

MFS GOVERNMENT MARKETS INCOME TRUST  
Form N-CSR  
January 18, 2019

**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 811-05078

**MFS GOVERNMENT MARKETS INCOME TRUST**

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

**Christopher R. Bohane**

**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, 2018

**ITEM 1. REPORTS TO STOCKHOLDERS.**

Annual Report

November 30, 2018

## MFS® Government Markets Income Trust

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the fund's annual and semiannual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the complete reports will be made available on the fund's Web site, and you will be notified by mail each time a report is posted and provided with a Web site link to access the report.

If you are already signed up to receive shareholder reports by email, you will not be affected by this change and you need not take any action. You may sign up to receive shareholder reports and other communications from the fund by email by contacting your financial intermediary (such as a broker-dealer or bank) or, if you hold your shares directly with the fund, by calling 1-800-637-2304 or by logging into your Investor Center account at [www.computershare.com/investor](http://www.computershare.com/investor).

Beginning on January 1, 2019, you may elect to receive all future reports in paper free of charge. Contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the fund, you can call 1-800-637-2304 to let the fund know that you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the MFS fund complex if you invest directly.

MGF-ANN

MANAGED DISTRIBUTION POLICY DISCLOSURE

The MFS Government Markets Income Trust's (the fund) Board of Trustees adopted a managed distribution policy. The fund seeks to pay monthly distributions based on an annual rate of 7.25% of the fund's average monthly net asset value. The primary purpose of the managed distribution policy is to provide shareholders with a constant, but not guaranteed, fixed minimum rate of distribution each month. You should not draw any conclusions about the fund's investment performance from the amount of the current distribution or from the terms of the fund's managed distribution policy. The Board may amend or terminate the managed distribution policy at any time without prior notice to fund shareholders. The amendment or termination of the managed distribution policy could have an adverse effect on the market price of the fund's shares.

With each distribution, the fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other related information. The amounts and sources of distributions reported in the notice to shareholders are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the fund's investment experience during its fiscal year and may be subject to changes based on tax regulations. The fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes. Please refer to "Tax Matters and Distributions" under Note 2 of the Notes to Financial Statements for information regarding the tax character of the fund's distributions.

Under a managed distribution policy the fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of your distribution may result in a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the fund is paid back to you. Any such returns of capital will decrease the fund's total assets and, therefore, could have the effect of increasing the fund's expense ratio. In addition, in order to make the level of distributions called for under its managed distribution policy, the fund may have to sell portfolio securities at a less than opportune time. A return of capital does not necessarily reflect the fund's investment performance and should not be confused with "yield" or "income". The fund's total return in relation to changes in net asset value is presented in the Financial Highlights.

## **MFS® Government Markets Income Trust**

New York Stock Exchange Symbol: **MGF**

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**NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE**

## LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Shareholders:

Higher bond yields, international trade friction, and geopolitical uncertainty have contributed to an uptick in market volatility in recent quarters a departure from the

low-volatility environment that prevailed for much of 2017. Against this more challenging backdrop, equity markets in the United States have outperformed most international markets on a relative basis, though returns have been modest year to date on an absolute basis. Global economic growth has become less synchronized over the past few months, with Europe, China, and some emerging markets having shown signs of slowing growth while U.S. growth has remained above average.

Although the U.S. Federal Reserve continues to gradually raise interest rates and shrink its balance sheet, monetary policy remains fairly accommodative around the world, with many central banks taking only tentative steps toward tighter policies.

U.S. tax reforms adopted in late 2017 have been welcomed by equity markets while emerging market economies have recently had to contend with tighter financial conditions as a result of firmer U.S. Treasury yields and a stronger dollar. With the Republicans losing control of the U.S. House of Representatives, further meaningful U.S. fiscal stimulus appears less likely. A partial U.S. government shutdown, beginning in late 2018, also added to political uncertainty. Globally, inflation remains largely subdued, but tight labor markets and moderate global demand have investors on the lookout for its potential reappearance. Increased U.S. protectionism is also a growing concern, as investors fear trade disputes could dampen business sentiment, leading to even slower global growth. While there has been progress on this front a NAFTA replacement has been agreed upon between the U.S., Mexico, and Canada; the free trade pact with Korea has been updated; and a negotiating framework with the European Union has been agreed upon tensions over trade with China remain quite high.

As a global investment manager with nearly a century of expertise, MFS® firmly believes active risk management offers downside mitigation and may help improve investment outcomes. We built our active investment platform with this belief in mind. Our long-term perspective influences nearly every aspect of our business, ensuring our investment decisions align with the investing time horizons of our clients.

Respectfully,

**Robert J. Manning**

Executive Chairman

MFS Investment Management

January 15, 2019

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

## PORTFOLIO COMPOSITION

### Portfolio structure at value

#### Fixed income sectors (i)

|                                       |       |
|---------------------------------------|-------|
| Mortgage-Backed Securities            | 49.2% |
| U.S. Treasury Securities              | 34.2% |
| Investment Grade Corporates           | 10.2% |
| Emerging Markets Bonds                | 4.7%  |
| Non-U.S. Government Bonds             | 4.4%  |
| U.S. Government Agencies              | 2.3%  |
| Municipal Bonds                       | 1.9%  |
| Collateralized Debt Obligations       | 1.9%  |
| Commercial Mortgage-Backed Securities | 0.6%  |

#### Portfolio structure reflecting equivalent exposure of derivative positions (i)

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

|                         |         |
|-------------------------|---------|
| AAA                     | 1.9%    |
| AA                      | 2.4%    |
| A                       | 4.0%    |
| BBB                     | 11.0%   |
| BB                      | 0.1%    |
| U.S. Government         | 24.1%   |
| Federal Agencies        | 51.5%   |
| Not Rated               | 14.4%   |
| Cash & Cash Equivalents | 0.7%    |
| Other                   | (10.1)% |

#### Portfolio facts (i)

|                                |          |
|--------------------------------|----------|
| Average Duration (d)           | 6.1      |
| Average Effective Maturity (m) | 8.7 yrs. |

*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 and fixed income derivatives, which have not been rated by any rating agency. The fund may or may not have held all of these instruments on this date. 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 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 value. The bond component will include any accrued interest amounts.
- (m) In determining each 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. Where the fund holds convertible bonds, they are treated as part of the equity portion of the portfolio.

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes equivalent exposure from currency derivatives and/or any offsets to derivative positions and may be negative.

Percentages are based on net assets as of November 30, 2018.

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

## MANAGEMENT REVIEW

### Summary of results

MFS Government Markets 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 at least 80% of the fund's net assets, including borrowings for investment purposes, in U.S. and foreign government securities. MFS may invest the fund's assets in other types of debt instruments. MFS generally invests substantially all of the fund's assets in investment grade debt instruments. MFS may invest the fund's assets in U.S. and foreign securities, including emerging market securities.

For the twelve months ended November 30, 2018, the fund provided a total return of 1.09%, at net asset value, and a total return of 2.05%, at market value. This compares with a return of 0.74% for the fund's benchmark, the Bloomberg Barclays U.S. Government/Mortgage Bond Index. Over the same period, the fund's other benchmark, the MFS Government Markets Income Trust Blended Index ( Blended Index ), generated a return of 1.15%. 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

During the reporting period, the US Federal Reserve ( Fed ) raised interest rates by 100 basis points, bringing the total number of rate hikes to eight since the central bank began to normalize monetary policy in late 2015. Economic growth rates in the US, eurozone and Japan remained above trend despite a slowing in global growth, particularly toward the end of the period. Inflation remained contained, particularly outside the US. Late in the period, the European Central Bank announced that it would halt its asset purchase program at the end of 2018, but issued forward guidance that it does not expect to raise interest rates at least until after the summer of 2019. Both the Bank of England and the Bank of Canada raised rates several times during the period. The European political backdrop became a bit more volatile late in the period, spurred by concerns over cohesion in the eurozone after the election of an anti-establishment, Eurosceptic coalition government in Italy.

Bond yields rose in the US during the period but remained low by historical standards, while yields in many developed markets fell. Outside of emerging markets, where spreads and currencies came under pressure, credit spreads remained quite tight until the end of the period when thinner liquidity, lower oil prices and concerns over high degrees of corporate leverage emerged. Growing concern over increasing global trade friction appeared to have weighed on business sentiment during the period's second half, especially outside the US. Tighter financial conditions from rising US rates and a

*Management Review continued*

strong dollar, combined with trade uncertainty, helped expose structural weaknesses in several emerging markets in the second half of the period.

Volatility increased at the end of the period amid signs of slowing global economic growth and increasing trade tensions, which prompted a market setback shortly after US markets set record highs in September. It was the second such equity market decline during the reporting period. The correction came despite a third consecutive quarter of strong growth in US earnings per share. Strong earnings growth, combined with the market decline, brought US equity valuations down from elevated levels, earlier in the period, to multiples more in line with long-term averages. While the US economy maintained its strength, global economic growth became less synchronized during the period, with Europe and China showing signs of a modest slowdown and some emerging markets coming under stress.

**Factors Affecting Performance**

Relative to the Blended Index, the fund's security selection within both the *MBS agency fixed rate* and *industrials* sectors contributed to performance. A shorter duration<sup>(d)</sup> stance also benefited relative results as interest rates rose during the reporting period. Additionally, the fund's greater allocation to the *financial institutions* sector, and its out-of-benchmark allocation to the *industrials* sector, strengthened relative returns.

Conversely, the fund's yield curve<sup>(y)</sup> positioning detracted from relative performance during the reporting period.

Respectfully,

Portfolio Manager(s)

Geoffrey Schechter, Ward Brown, Robert Persons, and Matt Ryan

(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.

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

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

## PERFORMANCE SUMMARY THROUGH 11/30/18

The following chart presents 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 Government Markets Income Trust

|          |                               | Date               | Price  |
|----------|-------------------------------|--------------------|--------|
|          | Net Asset Value               | 11/30/18           | \$4.65 |
|          |                               | 11/30/17           | \$5.08 |
|          | New York Stock Exchange Price | 11/30/18           | \$4.36 |
| Year     |                               | 1/02/18 (high) (t) | \$4.86 |
| Ended    |                               | 11/13/18 (low) (t) | \$4.30 |
| 11/30/18 |                               | 11/30/17           | \$4.81 |

### Total Returns vs Benchmark(s)

|          |  |         |
|----------|--|---------|
|          | MFS Government Markets Income Trust at                     |         |
|          | New York Stock Exchange Price (r)                          | (2.05)% |
|          | Net Asset Value (r)  | (1.09)% |
| Year     | Bloomberg Barclays U.S. Government/Mortgage Bond Index (f) | (0.74)% |
| Ended    | MFS Government Markets Income Trust Blended Index (f)(w)   | (1.15)% |
| 11/30/18 | Bloomberg Barclays U.S. Credit Bond Index (f)              | (2.79)% |

(f) Source: FactSet Research Systems Inc.

(r) Includes reinvestment of all distributions.

(t) For the period December 1, 2017 through November 30, 2018.

(w) As of November 30, 2018, the MFS Government Markets Income Trust Blended Index was comprised of 80% Bloomberg Barclays U.S. Government/Mortgage Bond Index and 20% Bloomberg Barclays U.S. Credit Bond Index.

### Benchmark Definition(s)

**Bloomberg 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.

*Performance Summary continued*

Bloomberg 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).

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 concurrent liquidation.

The fund's target annual distribution rate is calculated based on an annual rate of 7.25% of the fund's average monthly net asset value, not a fixed share price, and the fund's dividend amount will fluctuate with changes in the fund's average monthly net assets.

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.

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**PORTFOLIO MANAGERS PROFILE**

| <b>Portfolio Manager</b> | <b>Primary Role</b>                                   | <b>Since</b> | <b>Title and Five Year History</b>   |
|--------------------------|---|--------------|--|
| Geoffrey Schechter       | Lead and U.S. Government Securities Portfolio Manager | 2006         | Investment Officer of MFS; employed in the investment management area of MFS since 1993. |
| Ward Brown               | Emerging Markets Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; employed in the investment management area of MFS since 2005. |
| Robert Persons           | Investment Grade Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; employed in the investment management area of MFS since 2000. |
| Matt Ryan                | Emerging Markets Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; employed in the investment management area of MFS since 1997. |

## **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. The tax status of dividends and capital gain distributions does not change 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.

