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MFS CHARTER INCOME TRUST  
Form N-CSR  
February 01, 2007

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

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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, 2006

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ITEM 1. REPORTS TO STOCKHOLDERS.

M F S(R)  
INVESTMENT MANAGEMENT

MFS(R) CHARTER INCOME TRUST

[graphic omitted]

ANNUAL REPORT

11/30/06  
MCR-ANN

MFS(R) Charter Income Trust

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TRUST OBJECTIVE: The trust seeks to maximize current income.

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  
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LETTER FROM THE CEO

[Photo of Robert J. Manning]

Dear Shareholders:

What a difference a year can make. By the end of 2005, the Dow Jones Industrial Average had lost value over the course of the year, as stocks were

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beaten back by a myriad of investor worries, including a spike in oil prices, a rise in interest rates, and political uncertainty in the Middle East.

Fast forward to 2006, and we have seen a dramatically different picture. While there were some fluctuations in the global markets in the first half of the year, the second half of 2006 has, so far, been good to many investors. Oil prices retreated, boosting consumer confidence, and interest rates have held steady. U.S. stock markets responded favorably to this news, as the Dow reached a record high in October, passing the 12,000 mark.

What does all of this mean for you? If you're focused on a long-term investment strategy, the high points in the road -- and the bumps -- should not necessarily dictate portfolio action on your part. Markets are inherently cyclical, and we firmly believe that investors who remain committed to a long-term investment strategy are more likely to achieve their goals than those who consistently chase short-term performance.

At MFS(R), our unique teamwork approach to managing money and our global research platform support an unwavering focus on helping you realize your long-term financial goals. We believe in a three-pronged investment strategy of allocating your holdings across major asset classes, diversifying within each class, and rebalancing regularly. 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 are essential to capitalizing on the many opportunities the financial markets can offer.

Respectfully,

/s/ Robert J. Manning

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

January 16, 2007

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)

Bonds	97.7%
Cash & Other Net Assets	2.1%
Floating Rate Loans	0.2%

#### FIXED INCOME SECTORS (i)

Non-U.S. Government Bonds	21.7%
-----	-----
High Grade Corporates	16.4%
-----	-----
Mortgage-Backed Securities	14.9%
-----	-----
High Yield Corporates	13.9%
-----	-----
U.S. Treasury Securities	10.7%
-----	-----

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Emerging Market Bonds	8.4%
-----	-----
Commercial Mortgage-Backed Securities	6.1%
-----	-----
U.S. Government Agencies	3.8%
-----	-----
Asset-Backed Securities	1.7%
-----	-----
Floating Rate Loans	0.2%
-----	-----
Residential Mortgage-Backed Securities	0.1%
-----	-----

### CREDIT QUALITY OF BONDS (r)

AAA	55.7%
-----	-----
AA	2.6%
-----	-----
A	3.5%
-----	-----
BBB	18.9%
-----	-----
BB	11.6%
-----	-----
B	6.9%
-----	-----
CCC	0.7%
-----	-----
Not Rated	0.1%
-----	-----

### PORTFOLIO FACTS

Average Duration (d)	5.2
-----	-----
Average Life (m)	8.0 yrs.
-----	-----
Average Maturity (m)	13.6 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%
-----	-----
Germany	4.4%
-----	-----
France	3.0%
-----	-----
Canada	2.9%
-----	-----
Ireland	2.8%
-----	-----
Japan	2.7%

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United Kingdom	2.6%
Russia	2.4%
Spain	2.1%
Other	11.4%

- (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 graphical presentation, the bond component includes both accrued interest amounts and the equivalent exposure from any derivative holdings, if applicable.
- (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 11/30/06.

Percentages are based on net assets as of 11/30/06, unless otherwise noted.

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

### MANAGEMENT REVIEW

#### SUMMARY OF RESULTS

The MFS Charter Income Trust 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.

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, and the Lehman Brothers U.S. High-Yield Corporate Bond Index (U.S. High-Yield).

For the twelve months ended November 30, 2006, the MFS Charter Income Trust provided a total return of 6.64%, at net asset value, surpassing three of the five benchmarks. The trust trailed the U.S. High-Yield and EMBI Global indices.

#### DETRACTORS FROM PERFORMANCE

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The trust's underweighted positions in "B" and "CCC" rated(s) corporate bonds held back relative results as spreads narrowed over the period. Our holdings in corporate bonds in the industrial sector were also an area of relative underperformance.

### CONTRIBUTORS TO PERFORMANCE

Yield was a positive factor in the trust's relative performance. Our shorter duration(d) stance also contributed to results as interest rates generally rose over the reporting period. Our overweighted position in "BB" rated(s) bonds offset to some extent the effect of the trust's underweighted position in the more speculative "B" and "CCC" rated bonds which detracted from performance. In the finance sector, bonds of Ford Motor Credit and General Motors Acceptance Corp. (GMAC) benefited performance. Individual sovereign bonds of Ireland, Great Britain, Spain, and Germany were among the trust's top contributors.

Respectfully,

Richard O. Hawkins  
Portfolio Manager

David P. Cole  
Portfolio Manager

John F. Addeo  
Portfolio Manager

Matthew W. Ryan  
Portfolio Manager

Note to Shareholders: Effective October 9, 2006, David Cole became a co-manager of the portfolio with John Addeo, Richard Hawkins and Matthew Ryan. He replaced Scott Richards.

- (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.
- (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.

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 and 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.

### PORTFOLIO MANAGERS' PROFILES

Richard O. Hawkins, CFA, is Senior Vice President of MFS Investment Management(R) an investment grade portfolio manager; and a portfolio manager of several bond portfolios. Prior to joining the firm in 1988, he spent two years as an International Bond Analyst for Fidelity Management & Research Company; and five years as an International Lending Officer for Manufacturers Hanover Trust Company. He was named portfolio manager at MFS in 2004. He has been a portfolio manager of the fund since April 2006. Richard earned a bachelor's degree from Brown University and a Master's of Business Administration from the University of Pennsylvania. He is a member of the Association for Investment Management and Research (AIMR) and the Boston Security Analysts Society, Inc. He holds the Chartered Financial Analyst (CFA) designation.

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John F. Addeo, CFA, is Vice President of MFS Investment Management(R) (MFS(R)) and portfolio manager of the high-yield bond portfolios of our mutual funds, variable annuities, offshore accounts and closed-end funds. John joined MFS as a research analyst in 1998. He became Vice President in 1999, associate portfolio manager in 2000, and portfolio manager in 2001. He has been a portfolio manager of the fund since February 2005. John was named Associate Director of Fixed Income Research in 2004. Previously, he was a quantitative analyst and a vice president in the high-yield groups of several major investment companies. He received a Bachelor of Science degree from Siena College in 1984. He holds the Chartered Financial Analyst (CFA) designation.

