

MFS CHARTER INCOME TRUST  
Form N-CSR  
January 28, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

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

Investment Company Act file number 811-05822

**MFS CHARTER INCOME TRUST**

(Exact name of registrant as specified in charter)

**111 Huntington Avenue, Boston, Massachusetts 02199**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**111 Huntington Avenue**

**Boston, Massachusetts 02199**

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2013

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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**ANNUAL REPORT**

November 30, 2013

**MFS® CHARTER INCOME TRUST**

MCR-ANN

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**MFS® CHARTER INCOME TRUST**

New York Stock Exchange Symbol: **MCR**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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**LETTER FROM THE CHAIRMAN AND CEO**

Dear Shareholders:

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

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

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

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

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

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

Respectfully,

**Robert J. Manning**

Chairman and Chief Executive Officer

MFS Investment Management®

January 15, 2014

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

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

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

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

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

**Portfolio facts (i)**

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

**Issuer country weightings (i)(x)**

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



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*Portfolio Composition continued*

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

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

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

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



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**MANAGEMENT REVIEW**

**Summary of Results**

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

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

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

**Market Environment**

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

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

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

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*Management Review continued*

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

**Detractors from Performance**

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

**Contributors to Performance**

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

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

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

Respectfully,

Richard Hawkins  
Portfolio Manager

William Adams  
Portfolio Manager

Ward Brown  
Portfolio Manager

David Cole  
Portfolio Manager

Pilar Gomez-Bravo  
Portfolio Manager

Joshua Marston  
Portfolio Manager

Robert Persons  
Portfolio Manager

Matthew Ryan  
Portfolio Manager

Erik Weisman  
Portfolio Manager

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

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*Management Review continued*

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

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

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

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

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

**Price Summary for MFS Charter Income Trust**

Year Ended 11/30/13

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

**Total Returns vs Benchmarks**

Year Ended 11/30/13

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

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

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



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*Performance Summary continued*

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

### **Benchmark Definitions**

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

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

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

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

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

It is not possible to invest directly in an index.

### **Notes to Performance Summary**

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

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

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*Performance Summary continued*

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

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

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

**Table of Contents****PORTFOLIO MANAGERS PROFILES**

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



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**DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

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

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

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

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

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11/30/13

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

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

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**Table of Contents***Portfolio of Investments continued*

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

**Table of Contents***Portfolio of Investments continued*

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

**Table of Contents***Portfolio of Investments continued*

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

**Table of Contents***Portfolio of Investments continued*

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

**Table of Contents***Portfolio of Investments continued*

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

**Table of Contents***Portfolio of Investments continued*

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



**Table of Contents***Portfolio of Investments continued*

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

&amp;nb