If your shares are held directly with the Plan Agent, you may withdraw from the Plan at any time by going to the Plan Agent's website at [www.computershare.com/investor](http://www.computershare.com/investor), 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/investor](http://www.computershare.com/investor), or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

## PORTFOLIO OF INVESTMENTS

11/30/18

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

| Bonds - 98.8%  |            |              |
|--|------------|--------------|
| Issuer   | Shares/Par | Value (\$)   |
| U.S. Bonds - 87.9%   |            |              |
| Asset-Backed & Securitized - 2.5%  |            |              |
| A Voce CLO Ltd., 2014-1A, A1R, FLR, 3.596% (LIBOR - 3mo. + 1.16%), 7/15/2026 (n)                       | \$ 521,618 | \$ 521,346   |
| Atrium CDO Corp., 2011-A, A1R, FLR, 3.617% (LIBOR - 3mo. + 1.14%), 10/23/2025 (n)                      | 548,000    | 547,912      |
| Commercial Mortgage Trust, 2015-DC1, A5, 3.35%, 2/10/2048  | 327,000    | 318,928      |
| Commercial Mortgage Trust, 2017-COR2, A3, 3.51%, 9/10/2050   | 292,470    | 282,200      |
| Loomis, Sayles & Co., CLO, A2, FLR, 3.836% (LIBOR - 3mo. + 1.4%), 4/15/2028 (n)                        | 429,010    | 423,209      |
| Madison Park Funding Ltd., 2014-13A, BR2, FLR, 3.95% (LIBOR - 3mo. + 1.5%), 4/19/2030 (n)              | 452,738    | 448,289      |
| Morgan Stanley Bank of America Merrill Lynch Trust, 2017-C34, A4, 3.536%, 11/15/2052                   | 59,686     | 57,865       |
| Symphony CLO Ltd., 2016-17A, BR, FLR, 3.636% (LIBOR - 3mo. + 1.2%), 4/15/2028 (n)                      | 383,677    | 379,136      |
| TICP CLO Ltd., FLR, 3.309% (LIBOR - 3mo. + 0.8%), 4/20/2028 (n)  | 538,454    | 533,413      |
| UBS Commercial Mortgage Trust, 2017-C1, A4, 3.544%, 11/15/2050   | 279,000    | 269,245      |
|  |            | \$ 3,781,543 |
| Building - 0.0%  |            |              |
| Martin Marietta Materials, Inc., 4.25%, 7/02/2024  | \$ 82,000  | \$ 81,820    |
| Business Services - 0.4%   |            |              |
| Cisco Systems, Inc., 2.6%, 2/28/2023   | \$ 299,000 | \$ 289,100   |
| Fidelity National Information Services, Inc., 3.875%, 6/05/2024  | 271,000    | 267,707      |
|  |            | \$ 556,807   |
| Cable TV - 0.9%  |            |              |
| Charter Communications Operating LLC/Charter Communications Operating Capital Corp., 4.908%, 7/23/2025 | \$ 242,000 | \$ 240,333   |
| Time Warner Cable, Inc., 8.25%, 4/01/2019  | 1,000,000  | 1,015,494    |
| Time Warner Cable, Inc., 4.5%, 9/15/2042   | 100,000    | 78,839       |
|  |            | \$ 1,334,666 |
| Chemicals - 0.2%   |            |              |
| Sherwin Williams Co., 2.75%, 6/01/2022   | \$ 345,000 | \$ 330,773   |
| Computer Software - 0.1%   |            |              |
| Microsoft Corp., 3.125%, 11/03/2025  | \$ 124,000 | \$ 120,340   |

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Portfolio of Investments continued

| Issuer  | Shares/Par   | Value (\$)   |
|---|--------------|--------------|
| <b>Bonds - continued</b>                              |              |              |
| U.S. Bonds - continued                                |              |              |
| Computer Software - Systems - 0.3%                    |              |              |
| Apple, Inc., 3.25%, 2/23/2026                         | \$ 400,000   | \$ 384,279   |
| Apple, Inc., 4.375%, 5/13/2045                        | 121,000      | 119,488      |
|   |              | \$ 503,767   |
| Conglomerates - 0.4%                                  |              |              |
| United Technologies Corp., 3.95%, 8/16/2025           | \$ 625,000   | \$ 617,368   |
| Food & Beverages - 1.5%                               |              |              |
| Anheuser-Busch InBev Finance, Inc., 2.65%, 2/01/2021  | \$ 573,000   | \$ 561,396   |
| Anheuser-Busch InBev Worldwide, Inc., 3.3%, 2/01/2023 | 167,000      | 161,637      |
| Constellation Brands, Inc., 4.65%, 11/15/2028         | 1,500,000    | 1,496,861    |
| Tyson Foods, Inc., 5.15%, 8/15/2044                   | 38,000       | 36,596       |
|   |              | \$ 2,256,490 |
| Insurance - 0.1%                                      |              |              |
| American International Group, Inc., 4.7%, 7/10/2035   | \$ 108,000   | \$ 100,072   |
| Insurance - Health - 0.4%                             |              |              |
| UnitedHealth Group, Inc., 4.625%, 7/15/2035           | \$ 672,000   | \$ 695,461   |
| Insurance - Property & Casualty - 0.1%                |              |              |
| Liberty Mutual Group, Inc., 4.85%, 8/01/2044 (n)      | \$ 99,000    | \$ 94,387    |
| Machinery & Tools - 0.4%                              |              |              |
| CNH Industrial Capital LLC, 4.2%, 1/15/2024           | \$ 625,000   | \$ 618,075   |
| Major Banks - 0.4%                                    |              |              |
| Bank of America Corp., 3.004%, 12/20/2023             | \$ 183,000   | \$ 175,604   |
| Goldman Sachs Group, Inc., 3.625%, 1/22/2023          | 446,000      | 439,594      |
|   |              | \$ 615,198   |
| Medical & Health Technology & Services - 0.6%         |              |              |
| Becton, Dickinson and Co., 4.685%, 12/15/2044         | \$ 179,000   | \$ 164,178   |
| Laboratory Corp. of America Holdings, 4.7%, 2/01/2045 | 106,000      | 97,165       |
| Montefiore Obligated Group, 5.246%, 11/01/2048        | 614,000      | 624,984      |
|   |              | \$ 886,327   |
| Midstream - 0.7%                                      |              |              |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/2020    | \$ 1,000,000 | \$ 1,036,207 |
| Mortgage-Backed - 49.1%                               |              |              |
| Fannie Mae, 5.5%, 5/01/2019 - 3/01/2038               | \$ 2,504,229 | \$ 2,694,164 |
| Fannie Mae, 6%, 7/01/2021 - 7/01/2037                 | 779,949      | 851,950      |

## Portfolio of Investments - continued

| Issuer                                    | Shares/Par | Value (\$) |
|---|------------|------------|
| Bonds - continued                         |            |            |
| U.S. Bonds - continued                    |            |            |
| Mortgage-Backed - continued               |            |            |
| Fannie Mae, 2.152%, 1/25/2023             | \$ 401,000 | \$ 385,488 |
| Fannie Mae, 2.41%, 5/01/2023              | 124,072    | 120,497    |
| Fannie Mae, 2.55%, 5/01/2023              | 106,687    | 104,204    |
| Fannie Mae, 2.59%, 5/01/2023              | 67,655     | 66,184     |
| Fannie Mae, 3.78%, 10/01/2023             | 62,221     | 63,201     |
| Fannie Mae, 3.5%, 5/25/2025 - 1/01/2047   | 6,908,874  | 6,808,150  |
| Fannie Mae, 2.7%, 7/01/2025               | 200,000    | 192,329    |
| Fannie Mae, 3.43%, 6/01/2026              | 192,737    | 191,878    |
| Fannie Mae, 3.59%, 9/01/2026              | 71,299     | 71,693     |
| Fannie Mae, 2.28%, 11/01/2026             | 74,295     | 68,871     |
| Fannie Mae, 2.597%, 12/25/2026            | 729,000    | 677,398    |
| Fannie Mae, 3.043%, 3/25/2028             | 363,000    | 344,942    |
| Fannie Mae, 3.23%, 1/01/2029              | 194,363    | 189,249    |
| Fannie Mae, 4.96%, 6/01/2030              | 118,606    | 127,997    |
| Fannie Mae, 6.5%, 5/01/2031 - 2/01/2037   | 479,715    | 532,607    |
| Fannie Mae, 3%, 12/01/2031 - 11/01/2046   | 3,810,899  | 3,691,164  |
| Fannie Mae, 5%, 6/01/2035 - 3/01/2042     | 493,320    | 522,874    |
| Fannie Mae, 4.5%, 1/01/2040 - 4/01/2044   | 4,630,936  | 4,814,772  |
| Fannie Mae, 4%, 9/01/2040 - 7/01/2047     | 10,051,320 | 10,173,920 |
| Fannie Mae, 2%, 5/25/2044                 | 221,521    | 210,747    |
| Fannie Mae, TBA, 2.5%, 12/01/2033         | 225,000    | 216,976    |
| Fannie Mae, TBA, 3%, 12/01/2033           | 600,000    | 591,962    |
| Fannie Mae, TBA, 3.5%, 12/01/2033         | 800,000    | 802,219    |
| Freddie Mac, 2.13%, 1/25/2019             | 936,282    | 934,116    |
| Freddie Mac, 5.085%, 3/25/2019            | 740,861    | 741,587    |
| Freddie Mac, 2.456%, 8/25/2019            | 261,922    | 260,948    |
| Freddie Mac, 4.186%, 8/25/2019            | 600,000    | 603,166    |
| Freddie Mac, 3.808%, 8/25/2020            | 219,000    | 220,492    |
| Freddie Mac, 3.034%, 10/25/2020           | 289,635    | 288,573    |
| Freddie Mac, 2.856%, 1/25/2021            | 400,000    | 396,979    |
| Freddie Mac, 6%, 5/01/2021 - 10/01/2038   | 373,167    | 408,782    |
| Freddie Mac, 2.791%, 1/25/2022            | 517,000    | 510,109    |
| Freddie Mac, 2.455%, 3/25/2022            | 300,559    | 295,329    |
| Freddie Mac, 2.716%, 6/25/2022            | 399,000    | 392,242    |
| Freddie Mac, 2.355%, 7/25/2022            | 500,000    | 485,278    |
| Freddie Mac, 2.51%, 11/25/2022            | 496,000    | 482,872    |
| Freddie Mac, 3.32%, 2/25/2023             | 433,000    | 434,049    |
| Freddie Mac, 3.3%, 4/25/2023 - 10/25/2026 | 1,034,471  | 1,024,752  |
| Freddie Mac, 3.06%, 7/25/2023             | 294,000    | 291,172    |
| Freddie Mac, 3.458%, 8/25/2023            | 367,000    | 369,248    |
| Freddie Mac, 1.018%, 4/25/2024 (i)        | 4,356,425  | 167,508    |
| Freddie Mac, 0.747%, 7/25/2024 (i)        | 4,837,324  | 139,049    |