David P. Cole, CFA, is Vice President of MFS Investment Management(R) (MFS(R)). He is also a co-portfolio manager on the firm's high-yield portfolios and the high-yield segment of the MFS Diversified Income Fund. David joined MFS in 2004 after working for five years as a High Yield Analyst for Franklin Templeton Investments. Prior to this, he served as a Financial Economist/Treasury Market Analyst for Thomson Financial Services and three years as an Economist for Standard and Poor's. David has a bachelor's degree from Cornell University and an M.B.A from University of California, Berkeley. He holds the Chartered Financial Analyst (CFA) designation.

Matthew W. Ryan, CFA, is Senior Vice President of MFS Investment Management(R) (MFS(R)) and portfolio manager of strategic income and high yield portfolios, as well as the firm's emerging market debt portfolios. Before joining the firm in 1997, Matt worked for four years as an economist at the International Monetary Fund and for five years as an international economist with the U.S. Treasury Department. He was named a portfolio manager of MFS in 1998; Vice President in 1999; and Senior Vice President in 2005. He has been a portfolio manager of the fund since September 2001. Matt is a graduate of Williams College and earned a master's degree in international economics and foreign policy from Johns Hopkins University. Matt also holds the Chartered Financial Analyst (CFA) designation.

Note to Shareholders: Effective October 9, 2006, David Cole became a co-manager of the portfolio with John Addeo, Richard Hawkins and Matthew Ryan. He replaced Scott Richards.

### PERFORMANCE SUMMARY THROUGH 11/30/06

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

### PRICE SUMMARY

Year ended 11/30/06

	Date	Price
Net Asset Value	11/30/06	\$9.64
	11/30/05	\$9.58
New York Stock Exchange Price	11/30/06	\$8.51
	1/24/06 (high) (t)	\$8.67
	6/27/06 (low) (t)	\$8.16

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11/30/05

\$8.43

## TOTAL RETURNS VS BENCHMARKS

Year ended 11/30/06

New York Stock Exchange Price (r)	6.98%
Net Asset Value (r)	6.64%
JPMorgan EMBI Global (f)	11.17%
Lehman Brothers U.S. Credit Bond Index (f)	6.20%
Lehman Brothers U.S. Government/Mortgage Bond Index (f)	5.85%
Citigroup World Government Bond Non-Dollar Hedged Index (f)	4.49%
Lehman Brothers U.S. High-Yield Corporate Bond Index (f)	11.60%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2005 through November 30, 2006.

## INDEX DEFINITIONS

Citigroup World Government Bond Non-Dollar Hedged Index - a market capitalization-weighted index that tracks the currency-hedged performance of the major government bond markets, excluding the United States. Country eligibility is determined based upon market capitalization and investability criteria.

JPMorgan Emerging Markets Bond Index Global (EMBI Global) - tracks total returns for 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 - measures 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 as well as mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Lehman Brothers U.S. High-Yield Corporate Bond Index - measures the universe 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 trust's shares may trade at a discount to net asset value. Shareholders do not have the right to cause the trust to repurchase their shares at net asset value. When trust shares trade at a premium, buyers pay more than the net asset value underlying trust shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the trust's liquidation. As a result, the total returns that are calculated based on the net asset value



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and New York Stock Exchange prices can be different.

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

Effective August 1, 2006, the trust will only send monthly notices reporting the tax status of such distributions when required by SEC rules.

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

### KEY RISK CONSIDERATIONS

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 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 involve risks that may be different from, and potentially greater than, those of the underlying indicator's in whose value the derivative is based. The value of the derivative can move in unexpected ways and result in unanticipated losses and increased volatility if the value of the underlying indicator(s) does not move in the direction or the extent anticipated. Interest payments on inflation adjusted debt instruments can be unpredictable and vary based on the level of inflation. The value of floating rate loans depends on the credit quality and adequacy of the collateral securing the loan. Enforcing rights against the collateral may be difficult or insufficient if the borrower of the floating rate loan defaults. 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 may affect the portfolio's net asset value, the value of dividends and interest earned and gains and losses realized on the sale of securities. Investing in emerging markets can involve risks in addition to those generally associated with investing in more developed foreign markets. 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.

These risks may increase share price volatility.

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

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The trust offers a Dividend Reinvestment and Cash Purchase Plan that allows you to reinvest either all of the distributions paid by the trust or only the long-term capital gains. Purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a discounted price

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of either the net asset value or 95% of the market price, whichever is greater. Twice each year you can also buy shares. Investments may be made in any amount over \$100 in January and July on the 15th of the month or shortly thereafter.

If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the plan on your behalf. If the nominee does not offer the plan, you may wish to request that your shares be re-registered in your own name so that you can participate.

There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the trust. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the commissions. The automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

To enroll in or withdraw from the plan, or if you have any questions, call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time. Please have available the name of the trust and your account and Social Security numbers. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the plan, you can receive the value of the reinvested shares in one of two ways: a check for the value of the full and fractional shares, or a certificate for the full shares and a check for the fractional shares.

The trust has amended the plan to appoint Computershare Trust Company, N.A. (the Transfer Agent for the trust as of December 18, 2006) as agent for the plan. The effective date for the amendment is May 1, 2007. Under the terms of the plan, if you do not withdraw from the plan prior to May 1, 2007, you will be deemed to accept the appointment of Computershare Trust Company, N.A. as your agent under the plan.

### PORTFOLIO OF INVESTMENTS 11/30/06

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

Bonds - 95.8%

ISSUER	SHARES/PAR
--------	------------

Aerospace - 0.1%

Bombardier, Inc., 8%, 2014 (z)	\$ 237,000	\$
DRS Technologies, Inc., 7.625%, 2018	440,000	\$

Agency - Other - 1.0%

Financing Corp., 10.35%, 2018	\$ 3,600,000	\$
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Airlines - 0.2%

Continental Airlines, Inc., 7.566%, 2020	\$ 1,011,390	\$
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Asset Backed & Securitized - 7.8%

