

MFS GOVERNMENT MARKETS INCOME TRUST  
Form N-CSR  
January 31, 2012  
Table of Contents

**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)

**500 Boylston Street, Boston, Massachusetts 02116**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**500 Boylston Street**

**Boston, Massachusetts 02116**

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2011

**Table of Contents**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

Table of Contents

# MFS® Government Markets Income Trust

## ANNUAL REPORT

*November 30, 2011*

MGF-ANN

**Table of Contents**

Managed Distribution Policy Disclosure

The MFS Government Markets Income Trust's (the fund) Board of Trustees has 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 fund's total return in relation to changes in net asset value is presented in the Financial Highlights. 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; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the managed distribution policy.

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. In accordance with the amounts and sources of distributions reported in the notice to shareholders the sources of distributions 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 the remainder of 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.

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. A return of capital does not necessarily reflect the fund's investment performance and should not be confused with yield or income.

**Table of Contents**

**MFS® GOVERNMENT MARKETS INCOME TRUST**

New York Stock Exchange Symbol: **MGF**

<u>Letter from the Chairman and CEO</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	6
<u>Investment objective, principal investment strategies and risks of the fund</u>	8
<u>Portfolio manager profile</u>	10
<u>Dividend reinvestment and cash purchase plan</u>	11
<u>Portfolio of investments</u>	12
<u>Statement of assets and liabilities</u>	19
<u>Statement of operations</u>	20
<u>Statements of changes in net assets</u>	21
<u>Financial highlights</u>	22
<u>Notes to financial statements</u>	23
<u>Report of independent registered public accounting firm</u>	35
<u>Results of shareholder meeting</u>	36
<u>Trustees and officers</u>	37
<u>Board review of investment advisory agreement</u>	43
<u>Proxy voting policies and information</u>	48
<u>Quarterly portfolio disclosure</u>	48
<u>Further information</u>	48
<u>Federal tax information</u>	48
<u>MFS® privacy notice</u>	49
<u>Contact information</u> back cover	

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

**Table of Contents**

## LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

**Robert J. Manning**

*Chairman and Chief Executive Officer*

*MFS Investment Management®*

*January 13, 2012*

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

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

Mortgage-Backed Securities	37.1%
U.S. Treasury Securities	19.4%
U.S. Government Agencies	16.8%
High Grade Corporates	9.1%
Emerging Markets Bonds	6.8%
Commercial Mortgage-Backed Securities	4.0%
Municipal Bonds	0.8%
Non-U.S. Government Bonds	0.4%

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

AAA	2.6%
AA	2.4%
A	2.8%
BBB	12.1%
BB	1.1%
U.S. Government	22.4%
Federal Agencies	53.9%
Not Rated	(2.9)%
Cash & Other	5.6%

**Portfolio facts (i)**

Average Duration (d)	4.5
Average Effective Maturity (m)	7.0 yrs.

(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). All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities, including fixed income futures, which have not been rated by any rating agency. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.

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

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.





**Table of Contents**

*Portfolio Composition continued*

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. Percentages are based on net assets as of 11/30/11.

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

**Table of Contents**

## MANAGEMENT REVIEW

### Summary of Results

The MFS Government Markets Income Trust (the fund) is a closed-end fund investing primarily in U.S. government securities, mortgage-backed securities, international and emerging markets debt securities, and U.S. investment-grade corporate bonds.

For the twelve months ended November 30, 2011, the fund provided a total return of 5.48%, at net asset value. This compares with a return of 5.65% for the fund's benchmark, the Barclays Capital U.S. Government/Mortgage Bond Index. Over the same period, the fund's other benchmark, the MFS Government Markets Income Trust Blended Index (the Blended Index), generated a return of 5.57%. 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.

### Market Environment

Early in the period, the U.S. Federal Reserve (the Fed) responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived safest global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

### Detractors from Performance

The fund's lesser exposure to shifts at the long end of the yield curve (y) (centered around maturities of 10 years or more) detracted from performance relative to the Blended Index as the yield curve flattened over the reporting period.