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Portfolio of Investments continued

| Issuer  | Shares/Par   | Value (\$)    |
|---|--------------|---------------|
| Bonds - continued   |              |               |
| U.S. Bonds - continued  |              |               |
| Mortgage-Backed - continued   |              |               |
| Freddie Mac, 3.064%, 8/25/2024  | \$ 489,568   | \$ 482,594    |
| Freddie Mac, 4.5%, 9/01/2024 - 5/01/2042  | 873,511      | 907,185       |
| Freddie Mac, 2.67%, 12/25/2024  | 827,000      | 797,191       |
| Freddie Mac, 2.811%, 1/25/2025  | 642,000      | 621,913       |
| Freddie Mac, 3.329%, 5/25/2025  | 928,000      | 923,806       |
| Freddie Mac, 3.01%, 7/25/2025   | 225,000      | 220,041       |
| Freddie Mac, 2.745%, 1/25/2026  | 629,000      | 602,683       |
| Freddie Mac, 2.673%, 3/25/2026  | 900,000      | 857,187       |
| Freddie Mac, 3.224%, 3/25/2027  | 575,000      | 561,606       |
| Freddie Mac, 3.243%, 4/25/2027  | 583,000      | 568,637       |
| Freddie Mac, 3.117%, 6/25/2027  | 420,000      | 405,658       |
| Freddie Mac, 0.713%, 7/25/2027 (i)  | 8,595,738    | 365,835       |
| Freddie Mac, 3.194%, 7/25/2027  | 616,000      | 597,505       |
| Freddie Mac, 0.568%, 8/25/2027 (i)  | 6,789,963    | 219,609       |
| Freddie Mac, 3.187%, 9/25/2027  | 449,000      | 434,896       |
| Freddie Mac, 3.286%, 11/25/2027   | 613,000      | 597,053       |
| Freddie Mac, 3.444%, 12/25/2027   | 203,000      | 200,118       |
| Freddie Mac, 0.427%, 1/25/2028 (i)  | 12,248,914   | 306,380       |
| Freddie Mac, 0.434%, 1/25/2028 (i)  | 5,043,186    | 130,009       |
| Freddie Mac, 0.27%, 2/25/2028 (i)   | 14,217,936   | 191,075       |
| Freddie Mac, 0.263%, 4/25/2028 (i)  | 9,097,257    | 114,643       |
| Freddie Mac, 3.85%, 5/25/2028   | 403,000      | 409,112       |
| Freddie Mac, 5.5%, 8/01/2035 - 6/01/2036  | 426,284      | 460,532       |
| Freddie Mac, 6.5%, 5/01/2037  | 82,562       | 90,507        |
| Freddie Mac, 4%, 8/01/2037 - 4/01/2044  | 540,444      | 546,951       |
| Freddie Mac, 3.5%, 11/01/2037 - 1/01/2047   | 7,607,608    | 7,509,571     |
| Freddie Mac, 3%, 1/01/2038 - 11/01/2046   | 4,584,341    | 4,395,169     |
| Freddie Mac, 5%, 4/01/2040 - 7/01/2041  | 1,634,719    | 1,730,354     |
| Ginnie Mae, 5.5%, 7/15/2033 - 1/20/2042   | 869,842      | 940,722       |
| Ginnie Mae, 4%, 8/15/2040 - 4/20/2041   | 141,800      | 144,708       |
| Ginnie Mae, 4.5%, 9/20/2041   | 153,813      | 160,884       |
| Ginnie Mae, 3.5%, 4/15/2042 - 7/20/2043   | 1,891,447    | 1,880,288     |
| Ginnie Mae, 3%, 9/20/2047 - 10/20/2048  | 1,934,447    | 1,863,287     |
| Ginnie Mae, 6.158%, 4/20/2058   | 12,041       | 12,578        |
| Ginnie Mae, 0.659%, 2/16/2059 (i)   | 558,553      | 33,309        |
| Ginnie Mae, TBA, 3%, 12/01/2048   | 750,000      | 721,890       |
| Ginnie Mae, TBA, 3.5%, 12/01/2048   | 400,000      | 395,383       |
|   |              | \$ 74,362,556 |
| Municipals - 1.9%   |              |               |
| New Jersey Economic Development Authority State Pension Funding Rev., Capital Appreciation, B ,<br>AGM, 0%, 2/15/2023 | \$ 1,182,000 | \$ 1,000,185  |

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Portfolio of Investments continued

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>   |            |              |
| U.S. Bonds - continued   |            |              |
| <b>Municipals - continued</b>  |            |              |
| New Jersey Turnpike Authority Rev. (Build America Bonds), F, 7.414%, 1/01/2040 | \$ 32,000  | \$ 44,518    |
| State of California (Build America Bonds), 7.6%, 11/01/2040                    | 925,000    | 1,327,282    |
| University of California Rev. (Build America Bonds), 5.77%, 5/15/2043          | 450,000    | 530,676      |
|  |            | \$ 2,902,661 |
| <b>Oils - 0.1%</b>   |            |              |
| Valero Energy Corp., 4.9%, 3/15/2045   | \$ 130,000 | \$ 119,793   |
| <b>Pharmaceuticals - 0.0%</b>  |            |              |
| Gilead Sciences, Inc., 4.5%, 2/01/2045   | \$ 82,000  | \$ 76,923    |
| <b>Restaurants - 0.5%</b>  |            |              |
| Starbucks Corp., 3.8%, 8/15/2025   | \$ 800,000 | \$ 786,682   |
| <b>Supranational - 0.1%</b>  |            |              |
| Inter-American Development Bank, 4.375%, 1/24/2044                             | \$ 158,000 | \$ 180,068   |
| <b>Tobacco - 0.5%</b>  |            |              |
| Altria Group, Inc., 9.25%, 8/06/2019   | \$ 55,000  | \$ 57,294    |
| Reynolds American, Inc., 8.125%, 6/23/2019                                     | 583,000    | 596,901      |
| Reynolds American, Inc., 4%, 6/12/2022   | 79,000     | 78,203       |
|  |            | \$ 732,398   |
| <b>Transportation - Services - 0.0%</b>  |            |              |
| ERAC USA Finance LLC, 3.85%, 11/15/2024 (n)                                    | \$ 34,000  | \$ 33,604    |
| <b>U.S. Government Agencies and Equivalents - 2.3%</b>                         |            |              |
| AID-Tunisia, 2.452%, 7/24/2021   | \$ 235,000 | \$ 231,722   |
| AID-Ukraine, 1.844%, 5/16/2019   | 444,000    | 442,179      |
| AID-Ukraine, 1.847%, 5/29/2020   | 330,000    | 325,291      |
| Hashemite Kingdom of Jordan, 1.945%, 6/23/2019                                 | 443,000    | 440,938      |
| Hashemite Kingdom of Jordan, 2.503%, 10/30/2020                                | 418,000    | 414,463      |
| Private Export Funding Corp., 2.25%, 3/15/2020                                 | 86,000     | 85,227       |
| Private Export Funding Corp., 2.3%, 9/15/2020                                  | 360,000    | 355,681      |
| Small Business Administration, 6.35%, 4/01/2021                                | 18,284     | 18,669       |
| Small Business Administration, 6.34%, 5/01/2021                                | 22,885     | 23,308       |
| Small Business Administration, 6.44%, 6/01/2021                                | 32,736     | 33,426       |
| Small Business Administration, 6.625%, 7/01/2021                               | 31,756     | 32,419       |
| Small Business Administration, 5.52%, 6/01/2024                                | 73,459     | 75,573       |

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Portfolio of Investments continued

| Issuer   | Shares/Par | Value (\$)            |
|--|------------|-----------------------|
| <b>Bonds - continued</b>                             |            |                       |
| U.S. Bonds - continued                               |            |                       |
| U.S. Government Agencies and Equivalents - continued |            |                       |
| Small Business Administration, 2.21%, 2/01/2033      | \$ 187,057 | \$ 178,292            |
| Small Business Administration, 2.22%, 3/01/2033      | 304,830    | 290,498               |
| Small Business Administration, 3.15%, 7/01/2033      | 267,677    | 267,933               |
| Small Business Administration, 3.62%, 9/01/2033      | 242,248    | 245,595               |
|  |            | \$ 3,461,214          |
| U.S. Treasury Obligations - 24.0%                    |            |                       |
| U.S. Treasury Bonds, 5.25%, 2/15/2029                | \$ 48,000  | \$ 57,272             |
| U.S. Treasury Bonds, 4.75%, 2/15/2037                | 336,000    | 410,839               |
| U.S. Treasury Bonds, 4.375%, 2/15/2038               | 2,338,000  | 2,743,588             |
| U.S. Treasury Bonds, 4.5%, 8/15/2039 (f)             | 5,097,100  | 6,079,686             |
| U.S. Treasury Bonds, 3.125%, 2/15/2043               | 453,700    | 439,894               |
| U.S. Treasury Bonds, 2.875%, 5/15/2043               | 1,697,100  | 1,573,397             |
| U.S. Treasury Bonds, 2.5%, 2/15/2045                 | 4,017,000  | 3,442,538             |
| U.S. Treasury Bonds, 2.875%, 11/15/2046              | 4,322,000  | 3,975,734             |
| U.S. Treasury Notes, 1.75%, 5/15/2022                | 2,208,000  | 2,128,822             |
| U.S. Treasury Notes, 1.75%, 9/30/2022                | 6,200,000  | 5,952,242             |
| U.S. Treasury Notes, 2.75%, 2/15/2024                | 577,000    | 573,326               |
| U.S. Treasury Notes, 2.5%, 5/15/2024                 | 2,752,000  | 2,698,250             |
| U.S. Treasury Notes, 2.875%, 7/31/2025               | 3,100,000  | 3,091,039             |
| U.S. Treasury Notes, 2%, 8/15/2025                   | 98,000     | 92,472                |
| U.S. Treasury Notes, 2%, 11/15/2026                  | 3,271,000  | 3,047,141             |
|  |            | \$ 36,306,240         |
| Utilities - Electric Power - 0.4%                    |            |                       |
| FirstEnergy Corp., 3.9%, 7/15/2027                   | \$ 694,000 | \$ 664,141            |
| <b>Total U.S. Bonds</b>                              |            | <b>\$ 133,255,581</b> |
| Foreign Bonds - 10.9%                                |            |                       |
| Australia - 0.0%                                     |            |                       |
| APT Pipelines Ltd., 4.25%, 7/15/2027 (n)             | \$ 16,000  | \$ 15,348             |
| Brazil - 0.2%  |            |                       |
| Federative Republic of Brazil, 5.625%, 1/07/2041     | \$ 162,000 | \$ 149,123            |
| Vale Overseas Ltd., 6.875%, 11/10/2039               | 165,000    | 186,168               |
|  |            | \$ 335,291            |
| Chile - 0.6%   |            |                       |
| Engie Energia Chile S.A., 5.625%, 1/15/2021          | \$ 566,000 | \$ 578,831            |
| GNL Quintero S.A., 4.634%, 7/31/2029 (n)             | 200,000    | 191,500               |
| Transelec S.A., 4.25%, 1/14/2025                     | 200,000    | 192,502               |
|  |            | \$ 962,833            |

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Portfolio of Investments continued

| Issuer  | Shares/Par      | Value (\$)   |
|---|-----------------|--------------|
| <b>Bonds - continued</b>  |                 |              |
| <b>Foreign Bonds - continued</b>                                  |                 |              |
| <b>China - 0.6%</b>   |                 |              |
| CNPC (HK) Overseas Capital Ltd., 4.5%, 4/28/2021 (n)              | \$ 226,000      | \$ 230,052   |
| State Grid Overseas Investment (2014) Ltd., 4.125%, 5/07/2024 (n) | 690,000         | 694,361      |
|   |                 | \$ 924,413   |
| <b>France - 0.3%</b>  |                 |              |
| Banque Federative du Credit Mutuel S.A., 2.5%, 4/13/2021 (n)      | \$ 395,000      | \$ 385,028   |
| <b>India - 0.5%</b>   |                 |              |
| Export-Import Bank of India, 3.375%, 8/05/2026                    | \$ 416,000      | \$ 378,887   |
| NTPC Ltd., 4.25%, 2/26/2026                                       | 398,000         | 376,966      |
|   |                 | \$ 755,853   |
| <b>Indonesia - 0.3%</b>   |                 |              |
| PT Perusahaan Listrik Negara, 5.375%, 1/25/2029 (n)               | \$ 450,000      | \$ 442,234   |
| <b>Italy - 0.2%</b>   |                 |              |
| Enel Finance International N.V., 2.875%, 5/25/2022 (n)            | \$ 366,000      | \$ 341,804   |
| <b>Japan - 4.6%</b>   |                 |              |
| B.A.T Capital Corp., 2.764%, 8/15/2022                            | \$ 438,000      | \$ 414,720   |
| Government of Japan, 0%, 12/20/2018                               | JPY 742,000,000 | 6,537,039    |
|   |                 | \$ 6,951,759 |
| <b>Kazakhstan - 0.1%</b>  |                 |              |
| Republic of Kazakhstan, 5.125%, 7/21/2025 (n)                     | \$ 201,000      | \$ 209,664   |
| <b>Mexico - 1.5%</b>  |                 |              |
| Comision Federal de Electricidad, 4.875%, 5/26/2021               | \$ 277,000      | \$ 274,233   |
| Petroleos Mexicanos, 6%, 3/05/2020                                | 129,000         | 130,748      |
| Petroleos Mexicanos, 5.5%, 1/21/2021                              | 130,000         | 129,480      |
| Petroleos Mexicanos, 4.625%, 9/21/2023                            | 53,000          | 49,211       |
| Petroleos Mexicanos, 4.875%, 1/18/2024                            | 95,000          | 87,875       |
| Petroleos Mexicanos, 4.25%, 1/15/2025                             | 15,000          | 13,087       |
| Petroleos Mexicanos, 6.5%, 1/23/2029 (n)                          | 392,000         | 360,170      |
| Petroleos Mexicanos, 5.5%, 6/27/2044                              | 12,000          | 8,998        |
| Petroleos Mexicanos, 5.625%, 1/23/2046                            | 23,000          | 17,192       |
| Petroleos Mexicanos, 6.75%, 9/21/2047                             | 21,000          | 17,377       |
| Southern Copper Corp., 5.875%, 4/23/2045                          | 80,000          | 78,930       |
| United Mexican States, 3.625%, 3/15/2022                          | 1,164,000       | 1,144,049    |
|   |                 | \$ 2,311,350 |