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Amresco Commercial Mortgage Funding I, 7%, 2029	\$ 3,000,000	\$
Asset Securitization Corp., FRN, 8.1473%, 2029	2,000,000	
Bayview Financial Acquisition Trust, FRN, 5.483%, 2041	404,000	
Bayview Financial Revolving Mortgage Loan Trust, FRN, 6.12%, 2040 (z)	1,160,000	
Bear Stearns Commercial Mortgage Securities, Inc., FRN, 5.116%, 2041	1,120,248	
Citigroup Commercial Mortgage Trust, 5.462%, 2049	1,588,110	
Countrywide Asset-Backed Certificates, FRN, 5.147%, 2035	2,000,000	
Credit Suisse Mortgage Securities Corp., 6.75%, 2030 (n)	2,000,000	
Crest Ltd., 7%, 2040 (n)	2,000,000	
DLJ Commercial Mortgage Corp., 6.04%, 2031	2,000,000	
First Union-Lehman Brothers Bank of America, FRN, 0.6848%, 2035 (i)	63,720,038	
First Union-Lehman Brothers Commercial Mortgage Trust, 7%, 2029 (n)	850,000	
First Union-Lehman Brothers Commercial Mortgage Trust, FRN, 7.5%, 2029	3,000,000	
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.038%, 2046	4,000,000	
Morgan Stanley Capital I, Inc., 5.168%, 2042	1,532,020	
Mortgage Capital Funding, Inc., FRN, 0.8702%, 2031 (i)	16,324,220	
New Century Home Equity Loan Trust, FRN, 4.532%, 2035	2,500,000	
Residential Asset Mortgage Products, Inc., 3.878%, 2035	753,525	
Spirit Master Funding LLC, 5.05%, 2023 (z)	1,884,306	
Structured Asset Securities Corp., FRN, 4.67%, 2035	2,484,152	
TIAA Real Estate CDO Ltd., 7.17%, 2032 (n)	1,416,022	
Wachovia Bank Commercial Mortgage Trust, FRN, 4.847%, 2041	2,000,000	
Wachovia Bank Commercial Mortgage Trust, FRN, 5.083%, 2042	2,000,000	

Automotive - 1.6%

DaimlerChrysler N.A. Holdings Corp., 8.5%, 2031	\$ 400,000	\$
Ford Motor Credit Co., 5.8%, 2009	1,100,000	
Ford Motor Credit Co., 9.75%, 2010 (n)	145,000	
Ford Motor Credit Co., 7%, 2013	834,000	
General Motors Acceptance Corp., 5.85%, 2009	1,842,000	
General Motors Acceptance Corp., 6.875%, 2011	1,875,000	
General Motors Acceptance Corp., 6.75%, 2014	1,397,000	
General Motors Corp., 8.375%, 2033	419,000	
GMAC LLC, 6.125%, 2008	234,000	

Broadcasting - 1.0%

Allbritton Communications Co., 7.75%, 2012	\$ 535,000	\$
CBS Corp., 6.625%, 2011	1,036,000	
EchoStar DBS Corp., 6.375%, 2011	525,000	
Intelsat Subsidiary Holding Co. Ltd., 8.625%, 2015	340,000	
Lamar Media Corp., 7.25%, 2013	675,000	
News America Holdings, 7.7%, 2025	1,140,000	
News America, Inc., 6.2%, 2034	542,000	

Brokerage & Asset Managers - 1.0%

Goldman Sachs Group, Inc., 5.7%, 2012	\$ 2,680,000	\$
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Morgan Stanley Dean Witter, Inc., 6.6%, 2012	2,537,000	
Business Services - 0.6%		
Iron Mountain, Inc., 7.75%, 2015	\$ 175,000	\$
Xerox Corp., 7.625%, 2013	780,000	
Xerox Corp., 6.4%, 2016	2,000,000	
Cable TV - 1.0%		
CCH II Holdings LLC, 10.25%, 2010	\$ 670,000	\$
CSC Holdings, Inc., 8.125%, 2009	925,000	
Grupo Televisa S.A., 8.5%, 2032	962,000	
Mediacom LLC, 9.5%, 2013	280,000	
Rogers Cable, Inc., 5.5%, 2014	1,025,000	
TCI Communications, Inc., 9.8%, 2012	1,169,000	
Chemicals - 0.8%		
BCP Crystal Holdings Corp., 9.625%, 2014	\$ 204,000	\$
Equistar Chemicals LP, 10.125%, 2008	375,000	
Lyondell Chemical Co., 11.125%, 2012	615,000	
Momentive Performance Materials, Inc., 11.5%, 2016 (z)	375,000	
Mosaic Co., 7.625%, 2016 (z)	360,000	
Nalco Co., 8.875%, 2013	50,000	
Yara International A.S.A., 5.25%, 2014 (n)	2,000,000	
Conglomerates - 0.2%		
Kennametal, Inc., 7.2%, 2012	\$ 1,140,000	\$
Construction - 0.3%		
Beazer Homes USA, Inc., 6.875%, 2015	\$ 1,835,000	\$
Consumer Goods & Services - 0.4%		
Church & Dwight Co., Inc., 6%, 2012	\$ 460,000	\$
Fortune Brands, Inc., 5.125%, 2011	1,150,000	
Service Corp. International, 7%, 2017	470,000	
Service Corp. International, 7.625%, 2018	120,000	
Containers - 0.4%		
Ball Corp., 6.625%, 2018	\$ 475,000	\$
Crown Americas LLC, 7.75%, 2015	565,000	
Owens-Brockway Glass Container, Inc., 8.875%, 2009	378,000	
Owens-Brockway Glass Container, Inc., 8.25%, 2013	865,000	
Defense Electronics - 0.9%		

