542
Fannie Mae, 4.925%, 2015	1,891,911	1,907,012
Fannie Mae, 6%, 2016 - 2037	10,307,201	10,502,875
Fannie Mae, 5.5%, 2019 - 2099	43,239,071	43,441,092
Fannie Mae, 4.88%, 2020	529,257	531,051
Fannie Mae, 6.5%, 2032 - 2033	2,539,357	2,625,407
Freddie Mac, 5%, 2024	290,132	290,711
Freddie Mac, 5.5%, 2034	6,494,188	6,511,287
Freddie Mac, 6%, 2034	1,764,069	1,795,252
		$ 76,378,880
Natural Gas - Distribution - 0.2%		
AmeriGas Partners LP, 7.25%, 2015	$ 470,000	$ 455,900
AmeriGas Partners LP, 7.125%, 2016	175,000	168,000
Inergy LP, 6.875%, 2014	270,000	260,550
		$ 884,450

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Natural Gas - Pipeline - 1.4%		
Atlas Pipeline Partners LP, 8.125%, 2015	$ 1,080,000	$ 1,058,400
CenterPoint Energy Resources Corp., 7.875%, 2013	1,600,000	1,775,584
Deutsche Bank (El Paso Performance-Linked Trust, CLN), 7.75%, 2011 (n)	910,000	952,980
El Paso Corp., 7.75%, 2032	255,000	254,746
Intergas Finance B.V., 6.375%, 2017 (n)	121,000	106,026
Spectra Energy Capital LLC, 8%, 2019	1,350,000	1,587,393
Williams Cos., Inc., 8.75%, 2032	1,010,000	1,219,575
Williams Partners LP, 7.25%, 2017	370,000	379,250
		$ 7,333,954
Network & Telecom - 1.6%		
Citizens Communications Co., 9.25%, 2011	$ 815,000	$ 882,238
Citizens Communications Co., 9%, 2031	405,000	408,038
Nordic Telephone Co. Holdings, 8.875%, 2016 (n)	305,000	309,575
Qwest Corp., 7.875%, 2011	700,000	722,750
Qwest Corp., 8.875%, 2012	450,000	483,188
Telefonica Europe B.V., 7.75%, 2010	1,000,000	1,076,725
TELUS Corp., 8%, 2011	1,299,000	1,415,624
Verizon New York, Inc., 6.875%, 2012	2,542,000	2,713,285
Windstream Corp., 8.625%, 2016	495,000	513,563
		$ 8,524,986
Oil Services - 0.2%		
Basic Energy Services, Inc., 7.125%, 2016	$ 485,000	$ 451,050
Compagnie Generale de Geophysique - Veritas, 7.75%, 2017	340,000	341,700
GulfMark Offshore, Inc., 7.75%, 2014	435,000	439,350
		$ 1,232,100
Oils - 0.4%		
Premcor Refining Group, Inc., 7.5%, 2015	$ 2,300,000	$ 2,397,957
Other Banks & Diversified Financials - 2.3%		
Alfa Diversified Payment Rights Finance Co., FRN, 7.594%, 2011 (n)	$ 2,117,350	$ 2,037,949
Banco BMG S.A., 9.15%, 2016 (n)	639,000	654,975
Banco do Estado de Sao Paulo S.A., 8.7%, 2049 (n)	840,000	863,100
Banco Mercantil del Norte S.A., 5.875% to 2009, FRN to 2014 (n)	808,000	799,920
Bosphorus Financial Services Ltd., FRN, 6.668%, 2012 (z)	1,500,000	1,484,516
ICICI Bank Ltd., 6.625%, 2012 (n)	76,000	78,242
Mizuho Capital Investment 1 Ltd., 6.686% to 2016, FRN to 2049 (n)	2,500,000	2,246,225
Resona Bank Ltd., 5.85% to 2016, FRN to 2049 (n)	655,000	619,084
Russian Standard Finance S.A., 8.125%, 2008 (n)	682,000	662,222
Russian Standard Finance S.A., 8.625%, 2011 (n)	374,000	326,988

Portfolio of Investments continued

Issuer	**Shares/Par**	**Value ($)**
Bonds - continued		
Other Banks & Diversified Financials - continued		
VTB Capital S.A., 6.609%, 2012 (z)	$ 706,000	$ 699,646
Woori Bank, 6.125% to 2011, FRN to 2016 (n)	1,490,000	1,479,084
		$ 11,951,951
Precious Metals & Minerals - 0.6%		
Alrosa Finance S.A., 8.875%, 2014	$ 2,880,000	$ 3,104,467
Printing & Publishing - 1.0%		
American Media Operations, Inc., 10.25%, 2009	$ 185,000	$ 164,650
Dex Media West LLC, 9.875%, 2013	1,527,000	1,586,171
Idearc, Inc., 8%, 2016	2,000,000	1,870,000
Nielsen Finance LLC, 10%, 2014	240,000	244,200
R.H. Donnelley Corp., 8.875%, 2016	1,535,000	1,450,575
		$ 5,315,596
Railroad & Shipping - 0.4%		
TFM S.A. de C.V., 9.375%, 2012	$ 2,100,000	$ 2,215,500
Real Estate - 0.6%		
HRPT Properties Trust, REIT, 6.25%, 2016	$ 1,422,000	$ 1,393,806
Kimco Realty Corp., REIT, 5.783%, 2016	710,000	703,579
Simon Property Group LP, REIT, 5.875%, 2017	1,260,000	1,249,696
		$ 3,347,081
Retailers - 0.5%		
Couche-Tard, Inc., 7.5%, 2013	$ 420,000	$ 415,800
Federated Retail Holdings, Inc., 5.35%, 2012	200,000	194,919
Gap, Inc., 8.8%, 2008	940,000	971,725
Home Depot, Inc., 5.875%, 2036	1,000,000	846,982
		$ 2,429,426
Specialty Stores - 0.1%		
GSC Holdings Corp., 8%, 2012	$ 220,000	$ 228,800
Payless ShoeSource, Inc., 8.25%, 2013	65,000	60,450
		$ 289,250
Supermarkets - 0.3%		
Delhaize America, Inc., 9%, 2031	$ 980,000	$ 1,164,314
Stater Brothers Holdings, Inc., 7.75%, 2015	220,000	213,400
SUPERVALU, Inc., 7.5%, 2014	315,000	325,238
		$ 1,702,952

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
Supranational - 0.7%		
Central American Bank, 4.875%, 2012 (n)	$ 1,426,000	$ 1,436,485
European Investment Bank, 5.125%, 2017	2,000,000	2,116,544
		$ 3,553,029
Telecommunications - Wireless - 1.7%		
Alltel Corp., 7%, 2012	$ 361,000	$ 314,046
American Tower Corp., 7%, 2017 (n)	150,000	152,625
AT&T Wireless Services, Inc., 8.75%, 2031	1,500,000	1,938,890
Centennial Communications Corp., 10.125%, 2013	100,000	104,500
Cingular Wireless LLC, 6.5%, 2011	1,700,000	1,791,008
MetroPCS Wireless, Inc., 9.25%, 2014	265,000	251,088
Nextel Communications, Inc., 5.95%, 2014	1,295,000	1,206,304
OJSC Vimpel-Communications, 8.25%, 2016	1,527,000	1,546,393
Rogers Cable, Inc., 5.5%, 2014	1,025,000	1,015,912
Rogers Wireless, Inc., 7.5%, 2015	450,000	492,937
		$ 8,813,703
Telephone Services - 0.3%		
Embarq Corp., 7.082%, 2016	$ 1,740,000	$ 1,814,698
Tobacco - 0.6%		
Reynolds American, Inc., 6.75%, 2017	$ 2,984,000	$ 3,155,580
Transportation - 0.0%		
Peru Enhanced Pass-Through Trust, 0%, 2018 (n)	$ 250,000	$ 170,000
Transportation - Services - 0.1%		
Hertz Corp., 8.875%, 2014	$ 315,000	$ 315,000
Westinghouse Air Brake Technologies Corp., 6.875%, 2013	370,000	362,600
		$ 677,600
U.S. Government Agencies - 1.0%		
Freddie Mac, 5.5%, 2017	$ 5,100,000	$ 5,462,630
U.S. Treasury Obligations - 13.4%		
U.S. Treasury Bonds, 10.625%, 2015	$ 3,350,000	$ 4,855,668
U.S. Treasury Bonds, 7.5%, 2016	5,750,000	7,248,145
U.S. Treasury Bonds, 6.25%, 2023 (f)	8,000,000	9,662,496
U.S. Treasury Bonds, 5.375%, 2031	477,000	542,215
U.S. Treasury Bonds, 4.5%, 2036	158,000	160,197
U.S. Treasury Bonds, 4.75%, 2037	4,977,000	5,255,010
U.S. Treasury Notes, 12%, 2013	10,564,000	11,175,561