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Portfolio of Investments continued

| Issuer  | Shares/Par | Value (\$)            |
|---|------------|-----------------------|
| <b>Bonds - continued</b>  |            |                       |
| <b>Foreign Bonds - continued</b>  |            |                       |
| <b>Netherlands - 0.8%</b>   |            |                       |
| ING Bank N.V., 5.8%, 9/25/2023 (n)  | \$ 769,000 | \$ 799,909            |
| ING Groep N.V., 3.15%, 3/29/2022  | 350,000    | 340,355               |
|   |            | \$ 1,140,264          |
| <b>Panama - 0.1%</b>  |            |                       |
| Republic of Panama, 3.875%, 3/17/2028   | \$ 213,000 | \$ 207,251            |
| <b>Peru - 0.5%</b>  |            |                       |
| El Fondo Mivivienda S.A., 3.5%, 1/31/2023   | \$ 226,000 | \$ 215,265            |
| Peru LNG, 5.375%, 3/22/2030 (n)   | 200,000    | 193,500               |
| Republic of Peru, 8.75%, 11/21/2033   | 180,000    | 258,750               |
|   |            | \$ 667,515            |
| <b>Romania - 0.1%</b>   |            |                       |
| Republic of Romania, 4.375%, 8/22/2023 (n)  | \$ 36,000  | \$ 35,718             |
| Republic of Romania, 4.875%, 1/22/2024 (n)  | 58,000     | 58,849                |
|   |            | \$ 94,567             |
| <b>United Kingdom - 0.4%</b>  |            |                       |
| Imperial Tobacco Finance PLC, 3.75%, 7/21/2022 (n)                                | \$ 266,000 | \$ 260,851            |
| Reckitt Benckiser Treasury Services PLC, 2.75%, 6/26/2024 (n)                     | 267,000    | 251,119               |
| Royal Bank of Scotland Group PLC, 6%, 12/19/2023                                  | 124,000    | 124,663               |
|   |            | \$ 636,633            |
| <b>Uruguay - 0.1%</b>   |            |                       |
| Oriental Republic of Uruguay, 4.5%, 8/14/2024                                     | \$ 26,762  | \$ 26,990             |
| Oriental Republic of Uruguay, 4.375%, 10/27/2027                                  | 47,300     | 46,685                |
|   |            | \$ 73,675             |
| <b>Total Foreign Bonds</b>  |            | <b>\$ 16,455,482</b>  |
| <b>Total Bonds (Identified Cost, \$151,900,436)</b>                               |            | <b>\$ 149,711,063</b> |
| <b>Investment Companies (h) - 0.0%</b>  |            |                       |
| <b>Money Market Funds - 0.0%</b>  |            |                       |
| MFS Institutional Money Market Portfolio, 2.31% (v)<br>(Identified Cost, \$1,662) | 1,662      | \$ 1,662              |
| <b>Other Assets, Less Liabilities - 1.2%</b>                                      |            |                       |
|   |            | 1,820,362             |
| <b>Net Assets - 100.0%</b>  |            | <b>\$ 151,533,087</b> |

Portfolio of Investments continued

- (f) All or a portion of the security has been segregated as collateral for open futures contracts.
- (h) An affiliated issuer, which may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. At period end, the aggregate values of the fund's investments in affiliated issuers and in unaffiliated issuers were \$1,662 and \$149,711,063, respectively.
- (i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.
- (n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$7,451,403, representing 4.9% of net assets.
- (v) Affiliated issuer that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

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

- AGM Assured Guaranty Municipal
- CDO Collateralized Debt Obligation
- CLO Collateralized Loan Obligation
- FLR Floating Rate. Interest rate resets periodically based on the parenthetically disclosed reference rate plus a spread (if any). The period-end rate reported may not be the current rate. All reference rates are USD unless otherwise noted.
- LIBOR London Interbank Offered Rate
- PLC Public Limited Company
- TBA To Be Announced

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:

JPY Japanese Yen

**Derivative Contracts at 11/30/18**

**Forward Foreign Currency Exchange Contracts**

|                              | Currency Purchased | Currency Sold   | Counterparty                | Settlement Date | Unrealized Appreciation (Depreciation) |
|------------------------------|--------------------|-----------------|-----------------------------|-----------------|--|
| <b>Asset Derivatives</b>     |                    |                 |                             |                 |  |
| USD                          | 2,623,293          | JPY 293,900,000 | Goldman Sachs International | 1/22/2019       | \$21,898                               |
| USD                          | 1,351,415          | JPY 151,037,146 | State Street Bank Corp.     | 1/15/2019       | 15,281                                 |
|                              |                    |                 |                             |                 | \$37,179                               |
| <b>Liability Derivatives</b> |                    |                 |                             |                 |  |
| USD                          | 2,613,859          | JPY 296,000,000 | Goldman Sachs International | 1/07/2019       | \$(3,018)                              |
| USD                          | 3,942,738          | JPY 446,048,614 | Goldman Sachs International | 1/11/2019       | (1,937)                                |
|                              |                    |                 |                             |                 | \$(4,955)                              |

*Portfolio of Investments continued***Futures Contracts**

| Description                    | Long/<br>Short | Currency | Contracts | Notional<br>Amount | Expiration<br>Date | Value/<br>Unrealized<br>Appreciation<br>(Depreciation) |
|--------------------------------|----------------|----------|-----------|--------------------|--------------------|--|
| <b>Asset Derivatives</b>       |                |          |           |                    |                    |  |
| <i>Interest Rate Futures</i>   |                |          |           |                    |                    |  |
| U.S. Treasury Note 10 yr       | Long           | USD      | 27        | \$3,225,234        | March - 2019       | \$3,910  |
| U.S. Treasury Note 2 yr        | Long           | USD      | 81        | 17,089,735         | March - 2019       | 4,729  |
| U.S. Treasury Note 5 yr        | Long           | USD      | 12        | 1,355,531          | March - 2019       | 2,489  |
|                                |                |          |           |                    |                    | \$11,128   |
| <b>Liability Derivatives</b>   |                |          |           |                    |                    |  |
| <i>Interest Rate Futures</i>   |                |          |           |                    |                    |  |
| U.S. Treasury Ultra Bond 30 yr | Short          | USD      | 45        | \$6,295,781        | March - 2019       | \$(31,103)   |

At November 30, 2018, the fund had liquid securities with an aggregate value of \$99,000 to cover any collateral or margin obligations for certain derivative contracts.

**See Notes to Financial Statements**

*Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 11/30/18

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

|  |               |
|--|---------------|
| <b>Assets</b>  |               |
| Investments in unaffiliated issuers, at value (identified cost, \$151,900,436)                                 | \$149,711,063 |
| Investments in affiliated issuers, at value (identified cost, \$1,662)   | 1,662         |
| Cash   | 23,335        |
| Foreign currency, at value (identified cost, \$7,848,690)  | 7,848,294     |
| Receivables for  |               |
| Forward foreign currency exchange contracts  | 37,179        |
| Interest   | 755,064       |
| Other assets   | 2,587         |
| Total assets   | \$158,379,184 |
| <b>Liabilities</b>   |               |
| Payables for   |               |
| Distributions  | \$48,547      |
| Forward foreign currency exchange contracts  | 4,955         |
| Daily variation margin on open futures contracts   | 13,550        |
| Investments purchased  | 3,929,425     |
| TBA purchase commitments   | 2,714,071     |
| Payable to affiliates  |               |
| Investment adviser   | 4,433         |
| Transfer agent and dividend disbursing costs   | 1,716         |
| Payable for independent Trustees' compensation   | 18,947        |
| Accrued expenses and other liabilities   | 110,453       |
| Total liabilities  | \$6,846,097   |
| Net assets   | \$151,533,087 |
| <b>Net assets consist of</b>   |               |
| Paid-in capital  | \$163,902,617 |
| Total distributable earnings (loss)  | (12,369,530)  |
| Net assets   | \$151,533,087 |
| Shares of beneficial interest outstanding  | 32,601,117    |
| Net asset value per share (net assets of \$151,533,087 / 32,601,117 shares of beneficial interest outstanding) | \$4.65        |

**See Notes to Financial Statements**

*Financial Statements***STATEMENT OF OPERATIONS**

Year ended 11/30/18

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

|   |               |
|---|---------------|
| <b>Net investment income (loss)</b>                         |               |
| Income  |               |
| Interest  | \$5,178,562   |
| Dividends from affiliated issuers                           | 44,996        |
| Other   | 3,790         |
| Total investment income                                     | \$5,227,348   |
| Expenses  |               |
| Management fee  | \$805,543     |
| Transfer agent and dividend disbursing costs                | 71,385        |
| Administrative services fee                                 | 32,979        |
| Independent Trustees compensation                           | 37,362        |
| Stock exchange fee  | 31,749        |
| Custodian fee   | 13,208        |
| Shareholder communications                                  | 71,399        |
| Audit and tax fees  | 80,637        |
| Legal fees  | 3,847         |
| Miscellaneous   | 35,390        |
| Total expenses  | \$1,183,499   |
| Net investment income (loss)                                | \$4,043,849   |
| <b>Realized and unrealized gain (loss)</b>                  |               |
| Realized gain (loss) (identified cost basis)                |               |
| Unaffiliated issuers  | \$(425,128)   |
| Affiliated issuers  | 171           |
| Futures contracts   | 382,680       |
| Foreign currency  | (4,348)       |
| Net realized gain (loss)                                    | \$(46,625)    |
| Change in unrealized appreciation or depreciation           |               |
| Unaffiliated issuers  | \$(6,499,108) |
| Futures contracts   | (70,658)      |
| Forward foreign currency exchange contracts                 | 32,224        |
| Translation of assets and liabilities in foreign currencies | (4,200)       |
| Net unrealized gain (loss)                                  | \$(6,541,742) |
| Net realized and unrealized gain (loss)                     | \$(6,588,367) |
| Change in net assets from operations                        | \$(2,544,518) |

**See Notes to Financial Statements**

*Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

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

|   | <b>Year ended</b> |                 |
|---|-------------------|-----------------|
|   | <b>11/30/18</b>   | <b>11/30/17</b> |
| <b>Change in net assets</b>                         |                   |                 |
| <b>From operations</b>                              |                   |                 |
| Net investment income (loss)                        | \$4,043,849       | \$4,499,152     |
| Net realized gain (loss)                            | (46,625)          | (266,738)       |
| Net unrealized gain (loss)                          | (6,541,742)       | (602,890)       |
| Change in net assets from operations                | \$(2,544,518)     | \$3,629,524     |
| Distributions to shareholders (a)                   | \$(4,467,677)     | \$(5,754,606)   |
| Tax return of capital distributions to shareholders | \$(7,053,890)     | \$(6,671,320)   |
| Total change in net assets                          | \$(14,066,085)    | \$(8,796,402)   |
| <b>Net assets</b>                                   |                   |                 |
| At beginning of period                              | 165,599,172       | 174,395,574     |
| At end of period (b)                                | \$151,533,087     | \$165,599,172   |

(a) Distributions from net investment income and from net realized gain are no longer required to be separately disclosed. See Note 2. For the year ended November 30, 2017, distributions from net investment income were \$5,754,606.

(b) Parenthetical disclosure of accumulated distributions in excess of net investment income is no longer required. See Note 2. For the year ended November 30, 2017, end of period net assets included accumulated distributions in excess of net investment income of \$78,822.