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BAE Systems Holdings, Inc., 4.75%, 2010 (n)	\$ 790,000	\$
BAE Systems Holdings, Inc., 5.2%, 2015 (n)	2,000,000	
L-3 Communications Corp., 5.875%, 2015	750,000	
L-3 Communications Corp., 6.375%, 2015	1,500,000	
-----		
Electronics - 0.1%		\$
-----		
NXP B.V./NXP Funding LLC, 7.875%, 2014 (n)	\$ 300,000	\$
Sensata Technologies B.V., 8%, 2014 (n)	295,000	
-----		
Emerging Market Quasi-Sovereign - 0.9%		
-----		
Banco do Brasil S.A., 7.95%, 2049 (n)	\$ 161,000	\$
Gazprom OAO, 9.625%, 2013 (n)	1,510,000	
Pemex Project Funding Master Trust, 8.625%, 2022	1,218,000	
Petronas Capital Ltd., 7.875%, 2022 (n)	464,000	
Petronas Capital Ltd., 7.875%, 2022	670,000	
-----		
Emerging Market Sovereign - 1.9%		
-----		
Arab Republic of Egypt, 8.75%, 2011	\$ 221,000	\$
Republic of Argentina, FRN, 5.589%, 2012	1,242,000	
Republic of Bulgaria, 8.25%, 2015	600,000	
Republic of Colombia, FRN, 7.175%, 2015	777,000	
Republic of El Salvador, 7.65%, 2035	36,000	
Republic of Indonesia, 6.875%, 2017 (n)	171,000	
Republic of Panama, 9.375%, 2029	1,121,000	
Republic of Philippines, 9.375%, 2017	449,000	
Republic of South Africa, 9.125%, 2009	469,000	
Republic of Venezuela, 7%, 2018	822,000	
Russian Federation, 3%, 2008	2,690,000	
United Mexican States, 8.125%, 2019	976,000	
-----		
Energy - Independent - 0.6%		
-----		
Chesapeake Energy Corp., 6.875%, 2016	\$ 1,425,000	\$
Forest Oil Corp., 7.75%, 2014	550,000	
Newfield Exploration Co., 6.625%, 2014	770,000	
Pan American Energy LLC, 7.75%, 2012 (n)	109,000	
Quicksilver Resources, Inc., 7.125%, 2016	510,000	
-----		
Energy - Integrated - 0.3%		
-----		
TNK-BP Finance S.A., 7.5%, 2016 (n)	\$ 1,211,000	\$
-----		
Entertainment - 0.5%		
-----		
AMC Entertainment, Inc., 9.5%, 2011	\$ 309,000	\$
AMC Entertainment, Inc., 11%, 2016	200,000	
Turner Broadcasting System, Inc., 8.375%, 2013	1,784,000	
-----		

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Financial Institutions - 0.6%		
-----		
Countrywide Financial Corp., 6.25%, 2016	\$ 1,250,000	\$
HSBC Finance Corp., 5.5%, 2016	1,481,000	
International Lease Finance Corp., 5%, 2010	321,000	
-----		
Food & Beverages - 0.1%		
-----		
B&G Foods Holding Corp., 8%, 2011	\$ 170,000	\$
Dole Foods Co., Inc., 8.875%, 2011	240,000	
Michael Foods, Inc., 8%, 2013	315,000	
-----		
Forest & Paper Products - 0.8%		
-----		
Buckeye Technologies, Inc., 8.5%, 2013	\$ 460,000	\$
MDP Acquisitions PLC, 9.625%, 2012	310,000	
Norske Skog Canada Ltd., 7.375%, 2014	695,000	
Stone Container Corp., 7.375%, 2014	1,000,000	
Stora Enso Oyj, 6.404%, 2016 (n)	1,560,000	
Verso Paper Holdings LLC, 9.125%, 2014 (n)	160,000	
-----		
Gaming & Lodging - 1.4%		
-----		
Caesars Entertainment, Inc., 8.125%, 2011	\$ 730,000	\$
Harrah's Entertainment, Inc., 5.75%, 2017	860,000	
Host Marriott LP, 6.75%, 2016	1,000,000	
Mandalay Resort Group, 9.375%, 2010	450,000	
MGM Mirage, Inc., 8.375%, 2011	1,155,000	
MGM Mirage, Inc., 6.75%, 2013	230,000	
MGM Mirage, Inc., 6.875%, 2016	195,000	
Scientific Games Corp., 6.25%, 2012	380,000	
Starwood Hotels & Resorts Worldwide, Inc., 7.875%, 2012	315,000	
Station Casinos, Inc., 6.5%, 2014	1,230,000	
Wyndham Worldwide Corp., 6%, 2016 (z)	270,000	
Wynn Las Vegas LLC, 6.625%, 2014	485,000	
-----		
Industrial - 0.2%		
-----		
Amsted Industries, Inc., 10.25%, 2011 (z)	\$ 725,000	\$
JohnsonDiversey Holdings, Inc., "B", 9.625%, 2012	310,000	
-----		
Insurance - 0.8%		
-----		
American International Group, 4.25%, 2013	\$ 4,250,000	\$
-----		
Insurance - Property & Casualty - 0.6%		
-----		
AXIS Capital Holdings Ltd., 5.75%, 2014	\$ 1,689,000	\$
Fund American Cos., Inc., 5.875%, 2013	1,351,000	
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International Market Quasi-Sovereign - 1.8%			
-----			
Canada Housing Trust, 4.6%, 2011	CAD	2,714,000	\$
Development Bank of Japan, 1.05%, 2023	JPY	172,000,000	
Japan Finance Corp. Ltd., 2%, 2016	JPY	650,000,000	
-----			
International Market Sovereign - 19.5%			
-----			
Commonwealth of Australia, 6%, 2017	AUD	919,000	\$
Federal Republic of Germany, 3.5%, 2008	EUR	4,130,000	
Federal Republic of Germany, 5.25%, 2010	EUR	3,219,000	
Federal Republic of Germany, 3.75%, 2015	EUR	4,585,000	
Federal Republic of Germany, 6.25%, 2030	EUR	3,342,000	
Government of Canada, 5.5%, 2009	CAD	2,554,000	
Government of Canada, 4.5%, 2015	CAD	4,373,000	
Government of Canada, 8%, 2023	CAD	949,000	
Government of Canada, 5.75%, 2033	CAD	236,000	
Kingdom of Denmark, 4%, 2015	DKK	28,258,000	
Kingdom of Netherlands, 3.75%, 2009	EUR	6,605,000	
Kingdom of Netherlands, 3.75%, 2014	EUR	727,000	
Kingdom of Spain, 6%, 2008	EUR	2,322,000	
Kingdom of Spain, 5.35%, 2011	EUR	4,875,000	
Republic of Austria, 4.65%, 2018	EUR	6,035,000	
Republic of France, 4.75%, 2012	EUR	1,219,000	
Republic of France, 5%, 2016	EUR	3,631,000	
Republic of France, 6%, 2025	EUR	874,000	
Republic of France, 4.75%, 2035	EUR	3,752,000	
Republic of Ireland, 3.25%, 2009	EUR	6,760,000	
Republic of Ireland, 4.6%, 2016	EUR	3,665,000	
United Kingdom Treasury, 5.75%, 2009	GBP	1,433,000	
United Kingdom Treasury, 5%, 2012	GBP	969,000	
United Kingdom Treasury, 8%, 2015	GBP	1,664,000	
United Kingdom Treasury, 8%, 2021	GBP	369,000	
United Kingdom Treasury, 4.25%, 2036	GBP	748,000	
-----			
Machinery & Tools - 0.4%			
-----			
Case New Holland, Inc., 6%, 2009	\$	1,415,000	\$
Case New Holland, Inc., 9.25%, 2011		160,000	
Case New Holland, Inc., 7.125%, 2014		380,000	
Manitowoc Co., Inc., 10.5%, 2012		331,000	
-----			
Major Banks - 1.2%			
-----			
BNP Paribas, 5.186% to 2015, FRN to 2049 (n)	\$	1,667,000	\$
HBOS Capital Funding LP, 6.071% to 2014, FRN to 2049 (n)		1,330,000	
JPMorgan Chase & Co., 5.125%, 2014		2,100,000	
MUFG Capital Finance 1 Ltd., 6.346% to 2016, FRN to 2049		1,408,000	
-----			
Medical & Health Technology & Services - 1.1%			
-----			
DaVita, Inc., 6.625%, 2013	\$	170,000	\$