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Bonds - continued		
U.S. Treasury Obligations - continued		
U.S. Treasury Notes, 4.25%, 2013	$ 13,765,000	$ 14,280,114
U.S. Treasury Notes, 9.875%, 2015	5,025,000	7,071,904
U.S. Treasury Notes, 4.875%, 2016	2,200,000	2,349,360
U.S. Treasury Notes, 6.375%, 2027	2,350,000	2,939,519
U.S. Treasury Notes, TIPS, 2%, 2014	5,064,714	5,241,189
		$ 70,781,378
Utilities - Electric Power - 4.4%		
AES Corp., 9.375%, 2010	$ 840,000	$ 874,650
Allegheny Energy Supply Co. LLC, 8.25%, 2012 (n)	370,000	396,825
Bruce Mansfield Unit, 6.85%, 2034	1,560,000	1,608,360
Dynegy Holdings, Inc., 7.5%, 2015	130,000	119,600
Edison Mission Energy, 7%, 2017	930,000	890,475
EDP Finance B.V., 6%, 2018 (n)	1,330,000	1,342,155
EEB International Ltd., 8.75%, 2014 (z)	569,000	576,682
Empresa Nacional de Electricidad S.A., 8.35%, 2013	812,000	926,978
Enersis S.A., 7.375%, 2014	1,273,000	1,360,799
Exelon Generation Co. LLC, 6.95%, 2011	2,486,000	2,623,302
FirstEnergy Corp., 6.45%, 2011	1,699,000	1,754,556
HQI Transelec Chile S.A., 7.875%, 2011	1,500,000	1,628,148
Intergen N.V., 9%, 2017 (n)	605,000	635,250
ISA Capital do Brasil S.A., 7.875%, 2012 (n)	461,000	467,915
ISA Capital do Brasil S.A., 8.8%, 2017 (n)	754,000	776,620
Mirant Americas Generation LLC, 8.3%, 2011	100,000	99,750
Mirant North American LLC, 7.375%, 2013	710,000	711,775
NiSource Finance Corp., 7.875%, 2010	1,145,000	1,245,873
NorthWestern Corp., 5.875%, 2014	1,435,000	1,439,506
NRG Energy, Inc., 7.375%, 2016	1,160,000	1,136,800
Reliant Energy, Inc., 7.875%, 2017	455,000	440,781
Sierra Pacific Resources, 8.625%, 2014	50,000	53,250
System Energy Resources, Inc., 5.129%, 2014 (n)	2,029,752	2,079,359
		$ 23,189,409
Total Bonds (Identified Cost, $495,591,048)		**$ 504,077,033**
Floating Rate Loans - 0.9% (g)(r)		
Aerospace - 0.0%		
Hawker Beechcraft Acquisition Co., Letter of Credit, 7.2%, 2014	$ 10,279	$ 9,821
Hawker Beechcraft Acquisition Co., Term Loan, 7.17%, 2014	251,619	240,401
		$ 250,222

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Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Floating Rate Loans (g)(r) - continued		
Automotive - 0.2%		
Ford Motor Co., Term Loan B, 8.7%, 2013	$ 389,236	$ 362,962
Goodyear Tire & Rubber Co., Second Lien Term Loan, 6.43%, 2014	524,398	491,295
		$ 854,257
Broadcasting - 0.1%		
Gray Television, Inc., Delayed Draw Term Loan, 6.73%, 2014	$ 189,537	$ 178,323
Univision Communications, Inc., Term Loan B, 7.21%, 2014 (o)	508,769	466,032
		$ 644,355
Cable TV - 0.2%		
Charter Communications Operating LLC, Term Loan, 6.99%, 2014	$ 298,427	$ 277,672
CSC Holdings, Inc., Incremental Term Loan, 6.42%, 2013	335,265	317,350
Mediacom Illinois LLC, Term Loan A, 6.22%, 2012	302,299	282,902
		$ 877,924
Chemicals - 0.1%		
Celanese AG, Term Loan B, 7%, 2014	$ 359,731	$ 344,121
Food & Beverages - 0.1%		
Dean Foods Co., Term Loan B, 6.7%, 2014	$ 282,744	$ 268,332
Medical & Health Technology & Services - 0.1%		
Advanced Medical Optics, Inc., Term Loan, 6.86%, 2014 (o)	$ 163,725	$ 155,334
Community Health Systems, Inc., Term Loan B, 7.33%, 2014	203,038	193,986
HCA, Inc., Term Loan B, 7.45%, 2012	452,720	433,035
		$ 782,355
Natural Gas - Pipeline - 0.0%		
Kinder Morgan, Inc., Term Loan, 6.33%, 2014	$ 97,166	$ 92,211
Pollution Control - 0.1%		
Allied Waste North America, Inc., Term Loan, 6.6%, 2012	$ 211,009	$ 201,338
Allied Waste North America, Inc., Term Loan A, Credit Linked Deposit, 6.62%, 2012	133,503	127,384
		$ 328,722
Total Floating Rate Loans (Identified Cost, $4,634,235)		**$ 4,442,499**
Common Stocks - 0.0%		
Printing & Publishing - 0.0%		
Golden Books Family Entertainment, Inc. (Identified Cost, $0) (a)	3,683	$ 0

Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Short-Term Obligations - 1.7%		
General Electric Capital Corp., 4.6%, due 12/03/07, at Amortized Cost and Value (y)	$ 9,024,000	$ 9,021,694
Total Investments (Identified Cost, $509,246,977) (k)		**$ 517,541,226**
Other Assets, Less Liabilities - 1.8%		9,728,161
Net Assets - 100.0%		**$ 527,269,387**

(a) Non-income producing security.

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

(g) The rate shown represents a weighted average coupon rate on settled positions at period end.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(k) As of November 30, 2007, the fund held securities fair valued in accordance with the policies adopted by the Board of Trustees, aggregating $496,943,357 and 96.02% of market value. An independent pricing service provided an evaluated bid for 95.36% of the market value.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $49,969,712, representing 9.5% of net assets.

(o) All or a portion of this position has not settled. Upon settlement date, interest rates will be determined.

(p) Payment-in-kind security.

(r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.

(y) The rate shown represents an annualized yield at time of purchase.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities

	Acquisition Date	Acquisition Cost	Current Market Value	% of Net Assets
Bayview Financial Revolving Mortgage Loan Trust, FRN, 5.6%, 2040	3/01/06	$1,160,000	$986,000	
Bosphorus Financial Services Ltd., FRN, 6.668%, 2012	3/08/05	1,500,000	1,484,516	
Covidien Ltd., 6%, 2017	10/17/07	349,745	364,020	
DLJ Commercial Mortgage Corp., 6.04%, 2031	7/23/04	1,969,453	1,993,400	
EEB International Ltd., 8.75%, 2014	10/24/07	569,000	576,682	
Lamar Media Corp., 6.625%, 2015	11/15/07 - 11/20/07	233,513	232,750	
Pemex Project Funding Master Trust, 5.75%, 2018	10/17/07	661,445	670,646	

Portfolio of Investments continued

Restricted Securities	Acquisition Date	Acquisition Cost	Current Market Value	% of Net Assets
Spirit Master Funding LLC, 5.05%, 2023	7/15/05	$1,814,558	$1,760,153	
TNK-BP Finance S.A., 7.5%, 2013	10/3/07	117,016	117,558	
VTB Capital S.A., 6.609%, 2012	10/25/07	706,000	699,646	
Total Restricted Securities			$8,885,371	1.7%

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

CDO	Collateralized Debt Obligation
CLN	Credit-Linked Note
FRN	Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.
REIT	Real Estate Investment Trust
TIPS	Treasury Inflation Protected Security

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

AUD	Australian Dollar
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Yuan Renminbi
DKK	Danish Krone
EUR	Euro
GBP	British Pound
JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona
SGD	Singapore Dollar

Unfunded Loan Commitments

As of November 30, 2007, the portfolio had the following unfunded loan commitments of $31,057, which could be extended at the option of the borrower:

Borrower	Unfunded Loan Commitment	Unrealized Appreciation (Depreciation)
Community Health Systems, Inc., Delayed Draw Term Loan, 2014	$ 13,391	$ (597)
Univision Communications, Inc., Delayed Draw Term Loan, 2014	17,666	(109)
	$31,057	$ (706)

At November 30, 2007, the fund had sufficient cash and/or other liquid securities to cover any commitments under these contracts.