**See Notes to Financial Statements**

## Financial Statements

## FINANCIAL HIGHLIGHTS

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

|  | Year ended |           |           |           |           |
|--|------------|-----------|-----------|-----------|-----------|
|  | 11/30/18   | 11/30/17  | 11/30/16  | 11/30/15  | 11/30/14  |
| Net asset value, beginning of period               | \$5.08     | \$5.35    | \$5.67    | \$6.07    | \$6.24    |
| <b>Income (loss) from investment operations</b>    |            |           |           |           |           |
| Net investment income (loss) (d)                   | \$0.12     | \$0.14    | \$0.16(c) | \$0.17    | \$0.18    |
| Net realized and unrealized gain (loss)            | (0.20)     | (0.03)    | (0.07)    | (0.14)    | 0.10      |
| Total from investment operations                   | \$(0.08)   | \$0.11    | \$0.09    | \$0.03    | \$0.28    |
| <b>Less distributions declared to shareholders</b> |            |           |           |           |           |
| From net investment income                         | \$(0.14)   | \$(0.18)  | \$(0.20)  | \$(0.20)  | \$(0.22)  |
| From tax return of capital                         | (0.21)     | (0.20)    | (0.21)    | (0.23)    | (0.23)    |
| Total distributions declared to shareholders       | \$(0.35)   | \$(0.38)  | \$(0.41)  | \$(0.43)  | \$(0.45)  |
| Net asset value, end of period (x)                 | \$4.65     | \$5.08    | \$5.35    | \$5.67    | \$6.07    |
| Market value, end of period                        | \$4.36     | \$4.81    | \$5.06    | \$5.26    | \$5.80    |
| Total return at market value (%)                   | (2.05)     | 2.62      | 3.82      | (2.02)    | 11.46     |
| Total return at net asset value (%) (j)(r)(s)(x)   | (1.09)     | 2.50      | 1.84(c)   | 0.92      | 5.06      |
| <b>Ratios (%) (to average net assets)</b>          |            |           |           |           |           |
| <b>and Supplemental data:</b>                      |            |           |           |           |           |
| Expenses before expense reductions (f)             | 0.75       | 0.75      | 0.72(c)   | 0.76      | 0.75      |
| Expenses after expense reductions (f)              | N/A        | N/A       | N/A       | N/A       | 0.75      |
| Net investment income (loss)                       | 2.57       | 2.64      | 2.78(c)   | 2.84      | 2.93      |
| Portfolio turnover                                 | 21         | 32        | 41        | 74        | 62        |
| Net assets at end of period (000 omitted)          | \$151,533  | \$165,599 | \$174,396 | \$184,824 | \$197,831 |

(c) Amount reflects a one-time reimbursement of expenses by the custodian (or former custodian) without which net investment income and performance would be lower and expenses would be higher.

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

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

(j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.

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

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

(x) The net asset values and total returns at net asset value have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

**See Notes to Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

### (1) Business and Organization

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

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

### (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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in foreign securities. 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 market, economic, industrial, political, regulatory, geopolitical, and other conditions.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08). For entities that hold callable debt securities at a premium, ASU 2017-08 requires that the premium be amortized to the earliest call date. ASU 2017-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Management has evaluated the potential impacts of ASU 2017-08 and believes that adoption of ASU 2017-08 will not have a material effect on the fund's overall financial position or its overall results of operations.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13) which introduces new fair value disclosure requirements as well as eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 would be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years; however, management has elected to early adopt ASU 2018-13 effective with the current reporting period. The impact of the fund's adoption was limited to changes in the fund's financial statement disclosures regarding fair value, primarily those disclosures related to transfers between levels of the fair value hierarchy.

In August 2018, the Securities and Exchange Commission (SEC) released its Final Rule on Disclosure Update and Simplification (the Final Rule) which is intended to simplify an issuer's disclosure compliance efforts by removing redundant or outdated disclosure

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*Notes to Financial Statements continued*

requirements without significantly altering the mix of information provided to investors. Effective with the current reporting period, the fund adopted the Final Rule with the impacts being that the fund is no longer required to present the components of distributable earnings on the Statement of Assets and Liabilities or the sources of distributions to shareholders and the amount of undistributed net investment income on the Statements of Changes in Net Assets.

**Balance Sheet Offsetting** The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement, or similar agreement, does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

**Investment Valuations** Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. 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 on their primary exchange as provided by a third-party pricing service. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation on their primary exchange as provided by a third-party pricing service. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. In determining values, third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if

*Notes to Financial Statements continued*

the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments.

*Notes to Financial Statements continued*

such as futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of November 30, 2018 in valuing the fund's assets or liabilities:

| <b>Financial Instruments</b>                               | <b>Level 1</b> | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
|--|----------------|----------------------|----------------|----------------------|
| U.S. Treasury Bonds & U.S. Government Agency & Equivalents | \$             | \$39,767,454         | \$             | \$39,767,454         |
| Non-U.S. Sovereign Debt                                    |                | 12,280,322           |                | 12,280,322           |
| Municipal Bonds  |                | 2,902,661            |                | 2,902,661            |
| U.S. Corporate Bonds                                       |                | 12,261,298           |                | 12,261,298           |
| Residential Mortgage-Backed Securities                     |                | 74,362,557           |                | 74,362,557           |
| Commercial Mortgage-Backed Securities                      |                | 928,238              |                | 928,238              |
| Asset-Backed Securities (including CDOs)                   |                | 2,853,305            |                | 2,853,305            |
| Foreign Bonds  |                | 4,355,228            |                | 4,355,228            |
| Mutual Funds   | 1,662          |                      |                | 1,662                |
| <b>Total</b>   | <b>\$1,662</b> | <b>\$149,711,063</b> | <b>\$</b>      | <b>\$149,712,725</b> |
| <b>Other Financial Instruments</b>                         |                |                      |                |                      |
| Futures Contracts Assets                                   | \$11,128       | \$                   | \$             | \$11,128             |
| Futures Contracts Liabilities                              | (31,103)       |                      |                | (31,103)             |
| Forward Foreign Currency Exchange Contracts Assets         |                | 37,179               |                | 37,179               |
| Forward Foreign Currency Exchange Contracts Liabilities    |                | (4,955)              |                | (4,955)              |

For further information regarding security characteristics, see the Portfolio of Investments.

**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 or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

**Derivatives** The fund uses derivatives primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund during the period were futures contracts and forward foreign currency exchange contracts. Depending on the type of derivative,

Notes to Financial Statements continued

the fund may exit a derivative position by entering into an offsetting transaction with a counterparty or exchange, negotiating an agreement with the derivative counterparty, or novating the position to a third party. The fund may be unable to promptly close out a futures position in instances where the daily fluctuation in the price for that type of future exceeds the daily limit set by the exchange. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at November 30, 2018 as reported in the Statement of Assets and Liabilities:

| Risk             | Derivative Contracts                        | Fair Value (a)    |                       |
|------------------|---|-------------------|-----------------------|
|                  |   | Asset Derivatives | Liability Derivatives |
| Interest Rate    | Interest Rate Futures                       | \$11,128          | \$(31,103)            |
| Foreign Exchange | Forward Foreign Currency Exchange Contracts | 37,179            | (4,955)               |
| Total            |   | \$48,307          | \$(36,058)            |

(a) Values presented in this table for futures contracts correspond to the values reported in the fund's Portfolio of Investments. Only the current day net variation margin for futures contracts is separately reported within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2018 as reported in the Statement of Operations:

| Risk          | Futures Contracts |
|---------------|-------------------|
| Interest Rate | \$382,680         |

The following table presents, by major type of derivative contract, the change in unrealized appreciation or depreciation on derivatives held by the fund for the year ended November 30, 2018 as reported in the Statement of Operations:

| Risk             | Futures Contracts | Forward Foreign Currency Exchange Contracts |
|------------------|-------------------|---|
| Interest Rate    | \$(70,658)        | \$  |
| Foreign Exchange |                   | 32,224                                      |
| Total            | \$(70,658)        | \$32,224                                    |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, uncleared derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an ISDA Master Agreement on a bilateral basis. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a specified deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each agreement to one

*Notes to Financial Statements continued*

net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

Collateral and margin requirements differ by type of derivative. For cleared derivatives (e.g., futures contracts, cleared swaps, and exchange-traded options), margin requirements are set by the clearing broker and the clearing house and collateral, in the form of cash or securities, is posted by the fund directly with the clearing broker. Collateral terms are counterparty agreement specific for uncleared derivatives (e.g., forward foreign currency exchange contracts, uncleared swap agreements, and uncleared options) and collateral, in the form of cash and securities, is held in segregated accounts with the fund's custodian in connection with these agreements. For derivatives traded under an ISDA Master Agreement, which contains a collateral support annex, the collateral requirements are netted across all transactions traded under such counterparty-specific agreement and one amount is posted from one party to the other to collateralize such obligations. Cash that has been segregated or delivered to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as restricted cash for uncleared derivatives and/or deposits with brokers for cleared derivatives. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments. The fund may be required to make payments of interest on uncovered collateral or margin obligations with the broker. Any such payments are included in Miscellaneous expense in the Statement of Operations.

**Futures Contracts** The fund entered into futures contracts which may be used to hedge against or obtain broad market exposure, interest rate exposure, currency exposure, or to manage duration. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a specified percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures contracts is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures contracts may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

**Forward Foreign Currency Exchange Contracts** The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the

*Notes to Financial Statements continued*

fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on forward foreign currency exchange contracts.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, a multicurrency cash settlement system for the centralized settlement of foreign transactions. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and, where applicable, by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

**Dollar Roll Transactions** The fund enters into dollar roll transactions, with respect to mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, in which the fund sells mortgage-backed securities to financial institutions and simultaneously agrees to purchase similar (same issuer, type and coupon) securities at a later date at an agreed-upon price. During the period between the sale and repurchase in a dollar roll transaction the fund will not be entitled to receive interest and principal payments on the securities sold but is compensated by interest earned on the proceeds of the initial sale and by a lower purchase price on the securities to be repurchased which enhances the fund's total return. The fund accounts for dollar roll transactions as purchases and sales and realizes gains and losses on these transactions.

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

**Investment Transactions and Income** Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Some securities may be purchased on a when-issued or forward delivery basis, which means that the securities will be

*Notes to Financial Statements continued*

delivered to the fund at a future date, usually beyond customary settlement time. Interest payments received in additional securities are recorded on the ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

The fund invests a significant portion of its assets in asset-backed and/or mortgage-backed securities. For these securities, the value of the debt instrument also depends on the credit quality and adequacy of the underlying assets or collateral as well as whether there is a security interest in the underlying assets or collateral. Enforcing rights, if any, against the underlying assets or collateral may be difficult. U.S. Government securities not supported as to the payment of principal or interest by the U.S. Treasury, such as those issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are subject to greater credit risk than are U.S. Government securities supported by the U.S. Treasury, such as those issued by Ginnie Mae.

The fund purchased or sold debt securities on a when-issued or delayed delivery basis, or in a To Be Announced (TBA) or forward commitment transaction with delivery or payment to occur at a later date beyond the normal settlement period. At the time a fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the security acquired is reflected in the fund's net asset value. The price of such security and the date that the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. TBA securities resulting from these transactions are included in the Portfolio of Investments. TBA purchase commitments are held at carrying amount, which approximates fair value and are categorized as level 2 within the fair value hierarchy. No interest accrues to the fund until payment takes place. At the time that a fund enters into this type of transaction, the fund is required to have sufficient cash and/or liquid securities to cover its commitments. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic or other factors. Additionally, losses may arise due to declines in the value of the securities prior to settlement date.

To mitigate this risk of loss on TBA securities and other types of forward settling mortgage-backed securities, the fund whenever possible enters into a Master Securities Forward Transaction Agreement (MSFTA) on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The MSFTA gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a specified deterioration in the credit quality of the other party. Upon an event of default or a termination of the MSFTA, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all

*Notes to Financial Statements continued*

transactions traded under the MSFTA could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

For mortgage-backed securities traded under a MSFTA, the collateral and margining requirements are contract specific. Collateral amounts across all transactions traded under such agreement are netted and one amount is posted from one party to the other to collateralize such obligations. Cash that has been pledged to cover the fund's collateral or margin obligations under a MSFTA, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

**Tax Matters and Distributions** The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

Distributions to shareholders are recorded on the ex-dividend date. The fund seeks to pay monthly distributions based on an annual rate of 7.25% of the fund's average monthly net asset value. As a result, distributions may exceed actual earnings which may result in a tax return of capital or, to the extent the fund has long-term gains and a capital loss carryforward, distributions of current year long-term gains may be recharacterized as ordinary income. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future.