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DaVita, Inc., 7.25%, 2015	555,000	
Fisher Scientific International, Inc., 6.125%, 2015	1,500,000	
HCA, Inc., 8.75%, 2010	660,000	
HCA, Inc., 6.375%, 2015	420,000	
HCA, Inc., 9.25%, 2016 (z)	780,000	
Omnicare, Inc., 6.875%, 2015	760,000	
Owens & Minor, Inc., 6.35%, 2016	970,000	

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### Metals & Mining - 1.3%

Arch Western Finance LLC, 6.75%, 2013	\$ 630,000	\$
Chaparral Steel Co., 10%, 2013	515,000	
FMG Finance Ltd., 10.625%, 2016 (n)	320,000	
Foundation PA Coal Co., 7.25%, 2014	740,000	
Griffin Coal Mining Co., 9.5%, 2016 (z)	190,000	
International Steel Group, Inc., 6.5%, 2014	1,300,000	
Ispat Inland ULC, 9.75%, 2014	1,200,000	
Massey Energy Co., 6.875%, 2013	635,000	
Peabody Energy Corp., 5.875%, 2016	425,000	
Peabody Energy Corp., "B", 6.875%, 2013	355,000	
U.S. Steel Corp., 9.75%, 2010	413,000	

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### Mortgage Backed - 14.9%

Fannie Mae, 3.81%, 2013	\$ 576,900	\$
Fannie Mae, 4.1%, 2013	931,292	
Fannie Mae, 4.19%, 2013	790,338	
Fannie Mae, 4.845%, 2013	249,836	
Fannie Mae, 4.519%, 2014	898,698	
Fannie Mae, 4.6%, 2014	754,423	
Fannie Mae, 4.667%, 2014	1,315,223	
Fannie Mae, 4.77%, 2014	588,597	
Fannie Mae, 4.56%, 2015	316,233	
Fannie Mae, 4.665%, 2015	256,134	
Fannie Mae, 4.7%, 2015	244,397	
Fannie Mae, 4.74%, 2015	600,000	
Fannie Mae, 4.815%, 2015	600,000	
Fannie Mae, 4.87%, 2015	516,115	
Fannie Mae, 4.89%, 2015	172,206	
Fannie Mae, 4.925%, 2015	1,921,946	
Fannie Mae, 6%, 2016 - 2034	5,888,020	
Fannie Mae, 5.5%, 2019 - 2035	49,084,257	
Fannie Mae, 4.88%, 2020	558,917	
Fannie Mae, 6.5%, 2032 - 2033	3,070,064	
Freddie Mac, 5%, 2024	382,236	
Freddie Mac, 5.5%, 2034	7,391,741	
Freddie Mac, 6%, 2034	2,050,449	

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### Natural Gas - Distribution - 0.1%

AmeriGas Partners LP, 7.25%, 2015	\$ 470,000	\$
AmeriGas Partners LP, 7.125%, 2016	175,000	

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### Natural Gas - Pipeline - 1.3%



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Atlas Pipeline Partners, 8.125%, 2015	\$	375,000	\$
CenterPoint Energy Resources Corp., 7.875%, 2013		1,600,000	
Colorado Interstate Gas Co., 5.95%, 2015		170,000	
El Paso Performance-Linked Trust, 7.75%, 2011 (n)		1,060,000	
Kinder Morgan Energy Partners, 7.125%, 2012		2,000,000	
Magellan Midstream Partners LP, 5.65%, 2016		311,000	
Williams Cos., Inc., 8.75%, 2032		800,000	
<hr/>			
Network & Telecom - 1.4%			
<hr/>			
Citizens Communications Co., 9.25%, 2011	\$	815,000	\$
Citizens Communications Co., 9%, 2031		405,000	
Nordic Telephone Co. Holdings, 8.875%, 2016 (n)		305,000	
Qwest Corp., 7.875%, 2011		860,000	
Qwest Corp., 8.875%, 2012		450,000	
Telefonica Europe B.V., 7.75%, 2010		1,000,000	
Verizon New York, Inc., 6.875%, 2012		2,542,000	
Windstream Corp., 8.625%, 2016 (n)		495,000	
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Oil Services - 0.1%			
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Basic Energy Services, Inc., 7.125%, 2016	\$	210,000	\$
GulfMark Offshore, Inc., 7.75%, 2014		435,000	
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Oils - 0.7%			
<hr/>			
Premcor Refining Group, Inc., 7.5%, 2015	\$	3,550,000	\$
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Other Banks & Diversified Financials - 4.1%			
<hr/>			
Banco BMG S.A., 9.15%, 2016 (n)	\$	982,000	\$
Banco de Credito del Peru, FRN, 6.95%, 2021 (n)		347,000	
Banco do Estado de Sao Paulo S.A., 8.7%, 2049 (n)		1,400,000	
Banco Mercantil del Norte S.A., 5.875% to 2009, FRN to 2014 (n)		808,000	
Bosphorus Financial Services Ltd., FRN, 7.1738%, 2012 (z)		1,500,000	
Chuo Mitsui Trust & Banking Co., 5.506% to 2015, FRN to 2049 (n)		1,676,000	
DFS Funding Corp., FRN, 7.39%, 2010 (z)		1,750,000	
HSBK Europe B.V., 7.75%, 2013 (n)		637,000	
ICICI Bank Ltd., FRN, 7.25%, 2049 (n)		200,000	
Kazkommerts International B.V., 10.125%, 2007 (n)		367,000	
Kazkommerts International B.V., 10.125%, 2007		128,000	
Kazkommerts International B.V., 8%, 2015		583,000	
Mizuho Capital Investment 1 Ltd., 6.686% to 2016, FRN to 2049 (n)		3,800,000	
Mizuho Financial Group, Inc., 5.79%, 2014 (n)		1,898,000	
RBS Capital Trust II, 6.425% to 2034, FRN to 2049		458,000	
Resona Bank Ltd., 5.85% to 2016, FRN to 2049 (n)		655,000	
Russian Standard Finance S.A., 8.125%, 2008 (n)		682,000	
Russian Standard Finance S.A., 7.5%, 2010 (n)		176,000	
Russian Standard Finance S.A., 8.625%, 2011 (n)		498,000	
UFJ Finance Aruba AEC, 6.75%, 2013		1,300,000	
Woori Bank, 6.125% to 2011, FRN to 2016 (n)		1,490,000	
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Precious Metals & Minerals - 0.6%		
Alosa Finance S.A., 8.875%, 2014	\$ 2,880,000	\$
Printing & Publishing - 0.7%		
Dex Media East LLC, 9.875%, 2009	\$ 565,000	\$
Dex Media West LLC, 9.875%, 2013	1,527,000	
Idearc, Inc., 8%, 2016 (z)	1,090,000	
MediaNews Group, Inc., 6.875%, 2013	515,000	
-----		
Railroad & Shipping - 0.6%		
TFM S.A. de C.V., 9.375%, 2012	\$ 2,809,000	\$
-----		
Real Estate - 0.9%		
EOP Operating LP, 4.75%, 2014	\$ 1,500,000	\$
HRPT Properties Trust, REIT, 6.25%, 2016	1,324,000	
Kimco Realty Corp., REIT, 5.783%, 2016	710,000	
Simon Property Group LP, REIT, 5.875%, 2017	1,260,000	
-----		
Restaurants - 0.3%		
YUM! Brands, Inc., 8.875%, 2011	\$ 1,500,000	\$
-----		
Retailers - 0.5%		
Couche-Tard, Inc., 7.5%, 2013	\$ 420,000	\$
Dollar General Corp., 8.625%, 2010	315,000	
Gap, Inc., 9.55%, 2008	940,000	
Limited Brands, Inc., 5.25%, 2014	1,100,000	
-----		
Specialty Stores - 0.1%		
GSC Holdings Corp., 8%, 2012	\$ 310,000	\$
-----		
Supranational - 0.3%		
Central American Bank, 4.875%, 2012 (n)	\$ 1,426,000	\$
-----		
Telecommunications - Wireless - 1.4%		
AT&T Wireless Services, Inc., 8.75%, 2031	\$ 1,500,000	\$
Centennial Communications Corp., 10.125%, 2013	240,000	
Cingular Wireless LLC, 6.5%, 2011	1,700,000	
Excelcomindo Finance Co., 7.125%, 2013 (n)	100,000	
OJSC Vimpel Communications, 8.25%, 2016	2,036,000	
Rogers Wireless, Inc., 6.375%, 2014	550,000	
Rogers Wireless, Inc., 7.5%, 2015	450,000	
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Tobacco - 0.4%		
Reynolds American, Inc., 7.25%, 2012 (n)	\$ 818,000	\$