See Notes to Financial Statements

Portfolio of Investments continued

Derivative Contracts at 11/30/07

Forward Foreign Currency Exchange Contracts at 11/30/07

Type	Currency	Contracts to Deliver/Receive	Settlement Date Range	In Exchange for	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Appreciation						
SELL	CAD	3,673,430	1/09/08	$ 3,913,317	$ 3,671,072	$ 242,245
BUY	CHF	1,457,870	12/03/07	1,254,201	1,289,205	35,004
SELL	CHF	1,457,870	12/03/07	1,304,232	1,289,205	15,027
BUY	CNY	42,072,400	1/23/08	5,763,342	5,764,117	775
BUY	EUR	3,426,160	12/14/07-12/19/07	4,814,793	5,016,376	201,583
SELL	EUR	45,937,749	1/16/08	67,370,925	67,296,710	74,215
SELL	GBP	625,000	12/14/07	1,286,850	1,284,961	1,889
BUY	MXN	14,493,979	12/18/07	1,298,395	1,326,645	28,250
SELL	NOK	7,025,047	12/14/07	1,276,736	1,267,404	9,332
BUY	NZD	1,745,646	1/16/08	1,312,987	1,322,419	9,432
SELL	NZD	1,745,646	1/16/08	1,326,533	1,322,419	4,114
SELL	SEK	8,904,140	1/15/08	1,400,000	1,394,603	5,397
BUY	SGD	2,066,826	12/19/07	1,426,184	1,429,974	3,790
						$ 631,053
Depreciation						
BUY	AUD	2,893,459	1/16/08	$ 2,598,123	$ 2,547,775	$ (50,348)
SELL	AUD	1,500,272	1/16/08	1,306,632	1,321,033	(14,401)
BUY	CHF	1,457,870	2/04/08	1,310,528	1,295,190	(15,338)
SELL	DKK	6,950,047	12/10/07	1,319,671	1,364,388	(44,717)
SELL	EUR	2,517,359	12/19/07	3,498,927	3,686,123	(187,196)
BUY	GBP	550,000	12/19/07	1,134,025	1,130,596	(3,429)
SELL	GBP	4,379,614	12/19/07	8,780,834	9,002,865	(222,031)
SELL	JPY	3,601,599,881	1/15/08	32,272,400	32,584,708	(312,308)
SELL	MXN	14,493,979	12/18/07	1,318,539	1,326,645	(8,106)
BUY	NOK	7,025,047	12/14/07	1,300,000	1,267,404	(32,596)
BUY	SEK	4,284,596	1/15/08	680,240	671,071	(9,169)
						$ (899,639)

Futures contracts outstanding at 11/30/07

Description	Contracts	Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
U.S. Treasury Bond (Long)	97	$11,367,188	Mar-08	$20,121
U.S. Treasury Note 10 yr (Short)	260	29,432,813	Mar-08	15,340
				$35,461

See Notes to Financial Statements

Portfolio of Investments continued

Swap Agreements at 11/30/07

Expiration	Notional Amount	Counterparty	Cash Flows to Receive	Cash Flows to Pay	Unrealized Appreciation (Depreciation)
Credit Default Swaps					
6/20/09	USD 200,000	JPMorgan Chase Bank	4.1% (fixed rate)	(1)	$ (19,491)
9/20/12	USD 1,500,000	JPMorgan Chase Bank	0.33% (fixed rate)	(2)	(3,438)
3/20/17	USD 1,250,000	Merrill Lynch International	(3)	0.81% (fixed rate)	(19,216)
3/20/17	USD 1,350,000	JPMorgan Chase Bank	(4)	0.38% (fixed rate)	2,538
3/20/17	USD 1,040,000	Goldman Sachs International	(5)	0.40% (fixed rate)	(585)
6/20/17	USD 2,500,000	Merrill Lynch International	(6)	0.91% (fixed rate)	(9,328)
					$ (49,520)

(1) Fund to pay notional amount upon a defined credit event by Abitibi Consolidated, 8.375%, 4/01/15.

(2) Fund to pay notional amount upon a defined credit event by FNMA, 5.5%, 6/09/33.

(3) Fund to receive notional amount upon a defined credit event by Waste Management, Inc., 7.375%, 8/01/10.

(4) Fund to receive notional amount upon a defined credit event by PPG Industries, Inc., 7.05%, 8/15/09.

(5) Fund to receive notional amount upon a defined credit event by Dover Corp., 6.25%, 6/01/08.

(6) Fund to receive notional amount upon a defined credit event by New York Times Co., 4.61%, 9/26/12.

At November 30, 2007, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

At 11/30/07

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

Assets		
Investments, at value (identified cost, $509,246,977)	$517,541,226	
Cash	108,581	
Receivable for forward foreign currency exchange contracts	631,053	
Receivable for investments sold	4,274,509	
Interest receivable	7,218,169	
Swaps, at value	2,538	
Other assets	17,339	
Total assets		$529,793,415
Liabilities		
Distributions payable	$144,947	
Payable for forward foreign currency exchange contracts	899,639	
Payable for daily variation margin on open futures contracts	44,375	
Payable for investments purchased	1,033,950	
Swaps, at value	52,058	
Unrealized depreciation on unfunded loan commitments	706	
Payable to affiliates		
Management fee	16,753	
Transfer agent and dividend disbursing costs	7,545	
Administrative services fee	500	
Payable for independent trustees compensation	164,681	
Accrued expenses and other liabilities	158,874	
Total liabilities		$2,524,028
Net assets		$527,269,387
Net assets consist of:		
Paid-in capital	$584,976,553	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	8,093,522	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(58,351,717)	
Accumulated distributions in excess of net investment income	(7,448,971)	
Net assets		$527,269,387
Shares of beneficial interest outstanding (64,755,283 issued, less 9,490,744 treasury shares)		55,264,539
Net asset value per share (net assets of $527,269,387 / 55,264,539 shares of beneficial interest outstanding)		$9.54

See Notes to Financial Statements

Financial Statements

STATEMENT OF OPERATIONS

Year ended 11/30/07

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

Net investment income		
Income		
Interest	$29,486,007	
Foreign taxes withheld	(306)	
Total investment income		$29,485,701
Expenses		
Management fee	$3,118,090	
Transfer agent and dividend disbursing costs	99,860	
Administrative services fee	97,593	
Independent trustees compensation	80,471	
Custodian fee	155,138	
Shareholder communications	110,246	
Auditing fees	58,267	
Legal fees	12,971	
Miscellaneous	85,560	
Total expenses		$3,818,196
Fees paid indirectly	(12,395)	
Reduction of expenses by investment adviser	(2,576)	
Net expenses		$3,803,225
Net investment income		$25,682,476
Realized and unrealized gain (loss) on investments		
Realized gain (loss) (identified cost basis)		
Investment transactions	$1,003,918	
Futures contracts	(1,036,797)	
Swap transactions	86,528	
Foreign currency transactions	(10,742,006)	
Net realized gain (loss) on investments and foreign currency transactions		$(10,688,357)
Change in unrealized appreciation (depreciation)		
Investments	$1,129,948	
Futures contracts	(14,943)	
Swap transactions	(34,163)	
Translation of assets and liabilities in foreign currencies	4,899,262	
Unfunded loan commitments	(706)	
Net unrealized gain (loss) on investments and foreign currency translation		$5,979,398
Net realized and unrealized gain (loss) on investments and foreign currency		$(4,708,959)
Change in net assets from operations		$20,973,517

See Notes to Financial Statements

Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS

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

	Years ended 11/30	
	2007	**2006**
Change in net assets		
From operations		
Net investment income	$25,682,476	$24,422,786
Net realized gain (loss) on investments and foreign currency transactions	(10,688,357)	(4,389,884)
Net unrealized gain (loss) on investments and foreign currency translation	5,979,398	9,439,705
Change in net assets from operations	$20,973,517	$29,472,607
Distributions declared to shareholders		
From net investment income	$(26,527,027)	$(27,468,629)
Change in net assets from fund share transactions	$	$(8,672,032)
Total change in net assets	$(5,553,510)	$(6,668,054)
Net assets		
At beginning of period	532,822,897	539,490,951
At end of period (including accumulated distributions in excess of net investment income of $7,448,971 and undistributed net investment income of $1,142,429)	$527,269,387	$532,822,897

See Notes to Financial Statements

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Financial Statements

FINANCIAL HIGHLIGHTS

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

	Years ended 11/30				
	2007	**2006**	**2005**	**2004**	**2003**
Net asset value, beginning of period	$9.64	$9.58	$9.71	$9.58	$9.09
Income (loss) from investment operations					
Net investment income (d)	$0.46	$0.44	$0.45	$0.49	$0.49
Net realized and unrealized gain (loss) on investments and foreign currency	(0.08)	0.09	(0.09)	0.17	0.51
Total from investment operations	$0.38	$0.53	$0.36	$0.66	$1.00
Less distributions declared to shareholders					
From net investment income	$(0.48)	$(0.49)	$(0.51)	$(0.55)	$(0.53)
Net increase from repurchase of capital shares	$	$0.02	$0.02	$0.02	$0.02
Net asset value, end of period	$9.54	$9.64	$9.58	$9.71	$9.58
Per share market value, end of period	$8.30	$8.51	$8.43	$8.71	$8.78
Total return at market value (%)	3.20	6.98	2.57	5.52	13.02
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.73	0.76	0.79	0.80	0.83
Expenses after expense reductions (f)	0.73	0.76	0.79	0.80	N/A
Net investment income	4.89	4.62	4.64	5.11	5.21
Portfolio turnover	58	57	73	70	129
Net assets at end of period (000 omitted)	$527,269	$532,823	$539,491	$558,440	$561,900

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

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

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

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

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The fund can invest in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country s legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

Investment Valuations Debt instruments (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as reported by an independent pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as reported by an independent pricing service on the market or exchange on which they are primarily traded. For securities for which there were no sales reported that day, equity securities are generally valued at the last quoted daily bid quotation as reported by an independent pricing service on the market or exchange on which they are primarily traded. For securities held short for which there were no sales reported for the day, the position is generally valued at the last quoted daily ask quotation as reported by an independent pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as reported by an independent pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as reported by an independent pricing service on the market on which such futures contracts are primarily traded. Forward foreign currency contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates reported by an independent pricing service for proximate time periods. Swaps are generally valued at an evaluated bid as reported by an independent pricing service. Securities and other assets generally valued on the basis of information from an independent pricing service may also be valued at a broker-dealer bid quotation. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates reported by an independent pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund s investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund s valuation policies and procedures, market quotations are not considered to be readily available for many types of debt instruments and certain types of derivatives. These investments are generally valued at fair value based on information from independent pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment s value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund s net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser may rely on independent pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund s net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of investments used to determine the fund s net asset value may differ from quoted or published prices for the same investments.