Book/tax differences primarily relate to expiration of capital loss carryforwards, amortization and accretion of debt securities, and straddle loss deferrals.

Notes to Financial Statements continued

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

|  | Year ended<br>11/30/18 | Year ended<br>11/30/17 |
|--|------------------------|------------------------|
| Ordinary income (including any short-term capital gains) | \$4,467,677            | \$5,754,606            |
| Tax return of capital (b)                                | 7,053,890              | 6,671,320              |
| Total distributions                                      | \$11,521,567           | \$12,425,926           |

(b) Distributions in excess of tax basis earnings and profits are reported in the financial statements as a tax return of capital. The federal tax cost and the tax basis components of distributable earnings were as follows:

| As of 11/30/18                             |               |
|--|---------------|
| Cost of investments                        | \$153,947,614 |
| Gross appreciation                         | 1,981,509     |
| Gross depreciation                         | (6,204,149)   |
| Net unrealized appreciation (depreciation) | \$(4,222,640) |
| Capital loss carryforwards                 | (8,075,208)   |
| Other temporary differences                | (71,682)      |

As of November 30, 2018, the fund had capital loss carryforwards available to offset future realized gains. These net capital losses may be carried forward indefinitely and their character is retained as short-term and/or long-term losses. Such losses are characterized as follows:

|            |               |
|------------|---------------|
| Short-Term | \$(777,360)   |
| Long-Term  | (7,297,848)   |
| Total      | \$(8,075,208) |

**(3) Transactions with Affiliates**

**Investment Adviser** The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the fund's average daily net assets and 5.33% of gross income. Gross income is calculated based on tax elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. MFS has agreed to reduce its management fee to the lesser of the contractual management fee as set forth above or 0.85% of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2019. For the year ended November 30, 2018, the fund's average daily net assets and gross income fees did not meet the thresholds required to waive the management fee under this agreement. The management fee, from net assets and gross income, incurred for the year ended November 30, 2018 was equivalent to an annual effective rate of 0.51% of the fund's average daily net assets.

*Notes to Financial Statements continued*

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses, such that total annual operating expenses do not exceed 0.80% annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2019. For the year ended November 30, 2018, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

**Transfer Agent** The fund engages Computershare Trust Company, N.A. ( Computershare ) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2018, these fees paid to MFSC amounted to \$19,964.

**Administrator** MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended November 30, 2018 was equivalent to an annual effective rate of 0.0209% of the fund's average daily net assets.

**Trustees and Officers Compensation** The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

Prior to December 31, 2001, the fund had an unfunded defined benefit plan ( DB plan ) for independent Trustees. As of December 31, 2001, the Board took action to terminate the DB plan with respect to then-current and any future independent Trustees, such that the DB plan covers only certain of those former independent Trustees who retired on or before December 31, 2001. The DB plan resulted in a pension expense of \$4,894 and is included in Independent Trustees compensation in the Statement of Operations for the year ended November 30, 2018. The liability for deferred retirement benefits payable to those former independent Trustees under the DB plan amounted to \$18,935 at November 30, 2018, and is included in Payable for independent Trustees compensation in the Statement of Assets and Liabilities.

**Other** This fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the year ended November 30, 2018, the fee paid by the fund

*Notes to Financial Statements continued*

under this agreement was \$249 and is included in Miscellaneous expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. This money market fund does not pay a management fee to MFS.

**(4) Portfolio Securities**

For the year ended November 30, 2018, purchases and sales of investments, other than short-term obligations, were as follows:

|                                | <b>Purchases</b> | <b>Sales</b> |
|--------------------------------|------------------|--------------|
| U.S. Government securities     | \$19,707,253     | \$29,053,642 |
| Non-U.S. Government securities | \$13,057,649     | \$17,290,107 |

**(5) Shares of Beneficial Interest**

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. During the years ended November 30, 2018 and November 30, 2017, there were no transactions in fund shares.

**(6) Line of Credit**

The fund and certain other funds managed by MFS participate in a \$1.25 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Overnight Bank Funding rate or daily one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Overnight Bank Funding rate plus an agreed upon spread. For the year ended November 30, 2018, the fund's commitment fee and interest expense were \$943 and \$0, respectively, and are included in Miscellaneous expense in the Statement of Operations.

Notes to Financial Statements continued

**(7) Investments in Affiliated Issuers**

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

| Affiliated Issuers                          | Beginning<br>Shares/Par<br>Amount | Acquisitions<br>Shares/Par<br>Amount | Dispositions<br>Shares/Par<br>Amount | Ending<br>Shares/Par<br>Amount |
|---|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| MFS Institutional Money<br>Market Portfolio | 913,153                           | 36,615,514                           | (37,527,005)                         | 1,662                          |

| Affiliated Issuers                          | Realized<br>Gain (Loss) | Change in<br>Unrealized<br>Appreciation/<br>Depreciation | Capital Gain<br>Distributions | Dividend<br>Income | Ending<br>Value |
|---|-------------------------|--|-------------------------------|--------------------|-----------------|
| MFS Institutional Money<br>Market Portfolio | \$171                   | \$   | \$                            | \$44,996           | \$1,662         |

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and the Shareholders of MFS Government Markets Income Trust:

### **Opinion on the Financial Statements and Financial Highlights**

We have audited the accompanying statement of assets and liabilities of MFS Government Markets Income Trust (the Fund ), including the portfolio of investments, as of November 30, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of November 30, 2018, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of November 30, 2018,

*Report of Independent Registered Public Accounting Firm continued*

by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 15, 2019

We have served as the auditor of one or more of the MFS investment companies since 1924.

## RESULTS OF SHAREHOLDER MEETING

(unaudited)

At the annual meeting of shareholders of MFS Government Markets Income Trust, which was held on October 4, 2018, the following action was taken:

**Item 1:** To elect the following individuals as Trustees:

| Nominee            | For            | Number of Shares | Withheld Authority |
|--------------------|----------------|------------------|--------------------|
| John A. Caroselli  | 25,599,824.034 |                  | 421,109.505        |
| Clarence Otis, Jr. | 25,599,324.034 |                  | 421,609.505        |
| Robin A. Stelmach  | 25,607,035.621 |                  | 413,897.918        |

## TRUSTEES AND OFFICERS IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of January 1, 2019, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

| Name, Age                                    | Position(s)<br>Held<br>with Fund | Trustee/<br>Officer<br>Since <sup>(h)</sup> | Term<br>Expiring | Number<br>of MFS<br>Funds<br>overseen<br>by the<br>Trustee | Principal<br>Occupations   | Other  |
|--|----------------------------------|---|------------------|--|--|--|
|  |                                  |   |                  |  | During<br>the Past<br>Five Years   | Directorships<br>During the<br>Past Five<br>Years <sup>(i)</sup> |
| <b>INTERESTED TRUSTEES</b>                   |                                  |   |                  |  |  |  |
| Robert J. Manning <sup>(k)</sup><br>(age 55) | Trustee                          | February 2004                               | 2019             | 135  | Massachusetts Financial Services Company, Executive Chairman (since January 2017); Director; Chairman of the Board; Chief Executive Officer (until 2015); Co-Chief Executive Officer (2015-2016)   | N/A  |
| Robin A. Stelmach <sup>(k)</sup><br>(age 57) | Trustee                          | January 2014                                | 2021             | 135  | Massachusetts Financial Services Company, Vice Chair (since January 2017); Chief Operating Officer and Executive Vice President (until January 2017)   | N/A  |
| <b>INDEPENDENT TRUSTEES</b>                  |                                  |   |                  |  |  |  |
| John P. Kavanaugh<br>(age 64)                | Trustee and Chair<br>of Trustees | January 2009                                | 2020             | 135  | Private investor   | N/A  |
| Steven E. Buller<br>(age 67)                 | Trustee                          | February 2014                               | 2020             | 135  | Financial Accounting Standards Advisory Council, Chairman (2014-2015); Public Company Accounting Oversight Board, Standing Advisory Group, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014) | N/A  |

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Trustees and Officers continued

| Name, Age                        | Position(s)<br>Held<br>with Fund | Trustee/<br>Officer<br>Since <sup>(h)</sup> | Term<br>Expiring | Number<br>of MFS<br>Funds<br>overseen<br>by the<br>Trustee | Principal<br>Occupations  | Other   |
|----------------------------------|----------------------------------|---|------------------|--|---|---|
|                                  |                                  |   |                  |  | During<br>the Past<br>Five Years  | Directorships<br>During the<br>Past Five<br>Years <sup>(i)</sup>  |
| John A. Caroselli<br>(age 64)    | Trustee                          | March 2017                                  | 2021             | 135  | JC Global Advisors, LLC<br>(management consulting),<br>President (since 2015); First<br>Capital Corporation (commercial<br>finance), Executive Vice<br>President (until 2015)   | N/A   |
| Maureen R. Goldfarb<br>(age 63)  | Trustee                          | January 2009                                | 2019             | 135  | Private investor  | N/A   |
| Michael Hegarty<br>(age 74)      | Trustee                          | December 2004                               | 2020             | 135  | Private investor  | Rouse Properties Inc.,<br>Director (until 2016);<br>Capmark Financial<br>Group Inc., Director<br>(until 2015) |
| Peter D. Jones<br>(age 63)       | Trustee                          | January 2019                                | 2020             | 135  | Franklin Templeton Distributors,<br>Inc. (investment management),<br>President (until 2015); Franklin<br>Templeton Institutional, LLC<br>(investment management),<br>Chairman (until 2015)  | N/A   |
| James W. Kilman, Jr.<br>(age 57) | Trustee                          | January 2019                                | 2021             | 135  | KielStrand Capital LLC (family<br>office and merchant bank), Chief<br>Executive Officer (since 2016);<br>Morgan Stanley & Co. (financial<br>services), Vice Chairman of<br>Investment Banking, Co-Head of<br>Diversified Financials Coverage<br>Financial Institutions Investment<br>Banking Group (until 2016) | alpha-En Corporation,<br>Director (since 2016)  |

Trustees and Officers continued

| Name, Age                          | Position(s)<br>Held<br>with Fund | Trustee/<br>Officer<br>Since <sup>(h)</sup> | Term<br>Expiring | Number<br>of MFS<br>Funds<br>overseen<br>by the<br>Trustee | Principal<br>Occupations  |   |
|------------------------------------|----------------------------------|---|------------------|--|---|---|
|                                    |                                  |   |                  |  | During<br>the Past<br>Five Years  | Other<br>Directorships<br>During the<br>Past Five<br>Years <sup>(j)</sup>   |
| Clarence Otis, Jr.<br><br>(age 62) | Trustee                          | March 2017                                  | 2021             | 135  | Darden Restaurants, Inc., Chief Executive Officer (until 2014)  | VF Corporation, Director; Verizon Communications, Inc., Director; The Travelers Companies, Director; Federal Reserve Bank of Atlanta, Director (until 2015) |
| Maryanne L. Roepke<br><br>(age 62) | Trustee                          | May 2014                                    | 2019             | 135  | American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014) | N/A   |
| Laurie J. Thomsen<br><br>(age 61)  | Trustee                          | March 2005                                  | 2019             | 135  | Private investor  | The Travelers Companies, Director; Dycor Industries, Inc., Director (since 2015)  |

| Name, Age<br><b>OFFICERS</b>                         | Position(s)<br>Held<br>with Fund        | Trustee/Officer<br>Since <sup>(h)</sup> | Term<br>Expiring | Number of<br>MFS Funds<br>for which<br>the Person is<br>an Officer | Principal<br>Occupations During   |
|--|---|---|------------------|--|---|
|  |   |   |                  |  | the Past Five Years   |
| Christopher R. Bohane <sup>(k)</sup><br><br>(age 44) | Assistant Secretary and Assistant Clerk | July 2005                               | N/A              | 135  | Massachusetts Financial Services Company, Vice President and Assistant General Counsel  |
| Kino Clark <sup>(k)</sup><br><br>(age 50)            | Assistant                               | January 2012                            | N/A              | 135  | Massachusetts Financial Services Company, Vice President  |
| John W. Clark, Jr. <sup>(k)</sup><br><br>(age 51)    | Treasurer<br>Assistant<br>Treasurer     | April 2017                              | N/A              | 135  | Massachusetts Financial Services Company, Vice President (since March 2017); Deutsche Bank (financial services), Department Head Treasurer's Office (until February 2017) |