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Reynolds American, Inc., 7.3%, 2015 (n)	1,300,000	
-----		
Transportation - Services - 0.2%		
-----		
Hertz Corp., 8.875%, 2014 (n)	\$ 315,000	\$
Stena AB, 7%, 2016	375,000	
Westinghouse Air Brake Technologies Corp., 6.875%, 2013	370,000	
-----		
U.S. Government Agencies - 2.7%		
-----		
Small Business Administration, 4.34%, 2024	\$ 7,061,529	\$
Small Business Administration, 4.77%, 2024	5,289,809	
Small Business Administration, 5.11%, 2025	2,429,243	
-----		
U.S. Treasury Obligations - 9.3%		
-----		
U.S. Treasury Bonds, 12%, 2013	\$ 4,500,000	\$
U.S. Treasury Bonds, 10.625%, 2015	3,350,000	
U.S. Treasury Bonds, 6.25%, 2023 (f)	8,000,000	
U.S. Treasury Bonds, 5.375%, 2031	477,000	
U.S. Treasury Bonds, 4.5%, 2036	158,000	
U.S. Treasury Notes, 4.25%, 2014	2,500,000	
U.S. Treasury Notes, 4.125%, 2015	1,285,000	
U.S. Treasury Notes, 9.875%, 2015	5,025,000	
U.S. Treasury Notes, 4.5%, 2016	4,128,000	
U.S. Treasury Notes, TIPS, 2%, 2014	11,156,328	
U.S. Treasury Notes, TIPS, 1.625%, 2015	3,832,385	
-----		
Utilities - Electric Power - 3.8%		
-----		
Allegheny Energy Supply Co. LLC, 8.25%, 2012 (n)	\$ 370,000	\$
Duke Capital Corp., 8%, 2019	1,350,000	
Edison Mission Energy, 7.75%, 2016	765,000	
Empresa Nacional de Electricidad S.A., 8.35%, 2013	1,269,000	
Enersis S.A., 7.375%, 2014	1,273,000	
FirstEnergy Corp., 6.45%, 2011	4,199,000	
HQI Transelec Chile S.A., 7.875%, 2011	1,500,000	
Majapahit Holding B.V., 7.75%, 2016 (n)	119,000	
Midwest Generation LLC, 8.75%, 2034	315,000	
Mirant North American LLC, 7.375%, 2013	710,000	
NorthWestern Corp., 5.875%, 2014	1,435,000	
NRG Energy, Inc., 7.375%, 2016	1,290,000	
Reliant Resources, Inc., 9.25%, 2010	200,000	
Reliant Resources, Inc., 9.5%, 2013	235,000	
System Energy Resources, Inc., 5.129%, 2014 (n)	2,255,683	
TXU Corp., 5.55%, 2014	746,000	
TXU Energy Co., 7%, 2013	1,220,000	
-----		
TOTAL BONDS (IDENTIFIED COST, \$503,057,424)		\$5
-----		
Floating Rate Loans - 0.3% (g) (r)		
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Automotive - 0.1%

General Motors, Term Loan B, 7%, 2013	351,700	\$
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Medical & Health Technology & Services - 0.1%

HCA, Inc., Term Loan B, 7%, 2013	311,002	\$
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Printing & Publishing - 0.1%

Idearc, Inc., Term Loan B, 7%, 2014	640,422	\$
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TOTAL FLOATING RATE LOANS (IDENTIFIED COST, \$1,304,338)		\$
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Common Stocks - 0.0%

Printing & Publishing - 0.0%

Golden Books Family Entertainment, Inc. (a)	3,683	\$
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TOTAL COMMON STOCKS (IDENTIFIED COST, \$0)		\$
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Warrants - 0.0%

	STRIKE PRICE	FIRST EXERCISE		
Loral Space & Communications Ltd. (a)	\$ 0.14	1/28/1997	1,625	\$
Loral Space & Communications Ltd. (a)	0.14	1/28/1997	750	

TOTAL WARRANTS (IDENTIFIED COST, \$29,434)		\$
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Short-Term Obligations - 3.8%

General Electric Co., 5.31%, due 12/01/06, at Amortized Cost and Value (y)	\$ 20,491,000	\$
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TOTAL INVESTMENTS (IDENTIFIED COST, \$524,882,196) (k)		\$5
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Other Assets, Less Liabilities - 0.1%

NET ASSETS - 100.0%		\$5
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(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 trust receives interest on notional principal (Par amount shown is the notional principal and does not reflect the cost of the security).