In September 2006, FASB Statement No. 157, Fair Value Measurements (the Statement) was issued, and is effective for fiscal years beginning after November 15, 2007 and for all interim periods within those fiscal years. This Statement provides a single definition of fair value, a hierarchy for measuring fair value and expanded disclosures about fair value measurements. Management is evaluating the application of the Statement to the fund, and believes the impact will be limited to expanded disclosures resulting from the adoption of this Statement in the fund s financial statements.

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

Inflation-Adjusted Debt Securities The fund invests in inflation-adjusted debt securities issued by the U.S. Treasury. The fund may also invest in inflation-adjusted debt securities issued by U.S. Government agencies and instrumentalities other than the U.S. Treasury and by other entities such as U.S. and foreign corporations and foreign governments. The principal value of these debt securities is adjusted by references to changes in the Consumer Price Index or another general price or wage index. These debt securities typically pay a fixed rate of interest, but this fixed rate is applied to the inflation-adjusted principal amount. The principal paid at maturity of the debt security is typically equal to the inflation-adjusted principal amount, or the security s original par value, whichever is greater. Other types of inflation-adjusted securities may use other methods to adjust for other measures of inflation.

Foreign Currency Translation Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivative Risk The fund may invest in derivatives for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an

Notes to Financial Statements continued

investment to gain market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative s original cost. Derivative instruments include futures contracts, forward foreign currency exchange contracts, and swap agreements.

Futures Contracts The fund may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a fixed price on a future date. In entering such contracts, the fund is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the fund. Upon entering into such contracts, the fund bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss.

Forward Foreign Currency Exchange Contracts The fund may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of the contract. The fund may enter into forward foreign currency exchange contracts for hedging purposes as well as for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency it will receive from or require for its normal investment activities. The fund may also use contracts in a manner intended to protect foreign currency denominated securities from declines in value due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund s portfolio of securities to different currencies to take advantage of anticipated changes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded as unrealized until the contract settlement date. On contract settlement date, the gains or losses are recorded as realized gains or losses on foreign currency transactions.

Swap Agreements The fund may enter into swap agreements. A swap is an exchange of cash payments between the fund and another party. Net cash payments are exchanged at specified intervals and are 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, including accruals of periodic amounts of interest to be paid or received, is recorded as unrealized appreciation or depreciation in the Statement of Operations. A liquidation payment received or made upon early termination is recorded as a realized gain or loss in the Statement of Operations. Collateral, in the form of cash or securities, may be required to be held in segregated accounts with the fund s custodian in connection with these agreements. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities. These risks include the possible lack of a liquid market, failure of the counterparty to perform under the terms of the agreements, and unfavorable market movement of the underlying instrument. All swap agreements entered into by the fund with the same counterparty are generally governed by a single master agreement, which provides for the netting of all amounts owed by the parties under the agreement upon the occurrence of an event of default, thereby reducing the credit risk to which such party is exposed.

The fund holds credit default swaps in which one party makes a stream of payments based on a fixed percentage applied to the notional amount to another party in exchange for the right to receive a specified return in the event of a default by a third party, such as a corporate issuer or foreign issuer, on its obligation. The fund may enter into credit default swaps to limit or to reduce its risk exposure to defaults of corporate and sovereign issuers or to create direct or synthetic short or long exposure to corporate debt securities or certain sovereign debt securities to which it is not otherwise exposed.

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

Loans and Other Direct Debt Instruments The fund may invest in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. At November 30, 2007, the portfolio had unfunded loan commitments of $31,057, which could be extended at the option of the borrower and which are covered by sufficient cash and/or liquid securities held by the fund. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

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

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. All discount is accreted for tax reporting purposes as required by federal income tax regulations. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. These fees are recorded on an accrual basis as income in the accompanying financial statements. The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly The fund s custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2007, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. Accordingly, no provision for federal income tax is required in the financial statements. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements.

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

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

The tax character of distributions declared to shareholders is as follows:

	11/30/07	**11/30/06**
Ordinary income (including any short-term capital gains)	$26,527,027	$27,468,629

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

As of 11/30/07	
Cost of investments	$514,108,384
Gross appreciation	14,586,482
Gross depreciation	(11,153,640)
Net unrealized appreciation (depreciation)	$3,432,842
Undistributed ordinary income	1,955,595
Capital loss carryforwards	(53,253,558)
Other temporary differences	(9,842,045)

As of November 30, 2007, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/09	$(21,374,410)
11/30/10	(23,905,212)
11/30/14	(5,504,781)
11/30/15	(2,469,155)
	$(53,253,558)

In June 2006, FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the Interpretation) was issued, and is effective for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. On December 22, 2006, the SEC delayed the implementation of the Interpretation for regulated investment companies for an additional six months. This Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return, and requires certain expanded disclosures.

Management has evaluated the application of the Interpretation to the fund, and has determined that there is no impact resulting from the adoption of this Interpretation on the fund s financial statements.

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the fund s average daily net assets and 4.57% of gross income. Gross income is calculated based on tax elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. The management fee, from net assets and gross income, incurred for the year ended November 30, 2007 was equivalent to an annual effective rate of 0.59% of the fund s average daily net assets.

Transfer Agent Prior to December 18, 2006, MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, received a fee from the fund for its services as registrar and dividend-disbursing agent. Pursuant to a written agreement, the fund paid MFSC an account maintenance fee of no more than $9.00 and a dividend services fee of $0.75 per reinvestment. Effective December 18, 2006, the fund has engaged Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFSC will continue to monitor and supervise the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2007, these fees paid to MFSC amounted to $34,498. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended November 30, 2007, these costs amounted to $7,329.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged a fixed amount plus a fee based on average daily net assets. The fund s annual fixed amount is $17,500.

The administrative services fee incurred for the year ended November 30, 2007 was equivalent to an annual effective rate of 0.0186% of the fund average daily net assets.

Trustees and Officers Compensation The fund pays compensation to independent trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to trustees or to officers of the fund who are also

Notes to Financial Statements continued

officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and trustees of the fund are officers or directors of MFS and MFSC.

The fund has an unfunded, defined benefit plan for certain retired independent trustees which resulted in a pension expense of $4,549. The fund also has an unfunded retirement benefit deferral plan for certain independent trustees which resulted in an expense of $4,173. Both amounts are included in independent trustees compensation for the year ended November 30, 2007. The liability for deferred retirement benefits payable to certain independent trustees under both plans amounted to $150,990 at November 30, 2007, and is included in payable for independent trustees compensation.

Deferred Trustee Compensation Under a Deferred Compensation Plan (the Plan) independent trustees previously were allowed to elect to defer receipt of all or a portion of their annual compensation. Trustees are no longer allowed to defer compensation under the Plan. Amounts previously deferred are treated as though equivalent dollar amounts had been invested in shares of certain MFS funds selected by the trustee. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent trustees compensation is $13,691 of deferred trustees compensation.

Other This fund 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. The funds can terminate the Agreement with Tarantino LLC at any time under the terms of the Agreement. For the year ended November 30, 2007, the fee paid to Tarantino LLC was $3,312. MFS has agreed to reimburse the fund for a portion of the payments made by the funds to Tarantino LLC in the amount of $2,576, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO.

(4) Portfolio Securities

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

	Purchases	Sales
U.S. government securities	$53,511,918	$47,186,327
Investments (non-U.S. government securities)	$241,209,557	$250,478,758

(5) Shares of Beneficial Interest

The fund s Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. During the year ended November 30, 2007, the fund did not repurchase any shares. The fund repurchased 1,029,300 shares of beneficial interest during the year ended November 30, 2006 at an average price per share of $8.43 and a weighted average discount of 10.94% per share. Transactions in fund shares were as follows:

	Year ended 11/30/07		Year ended 11/30/06	
	Shares	Amount	Shares	Amount
Shares reacquired		$	(1,029,300)	$(8,672,032)

(6) Line of Credit

The fund and other funds managed by MFS participate in a $1 billion unsecured committed line of credit provided by a syndication of banks under a credit agreement. In addition, the fund and other funds managed by MFS have established uncommitted borrowing arrangements with certain banks. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the Federal Reserve funds rate plus 0.30%. In addition, a commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. For the year ended November 30, 2007, the fund s commitment fee and interest expense were $2,386 and $1,371, respectively, and are included in miscellaneous expense on the Statement of Operations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS Charter Income Trust:

We have audited the accompanying statement of assets and liabilities of MFS Charter Income Trust (the Fund), including the portfolio of investments, as of November 30, 2007, 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 and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2007, by correspondence with the Fund s custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Charter Income Trust at November 30, 2007, 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 its financial highlights for each of five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