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Trustees and Officers continued

| <b>Name, Age</b>                               | <b>Position(s)<br/>Held</b>                          | <b>Trustee/Officer</b> | <b>Term</b> | <b>Number of<br/>MFS Funds<br/>for which<br/>the Person is<br/>an Officer</b> | <b>Principal<br/>Occupations During<br/>the Past Five Years</b>   |
|--|--|------------------------|-------------|---|---|
| Thomas H. Connors <sup>(k)</sup><br>(age 59)   | Assistant<br><br>Secretary<br>and Assistant<br>Clerk | September 2012         | N/A         | 135   | Massachusetts Financial Services<br>Company, Vice President and<br>Senior Counsel   |
| Ethan D. Corey <sup>(k)</sup><br>(age 55)      | Assistant<br>Secretary<br>and Assistant<br>Clerk     | July 2005              | N/A         | 135   | Massachusetts Financial Services<br>Company, Senior Vice President<br>and Associate General Counsel   |
| David L. DiLorenzo <sup>(k)</sup><br>(age 50)  | President  | July 2005              | N/A         | 135   | Massachusetts Financial Services<br>Company, Senior Vice President  |
| Heidi W. Hardin <sup>(k)</sup><br>(age 51)     | Secretary and<br>Clerk                               | April 2017             | N/A         | 135   | Massachusetts Financial Services<br>Company, Executive Vice<br>President and General Counsel<br>(since March 2017); Harris<br>Associates (investment<br>management), General Counsel<br>(from September 2015 to January<br>2017); Janus Capital Management<br>LLC (investment management),<br>Senior Vice President and General<br>Counsel (until September 2015) |
| Brian E. Langenfeld <sup>(k)</sup><br>(age 45) | Assistant<br>Secretary<br>and Assistant<br>Clerk     | June 2006              | N/A         | 135   | Massachusetts Financial Services<br>Company, Vice President and<br>Senior Counsel   |
| Amanda S. Mooradian <sup>(k)</sup><br>(age 39) | Assistant<br>Secretary<br>and Assistant<br>Clerk     | September 2018         | N/A         | 135   | Massachusetts Financial Services<br>Company, Assistant Vice President<br>and Counsel  |
| Susan A. Pereira <sup>(k)</sup><br>(age 48)    | Assistant<br>Secretary<br>and Assistant<br>Clerk     | July 2005              | N/A         | 135   | Massachusetts Financial Services<br>Company, Vice President and<br>Senior Counsel   |
| Kasey L. Phillips <sup>(k)</sup><br>(age 48)   | Assistant<br>Treasurer                               | September 2012         | N/A         | 135   | Massachusetts Financial Services<br>Company, Vice President   |

Trustees and Officers continued

| <b>Name, Age</b>                              | <b>Position(s) Held</b>                                | <b>Trustee/Officer Since <sup>(h)</sup></b> | <b>Term Expiring</b> | <b>Number of MFS Funds for which the Person is an Officer</b> | <b>Principal Occupations During the Past Five Years</b>   |
|---|--|---|----------------------|---|---|
| Matthew A. Stowe <sup>(k)</sup><br>(age 44)   | Assistant Secretary and Assistant Clerk                | October 2014                                | N/A                  | 135   | Massachusetts Financial Services Company, Vice President and Assistant General Counsel  |
| Frank L. Tarantino<br>(age 74)                | Independent  | June 2004                                   | N/A                  | 135   | Tarantino LLC (provider of compliance services), Principal  |
| Richard S. Weitzel <sup>(k)</sup><br>(age 48) | Senior Officer Assistant Secretary and Assistant Clerk | October 2007                                | N/A                  | 135   | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel   |
| Martin J. Wolin <sup>(k)</sup><br>(age 51)    | Chief Compliance Officer                               | July 2015                                   | N/A                  | 135   | Massachusetts Financial Services Company, Senior Vice President and Chief Compliance Officer (since July 2015); Mercer (financial service provider), Chief Risk and Compliance Officer, North America and Latin America (until June 2015) |
| James O. Yost <sup>(k)</sup><br>(age 58)      | Treasurer  | September 1990                              | N/A                  | 135   | Massachusetts Financial Services Company, Senior Vice President   |

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. From January 2012 through December 2016, Messrs. DiLorenzo and Yost served as Treasurer and Deputy Treasurer of the Funds, respectively.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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

*Trustees and Officers continued*

Board's retirement policy, an Independent Trustee shall retire at the end of the calendar year in which he or she reaches the earlier of 75 years of age or 15 years of service on the Board (or, in the case of any Independent Trustee who joined the Board prior to 2015, 20 years of service on the Board).

Messrs. Buller, Hegarty, Kilman and Otis and Ms. Roepke are members of the Trust's Audit Committee.

Each of the Interested Trustees and certain Officers hold comparable officer positions with certain affiliates of MFS.

**Investment Adviser**

Massachusetts Financial Services Company  
111 Huntington Avenue

Boston MA 02199-7618

**Portfolio Manager(s)**

Geoffrey Schechter

Ward Brown  
Robert Persons  
Matt Ryan

**Custodian**

State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111-2900

**Independent Registered Public Accounting Firm**

Deloitte & Touche LLP

200 Berkeley Street  
Boston, MA 02116

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## BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ( independent ) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2018 ( contract review meetings ) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds ). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Senior Officer, a senior officer appointed by and reporting to the independent Trustees.

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

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Broadridge Financial Solutions, Inc. ( Broadridge ), an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2017 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Broadridge performance universe ), (ii) information provided by Broadridge on the Fund s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Broadridge (the Broadridge expense group ), (iii) information provided by MFS on the advisory fees of portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel

*Board Review of Investment Advisory Agreement continued*

providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Broadridge was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

Based on information provided by Broadridge and MFS, the Trustees reviewed the Fund's total return investment performance as well as the Broadridge performance universe over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Broadridge performance universe over the three-year period ended December 31, 2017, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 6th out of a total of 7 funds in the Broadridge performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 6th out of a total of 7 funds for each of the one- and five-year periods ended December 31, 2017. Given the size of the Broadridge performance universe and information previously provided by MFS regarding differences between the Fund and the other funds in its Broadridge performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom benchmark developed by MFS. The Fund matched its custom benchmark for the one-year period and underperformed its custom benchmark for each of the three- and five-year periods ended December 31, 2017 (one-year: 3.1% total return for the Fund versus 3.1% total return for the benchmark; three-year: 1.9% total return for the Fund versus 2.0% total return for the benchmark; five-year: 1.8% total return for the Fund versus 1.9% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year, as to MFS' efforts to improve the Fund's performance. The Trustees observed that there were significant limitations to the usefulness of the comparative data provided by Broadridge, noting that the applicable Broadridge

*Board Review of Investment Advisory Agreement continued*

performance universe for the Fund included funds that pursue substantially different investment programs as compared to that pursued by the Fund. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Broadridge. The Trustees considered that MFS has agreed in writing to reduce its advisory fee, and that MFS currently observes an expense limitation for the Fund, each of which may not be changed without the Trustees' approval. The Trustees also considered that, according to the data by Broadridge (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each approximately at the Broadridge expense group median.

The Trustees also considered the advisory fees charged by MFS to any institutional separate accounts advised by MFS ( "separate accounts" ) and unaffiliated investment companies for which MFS serves as subadviser ( "subadvised funds" ) that have comparable investment strategies to the Fund, if any. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund, as well as the more extensive regulatory burdens imposed on MFS in managing the Fund, in comparison to separate accounts and subadvised funds.

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

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

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

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel

*Board Review of Investment Advisory Agreement continued*

and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

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

The Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the MFS Funds. The Trustees also considered that, effective January 3, 2018, MFS had discontinued its historic practice of obtaining investment research from portfolio brokerage commissions paid by certain MFS Funds and would thereafter voluntarily reimburse a Fund, if applicable, for the costs of external research acquired through the use of the Fund's portfolio brokerage commissions.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2018.

#### PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are available without charge, upon request, by calling 1-800-225-2606, by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available by August 31 of each year without charge by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

#### QUARTERLY PORTFOLIO DISCLOSURE

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at <http://www.sec.gov>. A shareholder can obtain the portfolio holdings report for the first and third quarters of the fund's fiscal year at [mfs.com/closedendfunds](http://mfs.com/closedendfunds) by choosing the fund's name and then selecting the Resources tab and clicking on Prospectus and Reports.

#### FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site ([mfs.com](http://mfs.com)). This information is available at <https://www.mfs.com/en-us/what-we-do/announcements.html> or at [mfs.com/closedendfunds](http://mfs.com/closedendfunds) by choosing the fund's name.

Additional information about the fund (e.g. performance, dividends and the fund's price history) is also available by clicking on the fund's name under Closed-End Funds in the Products section of [mfs.com](http://mfs.com).

#### INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, transfer agent, and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

#### FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2018 income tax forms in January 2019.

## FACTS

### WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

Social Security number and account balances

Account transactions and transaction history

Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information   | Does MFS share? | Can you limit this sharing? |
|--|-----------------|-----------------------------|
| <b>For our everyday business purposes</b><br>such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | Yes             | No                          |
| <b>For our marketing purposes</b><br>to offer our products and services to you   | No              | We don't share              |
| <b>For joint marketing with other financial companies</b>  | No              | We don't share              |
| <b>For our affiliates' everyday business purposes</b><br>information about your transactions and experiences   | No              | We don't share              |
| <b>For our affiliates' everyday business purposes</b><br>information about your creditworthiness   | No              | We don't share              |

For nonaffiliates to market to you

No

We don't share

**Questions?**

Call **800-225-2606** or go to **mfs.com**.

**Who we are**

**Who is providing this notice?** MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., and MFS Heritage Trust Company.

**What we do**

**How does MFS protect my personal information?** To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.

**How does MFS collect my personal information?** We collect your personal information, for example, when you

open an account or provide account information

direct us to buy securities or direct us to sell your securities

make a wire transfer

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

**Why can't I limit all sharing?** Federal law gives you the right to limit only

sharing for affiliates everyday business purposes information about your creditworthiness

affiliates from using your information to market to you

sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

**Definitions**

**Affiliates** Companies related by common ownership or control. They can be financial and nonfinancial companies.

*MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*

**Nonaffiliates** Companies not related by common ownership or control. They can be financial and nonfinancial companies.

**Joint marketing**

*MFS does not share with nonaffiliates so they can market to you.*  
A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

*MFS doesn't jointly market.*

**Other important information**

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

## **CONTACT US**

### **TRANSFER AGENT, REGISTRAR, AND**

### **DIVIDEND DISBURSING AGENT**

#### **CALL**

1-800-637-2304

9 a.m. to 5 p.m. Eastern time

#### **WRITE**

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

New York Stock Exchange Symbol: **MGF**

**ITEM 2. CODE OF ETHICS.**

The Registrant has adopted a Code of Ethics (the Code) pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. During the period covered by this report, the Registrant has not amended any provision in the Code that relates to an element of the Code's definition enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

A copy of the Code is filed as an exhibit to this Form N-CSR.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

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

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

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

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

For the fiscal years ended November 30, 2018 and 2017, audit fees billed to the Fund by Deloitte were as follows:

|                                     | <b>Audit Fees</b> |             |
|-------------------------------------|-------------------|-------------|
|                                     | <b>2018</b>       | <b>2017</b> |
| <b>Fees billed by Deloitte:</b>     |                   |             |
| MFS Government Markets Income Trust | 62,646            | 61,099      |

## Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-CSR

For the fiscal years ended November 30, 2018 and 2017, fees billed by Deloitte for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

|  | Audit-Related Fees <sup>1</sup> |        | Tax Fees <sup>2</sup> |       | All Other Fees <sup>3</sup> |      |
|--|---------------------------------|--------|-----------------------|-------|-----------------------------|------|
|  | 2018                            | 2017   | 2018                  | 2017  | 2018                        | 2017 |
| <b>Fees billed by Deloitte:</b>        |                                 |        |                       |       |                             |      |
| To MFS Government Markets Income Trust | 10,000                          | 10,000 | 6,716                 | 6,571 | 0                           | 0    |

|   | Audit-Related Fees <sup>1</sup> |      | Tax Fees <sup>2</sup> |      | All Other Fees <sup>3</sup> |       |
|---|---------------------------------|------|-----------------------|------|-----------------------------|-------|
|   | 2018                            | 2017 | 2018                  | 2017 | 2018                        | 2017  |
| <b>Fees billed by Deloitte:</b>   |                                 |      |                       |      |                             |       |
| To MFS and MFS Related Entities of MFS Government Markets Income Trust* | 0                               | 0    | 0                     | 0    | 5,390                       | 5,390 |

|   | Aggregate Fees for Non-audit Services |         |
|---|---------------------------------------|---------|
|   | 2018                                  | 2017    |
| <b>Fees Billed by Deloitte:</b>   |                                       |         |
| To MFS Government Markets Income Trust, MFS and MFS Related Entities <sup>#</sup> | 22,106                                | 861,431 |

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

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

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

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

<sup>3</sup> The fees included under **All Other Fees** are fees for products and services provided by Deloitte other than those reported under **Audit Fees**, **Audit-Related Fees** and **Tax Fees**.