(k) As of November 30, 2006, the trust held securities fair valued in accordance with the policies adopted by the Board of Trustees, aggregating \$495,978,784 and 93.22% of market value. An independent pricing service provided an evaluated bid for 92.36% 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 qualified institutional buyers. At period end, the aggregate value of these securities was \$45,679,554, representing 8.6% of net assets.

(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 floating 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.

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(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to 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 trust holds the following restricted securities:

RESTRICTED SECURITIES	ACQUISITION DATE	ACQUISITION COST	CURRENT MARKET VALUE	TOTAL NET
Amsted Industries, Inc., 10.25%, 2011	8/08/03 - 4/25/06	\$761,563	\$772,125	
Bayview Financial Revolving Mortgage Loan Trust, FRN, 6.12%, 2040	3/01/06	1,160,000	1,161,596	
Bombardier, Inc., 8%, 2014	11/10/06 - 11/29/06	238,250	238,185	
Bosphorus Financial Services Ltd., FRN, 7.1738%, 2012	3/08/05	1,500,000	1,520,630	
DFS Funding Corp., FRN, 7.39%, 2010	6/24/05	1,750,000	1,767,500	
Griffin Coal Mining Co., 9.5%, 2016	11/10/06	190,000	191,425	
HCA, Inc., 9.25%, 2016	11/09/06 - 11/28/06	795,463	814,125	
Idearc, Inc., 8%, 2016	11/01/06 - 11/28/06	1,100,563	1,107,713	
Momentive Performance Materials, Inc., 11.5%, 2016	11/29/06	369,581	369,844	
Mosaic Co., 7.625%, 2016	11/16/06 - 11/20/06	\$365,631	\$368,100	
Spirit Master Funding LLC, 5.05%, 2023	7/15/05	1,883,751	1,843,160	
Wyndham Worldwide Corp., 6%, 2016	11/30/06	268,761	268,781	
Total Restricted Securities			\$10,423,184	2

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

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	GBP	British Pound
CAD	Canadian Dollar	JPY	Japanese Yen
CNY	Chinese Yuan Renminbi	MXN	Mexican Peso
DKK	Danish Krone	MYR	Malaysian Ringgit
EUR	Euro	NOK	Norwegian Krone

### FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

Sales and Purchases in the table below are reported by currency.

CONTRACTS TO	CONTRACTS	NET UNREALIZED APPRECIATION
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DELIVER/RECEIVE	SETTLEMENT DATE	IN EXCHANGE FOR	AT VALUE	(DEPRECIATED)	
<b>SALES</b>					
AUD	617,083	12/06/06	\$ 473,749	\$ 486,959	\$ (13,210)
CAD	12,191,481	12/04/06 - 2/06/07	10,796,063	10,690,021	106,042
DKK	29,589,167	12/18/06 - 12/27/06	4,992,810	5,263,615	(270,805)
EUR	77,945,029	12/18/06 - 1/29/07	98,162,578	103,356,007	(5,193,429)
GBP	5,948,897	2/26/07	11,314,811	11,700,136	(385,324)
JPY	666,860,877	1/18/07 - 1/23/07	5,696,756	5,800,116	(103,360)
NOK	54,514	1/08/07	8,428	8,872	(448)
			\$131,445,195	\$137,305,726	\$ (5,860,531)

**PURCHASES**

AUD	213,661	12/06/06	\$ 161,059	\$ 168,606	\$ 7,547
CAD	5,684,282	12/04/06	5,002,008	4,979,823	(22,185)
CNY	42,072,400	1/10/07	5,374,947	5,401,392	26,445
EUR	13,486,354	12/18/06	17,349,342	17,882,939	533,597
MXN	14,299,601	12/06/06	1,320,138	1,302,488	(17,650)
MYR	4,696,964	12/26/06	1,290,020	1,299,878	9,858
			\$ 30,497,514	\$ 31,035,126	\$ 537,612

At November 30, 2006, forward foreign currency purchases and sales under master netting agreements excluded above amounted to a net receivable of \$53,967 with Goldman Sachs & Co. and \$94,976 with Merrill Lynch International.

**FUTURES CONTRACTS OUTSTANDING AT 11/30/06:**

DESCRIPTION	CONTRACTS	VALUE	EXPIRATION DATE
U.S. Treasury Bond (Long)	50	\$5,718,750	Mar-07
U.S. Treasury Note 10 year (Long)	8	873,500	Mar-07

**SWAP AGREEMENTS AT 11/30/06**

EXPIRATION	NOTIONAL AMOUNT	COUNTERPARTY	CASH FLOWS TO RECEIVE	CASH FLOWS TO PAY	APPROXIMATE FAIR VALUE (DOLLARS)
<b>CREDIT DEFAULT SWAPS</b>					
3/20/11	USD 1,270,000	Citibank, N.A.	(1)	0.65% (fixed rate)	
3/20/11	USD 2,500,000	Merrill Lynch International	(2)	0.43% (fixed rate)	

- (1) Trust to receive notional amount upon a defined credit default event by Autozone, Inc., 5.875%  
(2) Trust to receive notional amount upon a defined credit default event by New York Times Co., 4.61%, 9/26/12.

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At November 30, 2006, the trust had sufficient cash and/or securities to cover any commitments under these derivative contracts.

SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements

### STATEMENT OF ASSETS AND LIABILITIES

At 11/30/06

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

#### ASSETS

Investments, at value (identified cost, \$524,882,196)	\$532,046,497	
Cash	14,838	
Receivable for forward foreign currency exchange contracts	683,489	
Receivable for forward foreign currency exchange contracts subject to master netting agreements	148,943	
Receivable for daily variation margin on open futures contracts	37,625	
Receivable for investments sold	6,435,683	
Interest receivable	7,201,385	
Unrealized appreciation on credit default swaps	65	
Other assets	17,290	
<hr/>		
Total assets		\$546,588,220

#### LIABILITIES

Distributions payable	\$159,142	
Payable for forward foreign currency exchange contracts	6,006,408	
Payable for investments purchased	7,247,112	
Unrealized depreciation on credit default swaps	15,422	
Payable to affiliates		
Management fee	16,712	
Transfer agent and dividend disbursing costs	23,809	
Administrative services fee	557	
Payable for independent trustees' compensation	169,412	
Accrued expenses and other liabilities	124,344	
<hr/>		
Total liabilities		\$13,762,915

Net assets		\$532,825,305
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#### NET ASSETS CONSIST OF

Paid-in capital	\$585,060,773	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	2,114,124	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(55,494,429)	
Undistributed net investment income	1,142,429	
<hr/>		
Net assets		\$532,825,305

Shares of beneficial interest outstanding (59,865,883 issued,

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less 4,601,344 treasury shares)

55,26

Net asset value per share (net assets of \$532,822,897/  
55,264,539 shares of beneficial interest outstanding)

SEE NOTES TO FINANCIAL STATEMENTS

### Financial Statements

#### STATEMENT OF OPERATIONS

Year ended 11/30/06

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

#### NET INVESTMENT INCOME

Income			
Interest		\$28,320,011	
Dividends		28,038	
Total investment income			\$28,34
Expenses			
Management fee		\$3,125,943	
Transfer agent and dividend disbursing costs		110,197	
Administrative services fee		90,031	
Independent trustees' compensation		76,039	
Custodian fee		206,145	
Shareholder communications		144,222	
Auditing fees		72,192	
Legal fees		10,999	
Miscellaneous		164,166	
Total expenses			\$3,99
Fees paid indirectly		(71,728)	
Reduction of expenses by investment adviser		(2,943)	
Net expenses			\$3,92
Net investment income			\$24,42
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized gain (loss) (identified cost basis)			
Investment transactions		\$ (171,382)	
Futures contracts		605,551	
Swap transactions		(38,311)	
Foreign currency transactions		(4,785,742)	
Net realized gain (loss) on investments and foreign currency transactions			\$ (4,38
Change in unrealized appreciation (depreciation) Investments		\$13,899,728	



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Futures contracts	24,541	
Swap transactions	(15,357)	
Translation of assets and liabilities in foreign currencies	(4,469,207)	
<hr/>		
Net unrealized gain (loss) on investments and foreign currency translation		\$9,43
<hr/>		
Net realized and unrealized gain (loss) on investments and foreign currency		\$5,04
<hr/>		
Change in net assets from operations		\$29,47
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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, distributions, and any shareholder transactions.

	YEARS ENDED 11/30	
	2006	
<hr/>		
CHANGE IN NET ASSETS		
<hr/>		
FROM OPERATIONS		
<hr/>		
Net investment income	\$24,422,786	\$25,60
Net realized gain (loss) on investments and foreign currency transactions	(4,389,884)	20,00
Net unrealized gain (loss) on investments and foreign currency translation	9,439,705	(24,95
<hr/>		
Change in net assets from operations	\$29,472,607	\$20,66
<hr/>		
DISTRIBUTIONS DECLARED TO SHAREHOLDERS		
<hr/>		
From net investment income	\$(27,468,629)	\$(29,04
<hr/>		
TRUST SHARE (PRINCIPAL) TRANSACTIONS		
<hr/>		
Change in net assets from trust share transactions	\$(8,672,032)	\$(10,56
<hr/>		
Total change in net assets	\$(6,668,054)	\$(18,94
<hr/>		
NET ASSETS		
<hr/>		
At beginning of period	539,490,951	558,44
At end of period (including undistributed net investment income of \$1,142,429 and \$5,440,460, respectively)	\$532,822,897	\$539,49
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SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements

### FINANCIAL HIGHLIGHTS

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

	YEARS ENDED 11/30		
	2006	2005	2004
Net asset value, beginning of period	\$9.58	\$9.71	\$9.58
<b>INCOME (LOSS) FROM INVESTMENT OPERATIONS</b>			
Net investment income (d)	\$0.44	\$0.45	\$0.49
Net realized and unrealized gain (loss) on investments and foreign currency	0.09	(0.09)	0.17
Total from investment operations	\$0.53	\$0.36	\$0.66
<b>LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS</b>			
From net investment income	\$ (0.49)	\$ (0.51)	\$ (0.55)
From paid-in capital	--	--	--
Total distributions declared to shareholders	\$ (0.49)	\$ (0.51)	\$ (0.55)
Net increase from repurchase of capital shares	\$0.02	\$0.02	\$0.02
Net asset value, end of period	\$9.64	\$9.58	\$9.71
Per share market value, end of period	\$8.51	\$8.43	\$8.71
Total return at market value (%) (r) (s)	6.98	2.57	5.52
<b>RATIOS (%) (TO AVERAGE NET ASSETS) AND SUPPLEMENTAL DATA:</b>			
Expenses before expense reductions (f)	0.76	0.79	0.80
Expenses after expense reductions (f)	0.76	0.79	0.80
Net investment income	4.62	4.64	5.11
Portfolio turnover	57	73	70
Net assets at end of period (000 Omitted)	\$532,823	\$539,491	\$558,440

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

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

(r) Certain expenses have been reduced without which performance would have been lower.

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(s) From time to time the trust may receive proceeds from litigation settlements, without which p

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### NOTES TO FINANCIAL STATEMENTS

#### (1) BUSINESS AND ORGANIZATION

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

#### (2) SIGNIFICANT ACCOUNTING POLICIES

GENERAL - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The trust can invest 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. Values of debt instruments obtained from pricing services can utilize both dealer-supplied valuations and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. 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. 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 they 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 a broker-dealer bid quotation. 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.

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The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the trust'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 trust's valuation policies and procedures, market quotations are not considered to be readily available for many types of debt instruments. These investments are generally valued at fair value based on information from independent pricing services. 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 trust'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 trust'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 trust, and believes the impact will be limited to expanded disclosures resulting from the adoption of this Statement in the trust's financial statements.

**REPURCHASE AGREEMENTS** - The trust may enter into repurchase agreements with institutions that the trust's investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. The trust requires that the securities collateral in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the trust to obtain those securities in the event of a default under the repurchase agreement. The trust 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 trust under each such repurchase agreement. The trust, along with other affiliated entities of 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 trust invests in inflation-adjusted debt securities issued by the U.S. Treasury. The trust 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

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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 trust 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 trust uses derivatives as an 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 trust 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 trust 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 trust 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 trust. Upon entering into such contracts, the trust bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the trust may not achieve the anticipated benefits of the futures contracts and may realize a loss.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS - The trust may enter into forward foreign currency excha