January 16, 2008

RESULTS OF SHAREHOLDER MEETING

11/30/07 (unaudited)

At the annual meeting of shareholders of MFS Charter Income Trust, which was held on October 4, 2007, the following actions were taken:

Item 1. To elect the following individuals as Trustees:

	Number of Shares	
Nominee	**Affirmative**	**Withhold Authority**
Robert J. Manning	45,534,208	5,836,728
Lawrence Cohn, M.D.	45,510,284	5,860,652
Lawrence Perera	45,545,937	5,824,999
Laurie Thomsen	45,610,202	5,760,735

TRUSTEES AND OFFICERS   IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of January 1, 2008, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since[h]	Principal Occupations During the Past Five Years & Other Directorships[j]
INTERESTED TRUSTEES			
Robert J. Manning[k] (born 10/20/63)	Trustee	February 2004	Massachusetts Financial Services Company, Chief Executive Officer, President, Chief Investment Officer and Director
Robert C. Pozen[k] (born 8/08/46)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman (since February 2004); MIT Sloan School (education), Senior Lecturer (since 2006); Secretary of Economic Affairs, The Commonwealth of Massachusetts (January 2002 to December 2002); Fidelity Investments, Vice Chairman (June 2000 to December 2001); Fidelity Management & Research Company (investment adviser), President (March 1997 to July 2001); Bell Canada Enterprises (telecommunications), Director; Medtronic, Inc. (medical technology), Director; Telesat (satellite communications), Director
INDEPENDENT TRUSTEES			
J. Atwood Ives (born 5/01/36)	Trustee and Chair of Trustees	February 1992	Private investor; Eastern Enterprises (diversified services company), Chairman, Trustee and Chief Executive Officer (until November 2000)
Robert E. Butler[n] (born 11/29/41)	Trustee	January 2006	Consultant regulatory and compliance matters (since July 2002); PricewaterhouseCoopers LLP (professional services firm), Partner (until 2002)

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Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since(h)	Principal Occupations During the Past Five Years & Other Directorships(j)
Lawrence H. Cohn, M.D. (born 3/11/37)	Trustee	August 1993	Brigham and Women s Hospital, Chief of Cardiac Surgery (2005); Harvard Medical School, Professor of Cardiac Surgery; Physician Director of Medical Device Technology for Partners HealthCare
David H. Gunning (born 5/30/42)	Trustee	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007); Portman Limited (mining), Director (since 2005); Encinitos Ventures (private investment company), Principal (1997 to April 2001); Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director
William R. Gutow (born 9/27/41)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman; Atlantic Coast Tan (tanning salons), Vice Chairman (since 2002)
Michael Hegarty (born 12/21/44)	Trustee	December 2004	Retired; AXA Financial (financial services and insurance), Vice Chairman and Chief Operating Officer (until May 2001); The Equitable Life Assurance Society (insurance), President and Chief Operating Officer (until May 2001)
Lawrence T. Perera (born 6/23/35)	Trustee	July 1981	Hemenway & Barnes (attorneys), Partner
J. Dale Sherratt (born 9/23/38)	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)

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since[h]	Principal Occupations During the Past Five Years & Other Directorships[j]
Laurie J. Thomsen (born 8/05/57)	Trustee	March 2005	New Profit, Inc. (venture philanthropy), Partner (since 2006); Private investor; Prism Venture Partners (venture capital), Co-founder and General Partner (until June 2004); The Travelers Companies (commercial property liability insurance), Director
Robert W. Uek (born 5/18/41)	Trustee	January 2006	Retired (since 1999); PricewaterhouseCoopers LLP (professional services firm), Partner (until 1999); Consultant to investment company industry (since 2000); TT International Funds (mutual fund complex), Trustee (2000 until 2005); Hillview Investment Trust II Funds (mutual fund complex), Trustee (2000 until 2005)
OFFICERS			
Maria F. Dwyer[k] (born 12/01/58)	President	November 2005	Massachusetts Financial Services Company, Executive Vice President and Chief Regulatory Officer (since March 2004) Chief Compliance Officer (since December 2006); Fidelity Management & Research Company, Vice President (prior to March 2004); Fidelity Group of Funds, President and Treasurer (prior to March 2004)
Tracy Atkinson[k] (born 12/30/64)	Treasurer	September 2005	Massachusetts Financial Services Company, Senior Vice President (since September 2004); PricewaterhouseCoopers LLP, Partner (prior to September 2004)
Christopher R. Bohane[k] (born 1/18/74)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since April 2003); Kirkpatrick & Lockhart LLP (law firm), Associate (prior to April 2003)
Ethan D. Corey[k] (born 11/21/63)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since April 2006); Special Counsel (prior to April 2006); Dechert LLP (law firm), Counsel (prior to December 2004)

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since[h]	Principal Occupations During the Past Five Years & Other Directorships[j]
David L. DiLorenzo[k] (born 8/10/68)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since June 2005); JP Morgan Investor Services, Vice President (prior to June 2005)
Timothy M. Fagan[k] (born 7/10/68)	Assistant Secretary and Assistant Clerk	September 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since September 2005); John Hancock Advisers, LLC, Vice President and Chief Compliance Officer (September 2004 to August 2005), Senior Attorney (prior to September 2004); John Hancock Group of Funds, Vice President and Chief Compliance Officer (September 2004 to December 2004)
Mark D. Fischer[k] (born 10/27/70)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since May 2005); JP Morgan Investment Management Company, Vice President (prior to May 2005)
Brian E. Langenfeld[k] (born 3/07/73)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Assistant Vice President and Counsel (since May 2006); John Hancock Advisers, LLC, Assistant Vice President and Counsel (May 2005 to April 2006); John Hancock Advisers, LLC, Attorney and Assistant Secretary (prior to May 2005)
Ellen Moynihan[k] (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President
Susan S. Newton[k] (born 3/07/50)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since April 2005); John Hancock Advisers, LLC, Senior Vice President, Secretary and Chief Legal Officer (prior to April 2005); John Hancock Group of Funds, Senior Vice President, Secretary and Chief Legal Officer (prior to April 2005)

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since[h]	Principal Occupations During the Past Five Years & Other Directorships[j]
Susan A. Pereira[k] (born 11/05/70)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since June 2004); Bingham McCutchen LLP (law firm), Associate (prior to June 2004)
Mark N. Polebaum[k] (born 5/01/52)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary (since January 2006); Wilmer Cutler Pickering Hale and Dorr LLP (law firm), Partner (prior to January 2006)
Frank L. Tarantino (born 3/07/44)	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 & Co. (investment adviser), Managing Director, Chief Administrative Officer and Director (prior to March 2003)
Richard S. Weitzel[k] (born 7/16/70)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel (since 2007); Vice President and Senior Counsel (since May 2004); Massachusetts Department of Business and Technology, General Counsel (February 2003 to April 2004); Massachusetts Office of the Attorney General, Assistant Attorney General (April 2001 to February 2003); Ropes and Gray, Associate (prior to April 2001)
James O. Yost[k] (born 6/12/60)	Assistant Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise.
(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).
(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.
(n) In 2004 and 2005, Mr. Butler provided consulting services to the independent compliance consultant retained by MFS pursuant to its settlement with the SEC concerning market timing and related matters. The

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terms of that settlement required that compensation and expenses related to the independent compliance consultant be borne exclusively by MFS and, therefore, MFS paid Mr. Butler for the services he rendered to the independent compliance consultant. In 2004 and 2005, MFS paid Mr. Butler a total of $351,119.29.

The Fund 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 and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Gutow, Sherratt and Uek and Ms. Thomsen are members of the Trust s Audit Committee.

Each of the Fund s Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2008, the Trustees served as board members of 100 funds within the MFS Family of Funds.

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

On October 22, 2007, Maria F. Dwyer, as Chief Executive Officer of the Fund, certified to the New York Stock Exchange that as of the date of her certification she was not aware of any violation by the Fund of the corporate governance listing standards of the New York Stock Exchange.

The Fund 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 2003 as an exhibit to the Fund s Form N-CSR for the period covered by this report.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Portfolio Manager
John Addeo
David Cole
Richard Hawkins
Matthew Ryan

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

Independent Registered Public Accounting Firm
Ernst & Young LLP
200 Clarendon Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (independent) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2007 (contract review meetings) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

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

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc. on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2006 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe), as well as the investment performance (based on net asset value) of a group of funds identified by objective criteria suggested by MFS (MFS peer funds), (ii) information provided by Lipper Inc. on the Fund s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper (the Lipper expense group), as well as the advisory fees and other expenses of MFS peer funds, (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund s total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund s common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2006, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund s common shares ranked 4th out of a total of 5 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund s common shares ranked

5th out of a total of 5 funds for the one-year period and 4th out of a total of 5 funds for the five-year period ended December 31, 2006. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund s performance in comparison to a custom benchmark developed by MFS. The Fund under-performed its custom benchmark for the one-year period ended December 31, 2006 (5.28% total return for the Fund versus 5.68% total return for the benchmark) and out-performed its custom benchmark for each of the three and five-year periods ended December 31, 2006 (three-year: 5.57% total return for the Fund versus 5.32% total return for the benchmark; five-year: 7.48% total return for the Fund versus 6.56% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

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

In assessing the reasonableness of the Fund s advisory fee, the Trustees considered, among other information, the Fund s advisory fee and the total expense ratio of the Fund s common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. and MFS. The Trustees considered that, according to the Lipper data, the Fund s effective advisory fee rate and the Fund s total expense ratio were each lower than the Lipper expense group median.