### Item 4(e)(1):

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

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

exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

**Item 4(e)(2):**

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

**Item 4(f):**

Not applicable.

**Item 4(h):**

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

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The Registrant has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Effective January 1, 2019, the members of the Audit Committee are Messrs. Steven E. Buller, Clarence Otis, Jr., James W. Kilman, Jr., and Michael Hegarty and Ms. Maryanne L. Roepke.

**ITEM 6. SCHEDULE OF INVESTMENTS**

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

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

A copy of the proxy voting policies and procedures are attached hereto as EX-99.PROXYPOL.

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.****Portfolio Manager(s)**

Information regarding the portfolio manager(s) of the MFS Government Markets Income Trust (the Fund) is set forth below. Each portfolio manager is primarily responsible for the day-to-day management of the Fund.

| <b>Portfolio Manager</b> | <b>Primary Role</b>                                   | <b>Since</b> | <b>Title and Five Year History</b>  |
|--------------------------|---|--------------|---|
| Geoffrey Schechter       | Lead and U.S. Government Securities Portfolio Manager | 2006         | Investment Officer of MFS; employed in the investment area of MFS since 1993. |
| Ward Brown               | Emerging Markets Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; Employed in the investment area of MFS since 2005. |
| Robert Persons           | Investment Grade Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; Employed in the investment area of MFS since 2000. |
| Matt Ryan                | Emerging Markets Debt Instruments Portfolio Manager   | 2012         | Investment Officer of MFS; Employed in the investment area of MFS since 1997. |

**Compensation**

MFS philosophy is to align portfolio manager compensation with the goal to provide shareholders with long-term value through a collaborative investment process. Therefore, MFS uses long-term investment performance as well as contribution to the overall investment process and collaborative culture as key factors in determining portfolio manager compensation. In addition, MFS seeks to maintain total compensation programs that are competitive in the asset management industry in each geographic market where it has employees. MFS uses competitive compensation data to ensure that compensation practices are aligned with its goals of attracting, retaining, and motivating the highest-quality professionals.

MFS reviews portfolio manager compensation annually. In determining portfolio manager compensation, MFS uses quantitative means and qualitative means to help ensure a sustainable investment process. As of December 31, 2017, portfolio manager total cash compensation is a combination of base salary and performance bonus:

*Base Salary* Base salary generally represents a smaller percentage of portfolio manager total cash compensation than performance bonus.

*Performance Bonus* Generally, the performance bonus represents more than a majority of portfolio manager total cash compensation.

The performance bonus is based on a combination of quantitative and qualitative factors, generally with more weight given to the former and less weight given to the latter.

The quantitative portion is primarily based on the pre-tax performance of accounts managed by the portfolio manager over a range of fixed-length time periods, intended to provide the ability to assess performance over time periods consistent with a full market cycle and a strategy's investment horizon. The fixed-length time periods include the portfolio manager's full tenure on each fund and, when available, ten-, five-, and three-year periods. For portfolio managers who have served for less than three years, shorter-term periods, including the one-year period, will also be considered, as will performance in previous roles, if any, held at the firm. Emphasis is generally placed on longer performance periods when multiple performance periods are available. Performance is evaluated across the full set of strategies and portfolios managed by a given portfolio manager, relative to appropriate peer group universes and/or representative indices (benchmarks). As of December 31, 2017, the following benchmarks were used to measure the following portfolio manager's performance for the Fund:

| <b>Fund</b>                         | <b>Portfolio Manager</b> | <b>Benchmark(s)</b>                                    |
|-------------------------------------|--------------------------|--|
| MFS Government Markets Income Trust | Geoffrey Schechter       | Bloomberg Barclays U.S. Credit Bond Index              |
|                                     |                          | Bloomberg Barclays U.S. Government/Mortgage Bond Index |
|                                     | Ward Brown               | JPMorgan Emerging Markets Bond Index Global            |
|                                     | Robert Persons           | Bloomberg Barclays U.S. Credit Bond Index              |
|                                     | Matt Ryan                | JPMorgan Emerging Markets Bond Index Global            |

Benchmarks may include versions and components of indices, custom indices, and linked indices that combine performance of different indices for different portions of the time period, where appropriate.

The qualitative portion is based on the results of an annual internal peer review process (where portfolio managers are evaluated by other portfolio managers, analysts, and traders) and management's assessment of overall portfolio manager contribution to the MFS investment process and the client experience (distinct from fund and other account performance).

The performance bonus is generally a combination of cash and a deferred cash award. A deferred cash award is issued for a cash value and becomes payable over a three-year vesting period if the portfolio manager remains in the continuous employ of MFS or its affiliates. During the vesting period, the value of the unfunded deferred cash award will fluctuate as though the portfolio manager had invested the cash value of the award in an MFS Fund(s) selected by the portfolio manager.

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

Finally, portfolio managers also participate in benefit plans (including a defined contribution plan and health and other insurance plans) and programs available generally to other employees of MFS. The percentage such benefits represent of any portfolio manager's compensation depends upon the length of the individual's tenure at MFS and salary level, as well as other factors.

**Ownership of Fund Shares**

The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund's portfolio manager(s) as of the Fund's fiscal year ended November 30, 2018. The following dollar ranges apply:

- N. None
- A. \$1 - \$10,000
- B. \$10,001 - \$50,000
- C. \$50,001 - \$100,000
- D. \$100,001 - \$500,000
- E. \$500,001 - \$1,000,000
- F. Over \$1,000,000

| Name of Portfolio Manager | Dollar Range of Equity Securities in Fund |
|---------------------------|---|
| Geoffrey Schechter        | N   |
| Ward Brown                | N   |
| Robert Persons            | N   |
| Matt Ryan                 | N   |
| <b>Other Accounts</b>     |   |

In addition to the Fund, each portfolio manager of the Fund is named as a portfolio manager of certain other accounts managed or sub-advised by MFS or an affiliate. The number and assets of these accounts were as follows as of the Fund's fiscal year ended November 30, 2018:

| Name               | Registered Investment Companies* |                 | Other Pooled Investment Vehicles |                  | Other Accounts     |                  |
|--------------------|----------------------------------|-----------------|----------------------------------|------------------|--------------------|------------------|
|                    | Number of Accounts               | Total Assets    | Number of Accounts               | Total Assets     | Number of Accounts | Total Assets     |
| Geoffrey Schechter | 14                               | \$ 18.7 billion | 4                                | \$ 629.9 million | 0                  | N/A              |
| Ward Brown         | 7                                | \$ 10.5 billion | 5                                | \$ 2.9 billion   | 3                  | \$ 1.2 billion   |
| Robert Persons     | 17                               | \$ 28.5 billion | 9                                | \$ 3.8 billion   | 7                  | \$ 974.2 million |
| Matt Ryan          | 9                                | \$ 10.9 billion | 6                                | \$ 3.4 billion   | 3                  | \$ 1.2 billion   |

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

**Potential Conflicts of Interest**

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

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

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portfolio manager may execute transactions for another fund or account that may adversely affect the value of the Fund's investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed by MFS to be fair and equitable to each. Allocations may be based on many factors and may not always be pro rata based on assets managed. The allocation methodology could have a detrimental effect on the price or volume of the security as far as the Fund is concerned.

MFS and/or a portfolio manager may have a financial incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor accounts other than the Fund, for instance, those that pay a higher advisory fee and/or have a performance adjustment and/or include an investment by the portfolio manager.

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

**MFS Government Markets Income Trust**

| <b>Period</b>     | <b>(a)<br/>Total number<br/>of Shares<br/>Purchased</b> | <b>(b)<br/>Average<br/>Price<br/>Paid per<br/>Share</b> | <b>(c)<br/>Total Number<br/>of Shares<br/>Purchased as<br/>Part of<br/>Publicly<br/>Announced<br/>Plans or<br/>Programs</b> | <b>(d)<br/>Maximum<br/>Number (or<br/>Approximate<br/>Dollar Value) of<br/>Shares that May<br/>Yet Be Purchased<br/>under the Plans<br/>or Programs</b> |
|-------------------|---|---|---|---|
| 12/01/17-12/31/17 | 0   | N/A   | 0   | 3,260,111   |
| 1/01/18-1/31/18   | 0   | N/A   | 0   | 3,260,111   |
| 2/01/18-2/28/18   | 0   | N/A   | 0   | 3,260,111   |
| 3/01/18-3/31/18   | 0   | N/A   | 0   | 3,260,111   |
| 4/01/18-4/30/18   | 0   | N/A   | 0   | 3,260,111   |
| 5/01/18-5/31/18   | 0   | N/A   | 0   | 3,260,111   |
| 6/01/18-6/30/18   | 0   | N/A   | 0   | 3,260,111   |
| 7/01/18-7/31/18   | 0   | N/A   | 0   | 3,260,111   |
| 8/01/18-8/31/18   | 0   | N/A   | 0   | 3,260,111   |
| 9/01/18-9/30/18   | 0   | N/A   | 0   | 3,260,111   |
| 10/1/18-10/31/18  | 0   | N/A   | 0   | 3,260,111   |
| 11/1/18-11/30/18  | 0   | N/A   | 0   | 3,260,111   |
| <b>Total</b>      | <b>0</b>  |   | <b>0</b>  |   |

Note: The Board approved procedures to repurchase shares and reviews the results periodically. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on October 1st of each year. The programs conform to the conditions of Rule 10b-18 of the Securities Exchange Act of 1934 and limit the aggregate number of shares that may be purchased in each annual period (October 1 through the following September 30) to 10% of the Registrant's outstanding shares as of the first day of the plan year (October 1). The aggregate number of shares available for purchase for the October 1, 2018 plan year is 3,260,111.

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

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

**ITEM 11. CONTROLS AND PROCEDURES.**

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

**ITEM 12. DISCLOSURE OF SECURITIES LENDING ACTIVITIES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

During the fiscal year ended November 30, 2018, there were no fees or income related to securities lending activities of the Registrant.

**ITEM 13. EXHIBITS.**

- (a) (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Attached hereto as EX-99.COE.
  
- (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2): Attached hereto as EX-99.302CERT.
  
- (3) Any written solicitation to purchase securities under Rule 23c-1 under the Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. Not applicable.
  
- (4) Change in the registrant's independent public accountant. Not applicable.
  
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Attached hereto as EX-99.906CERT.
  
- (c) Proxy Voting Policies and Procedures pursuant to Item 7 of Form N-CSR. Attached hereto as EX-99.PROXYPOL.
  
- (d) Notices to Trust's common shareholders in accordance with Investment Company Act Section 19(a) and Rule 19a-1. Attached hereto as EX-99.19a-1.

**Notice**

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

SIGNATURES

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

Registrant: MFS GOVERNMENT MARKETS INCOME TRUST

By (Signature and Title)\* DAVID L. DILORENZO  
David L. DiLorenzo, President

Date: January 15, 2019

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

By (Signature and Title)\* DAVID L. DILORENZO  
David L. DiLorenzo, President

(Principal Executive Officer)

Date: January 15, 2019

By (Signature and Title)\* JAMES O. YOST  
James O. Yost, Treasurer

(Principal Financial Officer

and Accounting Officer)

Date: January 15, 2019

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