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

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

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

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

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

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment advisory agreement. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund s behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Funds were satisfactory.

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

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund s investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2007.

A discussion regarding the Board s most recent review and renewal of the Fund s investment advisory agreement is available by clicking on the fund s name under Products and Performance Closed-End Funds on the MFS Web site (mfs.com).

PROXY VOTING POLICIES AND INFORMATION

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

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

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund s Form N-Q may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1.800.SEC.0330. The fund s Form N-Q is available on the EDGAR database on the Commission s Internet Web site at http://www.sec.gov, and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

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

FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2007 income tax forms in January 2008.

MFS® PRIVACY NOTICE

Privacy is a concern for every investor today. At MFS Investment Management® and the MFS funds, we take this concern very seriously. We want you to understand our policies about the investment products and services that we offer, and how we protect the nonpublic personal information of investors who have a direct relationship with us and our wholly owned subsidiaries.

Throughout our business relationship, you provide us with personal information. We maintain information and records about you, your investments, and the services you use. Examples of the nonpublic personal information we maintain include

- data from investment applications and other forms
- share balances and transactional history with us, our affiliates, or others
- facts from a consumer reporting agency

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We may share nonpublic personal information with third parties or certain of our affiliates in connection with servicing your account or processing your transactions. We may share information with companies or financial institutions that perform marketing services on our behalf or with other financial institutions with which we have joint marketing arrangements, subject to any legal requirements.

Authorization to access your nonpublic personal information is limited to appropriate personnel who provide products, services, or information to you. We maintain physical, electronic, and procedural safeguards to help protect the personal information we collect about you.

If you have any questions about the MFS privacy policy, please call 1-800-225-2606 any business day between 8 a.m. and 8 p.m. Eastern time.

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

CONTACT INFORMATION AND NUMBER OF SHAREHOLDERS

Investor Information

Transfer Agent, Registrar and Dividend Disbursing Agent

Call	1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time
Write to:	Computershare Trust Company, N.A. P.O. Box 43078 Providence, RI 02940-3078

Effective November 18, 2006, Computershare Trust Company, N.A. became the Transfer Agent and Registrar and Computershare Shareholder Services, Inc. became the Dividend Disbursing Agent, succeeding MFS Service Center, Inc.

Number of Shareholders

As of November 30, 2007, our records indicate that there are 3,225 registered shareholders and approximately 28,673 shareholders owning trust shares in street name, such as through brokers, banks, and other financial intermediaries.

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

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

1-800-637-2304

500 Boylson Street, Boston, MA 02116

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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

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

For the fiscal years ended November 30, 2007 and 2006, audit fees billed to the Fund by E&Y were as follows:

	Audit Fees	
Fees billed by E&Y:	**2007**	**2006**
MFS Charter Income Trust	45,135	41,610

For the fiscal years ended November 30, 2007 and 2006, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

	Audit-Related Fees[1]		Tax Fees[2]		All Other Fees[3]	
Fees billed by E&Y:	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
To MFS Charter Income Trust	10,000	15,000	9,674	8,520	0	144
To MFS and MFS Related Entities of MFS Charter Income Trust*	0	0	0	0	0	0

Aggregate fees for non-audit services:

	2007	2006
To MFS Charter Income Trust, MFS and MFS Related Entities#	197,912	126,727

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

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

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

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

3 The fees included under All Other Fees are fees for products and services provided by E&Y other than those reported under Audit Fees, Audit-Related Fees and Tax Fees, including fees for the subscription to tax treatise and for services related to analysis of fund administrative expenses, compliance program and records management projects.

Item 4(e)(1):

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees relating to the pre-approval of audit and non-audit related services:

To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next regular meeting of the Audit Committee, pre-approval of such services may be referred to the Chair of the Audit Committee for approval; provided that the Chair may not pre-approve any individual engagement for such services exceeding $50,000 or multiple engagements for such services in the aggregate exceeding $100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

Item 4(e)(2):

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

Item 4(f): Not applicable.

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

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

ITEM 6. SCHEDULE OF INVESTMENTS

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

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

March 1, 2007

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 (MFS Proxy Voting Policies and Procedures), with respect to securities owned by the clients for which MFS serves as investment adviser and has the power to vote proxies, including the registered investment companies sponsored by MFS, other than the MFS Union Standard Equity Fund (the MFS Funds). References to clients in these policies and procedures include the MFS Funds and other clients of MFS, such as funds organized offshore, sub-advised funds and separate account clients, to the extent these clients have delegated to MFS the responsibility to vote proxies on their behalf under the MFS Proxy Voting Policies and Procedures.

The MFS Proxy Voting Policies and Procedures include:

A. Voting Guidelines;

B. Administrative Procedures;

C. 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 periodically reviews matters that are presented for shareholder vote by either management or shareholders of public companies. Based on the overall principle that all votes cast by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, set forth below, that govern how MFS generally will vote on specific matters presented for shareholder vote. In all cases, MFS will exercise its discretion in voting on these matters in accordance with this overall principle. In other words, the underlying guidelines are simply that guidelines. Proxy items of significance are often considered on a case-by-case basis, in light of all relevant facts and circumstances, and in certain cases MFS may vote proxies in a manner different from these guidelines.

As a general matter, MFS maintains a consistent voting position on similar proxy proposals with respect to 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 different proxy statements. There also may be situations involving matters presented for shareholder vote that are not governed by the guidelines. 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 overall principle of voting proxies in the best long-term economic interests of MFS clients.

From time to time, MFS receives comments on these guidelines as well as regarding particular voting issues from its clients. These comments are carefully considered by MFS when it reviews these guidelines each year and revises them as appropriate.

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

2. MFS Policy on Specific Issues

Election of Directors

MFS believes that good governance should be based on a board with at least a simple majority of directors who are independent of management, and whose key committees (*e.g.,* compensation, nominating, and audit committees) are comprised entirely of independent directors. While MFS generally supports the board s nominees in uncontested elections, we will withhold our vote for, or vote against, as applicable, a nominee to a board of a U.S. issuer if, as a result of such nominee being elected to the board, the board would be comprised of a majority of members who are not independent or, alternatively, the compensation, nominating or audit committees would include members who are not independent.

MFS will also withhold its vote for, or vote against, as applicable, a nominee to a board if we can determine that he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason stated in the proxy materials. In addition, MFS will withhold its vote for, or vote against, as applicable, all nominees standing for re-election to a board if we can determine: (1) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (2) since the last annual meeting, the board has either implemented a poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. Responsive action would include the rescission of the poison pill (without a broad reservation to reinstate the poison pill in the event of a hostile tender offer), or assurance in the proxy materials that the terms of the poison pill would be put to a binding shareholder vote within the next five to seven years.

MFS will also withhold its vote for, or vote against, as applicable, a nominee (other than a nominee who serves as the issuer s Chief Executive Officer) standing for re-election if such nominee participated (as a director or committee member) in the approval of a senior executive compensation package MFS deems to be excessive. In the event that MFS determines that an issuer has adopted an excessive executive compensation package, MFS will withhold its vote for, or vote against, as applicable, the re-election of the issuer s Chief Executive Officer as director regardless of whether the Chief Executive Officer participated in the approval of the package. MFS will determine whether a senior executive compensation package is excessive on a case by case basis. Examples of excessive executive compensation packages include packages that contain egregious employment contract terms or pension payouts, backdated stock options, overly generous hiring bonuses for chief executive officers or packages which include excessive perks.

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

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

MFS considers voting against Majority Vote Proposals if the company has adopted, or has proposed to adopt in the proxy statement, formal corporate governance principles that present a meaningful alternative to the majority voting standard and provide an adequate response to both new nominees as well as incumbent nominees who fail to receive a majority of votes cast.

MFS believes that a company s election policy should address the specific circumstances at that company. MFS considers whether a company s election policy articulates the following elements to address each director nominee who fails to receive an affirmative majority of votes cast in an election:

Establish guidelines for the process by which the company determines the status of nominees who fail to receive an affirmative majority of votes cast and disclose the guidelines in the annual proxy statement;

Guidelines should include a reasonable timetable for resolution of the nominee s status and a requirement that the resolution be disclosed together with the reasons for the resolution;

Vest management of the process in the company s independent directors, other than the nominee in question; and

Outline the range of remedies that the independent directors may consider concerning the nominee.

Classified Boards

MFS opposes proposals to classify a board (*e.g.,* a board in which only one-third of board members are elected each year). MFS supports proposals to declassify a board.

Non-Salary Compensation Programs

MFS votes against stock option programs for officers, employees or non-employee directors that do not require an investment by the optionee, that give free rides on the stock price, or that permit grants of stock options with an exercise price below fair market value on the date the options are granted.

MFS also opposes stock option programs that allow the board or the compensation committee, without shareholder approval, to reprice underwater options or to automatically replenish shares (*i.e.*, evergreen plans). MFS will consider on a case-by-case basis proposals to exchange existing options for newly issued options (taking into account such factors as whether there is a reasonable value-for-value exchange).

MFS opposes stock option programs and restricted stock 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 restricted stock plans, stock option, non-employee director, omnibus stock plans and any other stock plan if all such plans for a particular company involve potential dilution, in the aggregate, of more than 15%. However, MFS may accept a higher percentage (up to 20%) in the case of startup or small companies which cannot afford to pay large salaries to executives, or in the case where MFS, based upon the issuer s public disclosures, believes that the issuer has been responsible with respect to its recent compensation practices, including the mix of the issuance of restricted stock and options.

Expensing of Stock Options

MFS supports shareholder proposals to expense stock options because we believe that the expensing of options presents a more accurate picture of the company s financial results to investors. We also believe that companies are likely to be more disciplined when granting options if the value of stock options were treated as an expense item on the company s income statements.

Executive Compensation

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. Therefore, except as provided in paragraph 2 above with respect to excessive compensation and the election of directors, MFS opposes shareholder proposals that seek to set restrictions on executive compensation. MFS also opposes shareholder requests for disclosure on executive compensation beyond regulatory requirements because we believe that current regulatory requirements for disclosure of executive compensation are appropriate and that additional disclosure is often unwarranted and costly. Although we support linking executive stock option grants to a company s performance, MFS opposes shareholder proposals that mandate a link of performance-based options to a specific industry or peer group stock index. MFS believes that compensation committees should retain the flexibility to propose the appropriate index or other criteria by which performance-based options should be measured.

MFS supports reasonably crafted shareholder proposals that (i) require the issuer to adopt a policy to recover the portion of performance-based bonuses and awards paid to senior executives that were not earned based upon a significant negative restatement of earnings unless the company already has adopted a clearly satisfactory policy on the matter, or (ii) expressly prohibit any future backdating of stock options.

Employee Stock Purchase Plans

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

Golden Parachutes

From time to time, shareholders of companies have submitted proxy proposals that would require shareholder approval of severance packages for executive officers that exceed certain predetermined thresholds. MFS votes in favor of such shareholder proposals when they would require shareholder approval of any severance package for an executive officer that exceeds a certain multiple of such officer s annual compensation that is not determined in MFS judgment to be excessive.

Anti-Takeover Measures

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

MFS will vote for proposals to rescind existing poison pills and proposals that would require shareholder approval to adopt prospective poison pills. Nevertheless, MFS will consider supporting the adoption of a prospective poison pill or the continuation of an existing poison pill if we can determine that the following two conditions are met: (1) the poison pill allows MFS clients to hold an aggregate position of up to 15% of a company s total voting securities (and of any class of voting securities); and (2) either (a) the poison pill has a term of not longer than five years, provided that MFS will consider voting in favor of the poison pill if the term does not exceed seven years and the poison pill is linked to a business strategy or purpose that MFS believes is likely to result in greater value for shareholders; or (b) the terms of the poison pill allow MFS clients the opportunity to accept a fairly structured and attractively priced tender offer (*e.g.,* a chewable poison pill that automatically dissolves in the event of an all cash, all shares tender offer at a premium price).

MFS will consider on a case-by-case basis proposals designed to prevent tenders which are disadvantageous to shareholders such as tenders at below market prices and tenders for substantially less than all shares of an issuer.

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.

Issuance of Stock

There are many legitimate reasons for the issuance of stock. Nevertheless, 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. MFS may also vote against the authorization or issuance of common or preferred stock if MFS determines that the requested authorization is not warranted.

Repurchase Programs

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

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.

Cumulative Voting

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

Written Consent and Special Meetings

Because the shareholder right to act by written consent (without calling a formal meeting of shareholders) can be a powerful tool for shareholders, MFS generally opposes proposals that would prevent shareholders from taking action without a formal meeting or would take away a shareholder s right to call a special meeting of company shareholders.

Independent Auditors

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

Other Corporate Governance, Corporate Responsibility and Social Issues

There are many groups advocating social change or changes to corporate governance or corporate responsibility standards, and many have chosen the publicly-held corporation as a vehicle for advancing their agenda. Generally, MFS votes with management on such proposals unless MFS can determine that the benefit to shareholders will outweigh any costs or disruptions to the business if the proposal were adopted. Common among the shareholder proposals that MFS generally votes against are proposals requiring the company to use corporate resources to further a particular social objective outside the business of the company, to refrain from investing or conducting business in certain countries, to adhere to some list of goals or principles (*e.g.,* environmental standards), to disclose political contributions made by the issuer, to separate the Chairman and Chief Executive Officer positions, or to promulgate special reports on various activities or proposals for which no discernible shareholder economic advantage is evident.

The laws of various states may regulate how the interests of certain clients subject to those laws (*e.g.*, state pension plans) are voted with respect to social issues. Thus, it may be necessary to cast ballots differently for certain clients than MFS might normally do for other clients.

Foreign Issuers

Many of the items on foreign proxies involve repetitive, non-controversial matters that are mandated by local law. Accordingly, the items that are generally deemed routine and which do not require the exercise of judgment under these guidelines (and therefore voted in favor) for foreign issuers include 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) discharge of management and supervisory boards; and (v) approval of share repurchase programs.

MFS generally supports the election of a director nominee standing for re-election in uncontested elections unless it can be determined that (1) he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason given in the proxy materials; (2) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (3) since the last annual meeting, the board has either implemented a poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. MFS will also withhold its vote for, or vote against, as applicable, a director nominee standing for re-election of an issuer that has adopted an excessive compensation package for its senior executives as described above in the section entitled Voting Guidelines-MFS Policy on Specific Issues-Election of Directors.

MFS generally supports the election of auditors, but may determine to vote against the election of a statutory auditor in certain markets if MFS reasonably believes that the statutory auditor is not truly independent. MFS will evaluate all other items on proxies for foreign companies in the context of the guidelines described above, but will generally vote against an item if there is not sufficient information disclosed in order to make an informed voting decision.

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 share blocking 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 will not vote those proxies in the absence of an unusual, significant vote.

B. ADMINISTRATIVE PROCEDURES

1. MFS Proxy Voting Committee

The administration of these MFS Proxy Voting Policies and Procedures is overseen by the MFS Proxy Voting Committee, which includes senior personnel from the MFS Legal and Global Investment Support Departments. The MFS Proxy Voting Committee:

a. Reviews these MFS Proxy Voting Policies and Procedures at least annually and recommends any amendments considered to be necessary or advisable;

b. Determines whether any potential material conflicts of interest exist with respect to instances in which (i) MFS seeks to override these MFS Proxy Voting Policies and Procedures and (ii) votes on ballot items not clearly governed by these MFS Proxy Voting Policies and Procedures; and

c. Considers special proxy issues as they may arise from time to time.

2. Potential Conflicts of Interest

The MFS Proxy Voting Committee 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 significant attempt to influence MFS voting on a particular proxy matter should be reported to the MFS Proxy Voting Committee.

In cases where proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures, no material conflict of interest will be deemed to exist. In cases where (i) MFS is considering overriding these MFS Proxy Voting Policies and Procedures, or (ii) matters presented for vote are not governed by these MFS Proxy Voting Policies and Procedures, the MFS Proxy Voting Committee, or delegees, 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 or its affiliate MFS Retirement Services, Inc. (RSI), 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 Voting Committee;

c. If the name of the issuer appears on the MFS Significant Client List, then the MFS Proxy Voting Committee will be apprised of that fact and each member of the MFS Proxy Voting Committee will carefully evaluate the proposed vote 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 Voting Committee will document: the name of the issuer, the issuer s relationship to MFS, the analysis of the matters submitted for proxy vote, the votes as to be cast and the reasons why the MFS Proxy Voting Committee determined that the votes were cast in the best long-term economic interests of MFS clients, and not in MFS corporate interests. A copy of the foregoing documentation will be provided to MFS Conflicts Officer.

The members of the MFS Proxy Voting Committee are responsible for creating and maintaining the MFS Significant Client List, in consultation with MFS distribution, institutional business units and RSI. The MFS Significant Client List will be reviewed and updated periodically, as appropriate.

3. Gathering Proxies

Most proxies received by MFS and its clients originate at Automatic Data Processing Corp. (ADP) although a few proxies are transmitted to investors by corporate issuers through their custodians or depositories. 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. This material will include proxy cards, reflecting the shareholdings of Funds and of clients on the record dates for such shareholder meetings, as well as proxy statements with 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 related administrative services, such as vote processing and recordkeeping functions for MFS Funds and institutional client accounts. The Proxy Administrator receives proxy statements and proxy cards directly or indirectly 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 all upcoming shareholders meetings are available on-line to certain MFS employees and the MFS Proxy Voting Committee.

4. Analyzing Proxies

Proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures. The Proxy Administrator at the prior direction of MFS automatically votes all proxy matters that do not require the particular exercise of discretion or judgment with respect to these MFS Proxy Voting Policies and Procedures as determined by the MFS Proxy Voting Committee. With respect to proxy matters that require the particular exercise of discretion or judgment, MFS considers and votes on those proxy matters. MFS receives research from ISS which it may take into account in deciding how to vote. In addition, MFS expects to rely on ISS to identify circumstances in which a board may have approved excessive executive compensation. Representatives of the MFS Proxy Voting Committee review, as appropriate, votes cast to ensure conformity with these MFS Proxy Voting Policies and Procedures.

As a general matter, portfolio managers and investment analysts have little or no involvement in specific votes 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 the potential that proxy solicitors, issuers, or third parties might attempt to exert inappropriate influence on the vote. In limited types of votes (*e.g.*, corporate actions, such as mergers and acquisitions), a representative of MFS Proxy Voting Committee may consult with or seek recommendations from portfolio managers or analysts.[1] However, the MFS Proxy Voting Committee would ultimately determine the manner in which all proxies are voted.

1 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 recommendation cannot be obtained prior to the cut-off date of the shareholder meeting, certain members of the MFS Proxy Voting Committee may determine to abstain from voting.

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

5. <u>Voting Proxies</u>

In accordance with its contract with MFS, the Proxy Administrator also generates a variety of reports for the MFS Proxy Voting Committee, and makes available on-line various other types of information so that the MFS Proxy Voting Committee may review and monitor the votes cast by the Proxy Administrator on behalf of MFS clients.

C. <u>MONITORING SYSTEM</u>

It is the responsibility of the Proxy Administrator and MFS Proxy Voting Committee to monitor the proxy voting process. When proxy materials for clients are received, they are forwarded to the Proxy Administrator and are input into the Proxy Administrator s system. 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 voting cut-off 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 forwarded 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 directly to the issuer.

D. <u>RECORDS RETENTION</u>

MFS will retain copies of these MFS Proxy Voting Policies and Procedures in effect from time to time and will retain all proxy voting reports submitted to the Board of Trustees, Board of Directors and Board of Managers of the MFS Funds for the period required by applicable law. Proxy solicitation materials, including electronic versions of the proxy cards completed by representatives of the MFS Proxy Voting Committee, 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 Voting Committee. All proxy voting materials and supporting documentation, including records generated by the Proxy Administrator s system as to proxies processed, including the dates when proxy ballots were received and submitted, and the votes on each company s proxy issues, are retained as required by applicable law.

E. REPORTS
MFS Funds

MFS will report the results of its voting to the Board of Trustees, Board of Directors and Board of Managers of the MFS Funds. These reports will include: (i) a summary of how votes were cast; (ii) a review of situations where MFS did not vote in accordance with the guidelines and the rationale therefore; (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, Directors 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.
General. Information regarding the portfolio manager(s) of the MFS Charter Income Trust (the Fund) is set forth below.

Portfolio Manager	Primary Role	Since	Title and Five Year History
David P. Cole	High Yield Debt Securities Portfolio Manager	October 2006	Investment Officer of MFS; employed in the investment management area of MFS since 2004. High Yield Analyst at Franklin Templeton Investments from 1999 to 2004.

John Addeo	High Yield Debt Securities Portfolio Manager	February 2006	Investment Officer of MFS; employed in the investment management area of MFS since 1998.
Matthew W. Ryan	Emerging Markets Debt Securities Portfolio Manager	September 2004	Investment Officer of MFS; employed in the investment management area of MFS since 1997.
Richard O. Hawkins	Lead Portfolio Manager	July 2004	Investment Officer of MFS; employed in the investment management area of MFS since 1988.

Compensation. Portfolio manager total cash compensation is a combination of base salary and performance bonus:

Base Salary Base salary represents a smaller percentage of portfolio manager total cash compensation (generally below 33%) than incentive compensation.

Performance Bonus Performance bonus is based on a combination of quantitative and qualitative factors, with more weight given to the former (generally over 60 %) and less weight given to the latter.

The quantitative portion is based on pre-tax performance of all of the accounts managed by the portfolio manager (which includes the Fund and any other accounts managed by the portfolio manager) over a one-, three- and five-year period relative to the appropriate Lipper peer group universe and/or benchmark index with respect to each account. (Generally the benchmark index used is a benchmark index set forth in the Fund s annual report to shareholders to which the Fund s performance is compared. With respect to funds with multiple portfolio managers, the index used may differ for each portfolio manager, and may not be a benchmark index set forth in the Fund s annual report to shareholders, but will be an appropriate benchmark index based on the respective portfolio manager s role in managing the fund.) Additional or different appropriate peer group or benchmark indices may also be used. Primary weight is given to portfolio performance over three-year and five-year time periods with lesser consideration given to portfolio performance over a one-year period (adjusted as appropriate if the portfolio manager has served for less than five years).

The qualitative portion is based on the results of an annual internal peer review process (conducted by other portfolio managers, analysts and traders) and management s assessment of overall portfolio manager contributions to investor relations and the investment process (distinct from fund and other account performance).

Portfolio managers also typically benefit from the opportunity to participate in the MFS Equity Plan. Equity interests and/or options to acquire equity interests in MFS or its parent company are awarded by management, on a discretionary basis, taking into account tenure at MFS, contribution to the investment process, and other factors.

Finally, portfolio managers are provided with a benefits package including a defined contribution plan, health coverage and other insurance, which are available to other employees of MFS on substantially similar terms. The percentage such benefits represent of any portfolio manager s compensation depends upon the length of the individual s tenure at MFS and salary level, as well as other factors.

Ownership of Fund Shares. The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund s portfolio manager as of the Fund s fiscal year ended November 30, 2007. The following dollar ranges apply:

N. None

A. $1 - $10,000

B. $10,001 - $50,000

C. $50,001 - $100,000

D. $100,001 - $500,000

E. $500,001 - $1,000,000

F. Over $1,000,000

Name of Portfolio Manager	Dollar Range of Equity Securities in Fund
David P. Cole	N
John Addeo	N
Matthew W. Ryan	N
Richard O. Hawkins	N

Other Accounts. In addition to the Fund, the Fund s portfolio manager is responsible (either individually or jointly) for the day-to-day management of certain other accounts, the number and total assets of which as of the Fund s fiscal year ended November 30, 2007 were as follows:

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
Name	Number of Accounts*	Total Assets*	Number of Accounts	Total Assets	Number of Accounts	Total Assets
David P. Cole	11	$4.3 billion	2	$218.2 million	0	N/A
John Addeo	14	$4.6 billion	3	$493.1 million	2	$523.8 million
Matthew W. Ryan	13	$4.1 billion	3	$2.6 billion	5	$1.6 billion
Richard O. Hawkins	11	$23.9 billion	O	N/A	1	$42.6 million

* Includes the Fund.

Advisory fees are not based upon performance of any of the accounts identified in the table above.

Potential Conflicts of Interest. MFS seeks to identify potential conflicts of interest resulting from a portfolio manager s management of both the Fund and other accounts, and has adopted policies and procedures designed to address such potential conflicts.

The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives and strategies, benchmarks, time horizons and fees as a portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. In certain instances there may be securities which are suitable for the Fund s portfolio as well as for accounts of MFS or its subsidiaries with similar investment objectives. A Fund s trade allocation policies may give rise to conflicts of interest if the Fund s orders do not get fully executed or are delayed in getting executed due to being aggregated with those of other accounts of MFS or its subsidiaries. A portfolio manager may execute transactions for another fund or account that may adversely impact the value of the Fund s investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed by MFS to be fair and equitable to each. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the Fund is concerned. In most cases, however, MFS believes that the Fund s ability to participate in volume transactions will produce better executions for the Fund.

MFS does not receive a performance fee for its management of the Fund. As a result, MFS and/or a portfolio manager may have a financial incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor accounts other than the Fund - for instance, those that pay a higher advisory fee and/or have a performance fee.

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

MFS Charter Income Trust

Period	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
12/1/06-12/31/06	0	N/A	0	4,859,554
1/1/07-1/31/07	0	N/A	0	4,859,554
2/1/07-2/28/07	0	N/A	0	4,859,554
3/1/07-3/31/07	0	N/A	0	5,526,454
4/1/07-4/30/07	0	N/A	0	5,526,454
5/1/07-5/31/07	0	N/A	0	5,526,454
6/1/07-6/30/07	0	N/A	0	5,526,454
7/1/07-7/31/07	0	N/A	0	5,526,454
8/1/07-8/31/07	0	N/A	0	5,526,454
9/1/07-9/30/07	0	N/A	0	5,526,454
10/1/07-10/31/07	0	N/A	0	5,526,454
11/1/07-11/30/07	0	N/A	0	5,526,454
Total	***0***	N/A	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, 2007 plan year is 5,526,454.

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

There were no material changes to the procedures by which shareholders may send recommendations to the Board for nominees to the Registrant s Board since the Registrant last provided disclosure as to such procedures in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A.

ITEM 11. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the Act)) as conducted within 90 days of the filing date of this Form N-CSR, the registrant s principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

(b) There were no changes in the registrant s internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

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.

Notice

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

SIGNATURES

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

Registrant MFS CHARTER INCOME TRUST

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

Date: January 17, 2008

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

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

Date: January 17, 2008

By (Signature and Title)* TRACY ATKINSON
Tracy Atkinson, Treasurer
(Principal Financial Officer
and Accounting Officer)

Date: January 17, 2008

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