**Table of Contents**

*Management Review continued*

A greater exposure to Federal National Mortgage Association (Fannie Mae) mortgage-backed securities and to Brazilian bonds also held back relative results.

**Contributors to Performance**

During the reporting period, the fund's lesser exposure to shifts in the middle portion of the yield curve (centered around maturities of 7 years) was a key contributor to relative performance. The fund's greater exposure to the *inflation linked* sector also benefited relative results.

A lesser exposure to A rated (r) bonds and to Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage-backed securities were additional factors that aided relative performance.

Respectfully,

Geoffrey Schechter  
Portfolio Manager

(r) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned.

Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

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

**Table of Contents**

**PERFORMANCE SUMMARY** THROUGH 11/30/11

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

**Price Summary for MFS Government Markets Income Trust**

Year Ended 11/30/11

	Date	Price
Net Asset Value	11/30/11	\$7.01
	11/30/10	\$7.17
New York Stock Exchange Price	11/30/11	\$6.85
	12/06/10 (high) (t)	\$7.16
	4/06/11 (low) (t)	\$6.35
	11/30/10	\$7.15

**Total Returns vs Benchmarks**

Year Ended 11/30/11

MFS Government Markets Income Trust at	
New York Stock Exchange Price (r)	3.36%
Net Asset Value (r)	5.48%
Barclays Capital U.S. Government/Mortgage Bond Index (f)	5.65%
MFS Government Markets Income Trust Blended Index (f)(x)	5.57%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2010 through November 30, 2011.

(x) MFS Government Markets Income Trust Blended Index is at a point in time and allocations during the period can change. As of November 30, 2011 the blended index was comprised of 80% Barclays Capital U.S. Government/Mortgage Bond Index and 20% Barclays Capital U.S. Credit Bond Index.

**Benchmark Definitions**

Barclays Capital 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



**Table of Contents**

*Performance Summary continued*

specified maturity, liquidity, and quality requirements. This index generated a total return of 5.21% for the year ended November 30, 2011.

Barclays Capital 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. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that the fund's net investment income and net capital gains are insufficient to meet the fund's target annual distribution rate. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. It may also result in a recharacterization of what economically represents a return of capital to ordinary income in those situations where a fund has long term capital gains and a capital loss carryforward. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

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.

Performance results 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 financial highlights.

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

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

**Table of Contents**

**INVESTMENT OBJECTIVE, PRINCIPAL  
INVESTMENT STRATEGIES AND RISKS  
OF THE FUND**

**Investment Objective**

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

**Principal Investment Strategies**

MFS (Massachusetts Financial Services Company, the fund's investment adviser) 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.

MFS may invest a relatively large percentage of the fund's assets in issuers in a single country, a small number of countries, or a particular geographic region.

MFS may invest a relatively large percentage of the fund's assets in a single issuer or a small number of issuers.

The fund seeks to make a monthly distribution at an annual fixed rate of 7.25% of the fund's average monthly net asset value.

While MFS may use derivatives for any investment purpose, to the extent MFS uses derivatives, MFS expects to use derivatives primarily to increase or decrease exposure to a particular market, segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments.

MFS uses a bottom-up investment approach to buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of individual instruments and their issuers in light of issuers' current financial condition and current market, economic, political, and regulatory conditions. Factors considered may include the instrument's credit quality, collateral characteristics, and indenture provisions, and the issuer's management ability, capital structure, leverage, and ability to meet its current obligations. Quantitative models that systematically evaluate the structure of the debt instrument and its features may also be considered. In structuring the fund, MFS considers sector allocations, yield curve positioning, macroeconomic factors and risk management factors.

**Table of Contents**

*Investment Objective, Principal Investment Strategies and Risks of the Fund continued*

If approved by the fund's Board of Trustees, the fund may use leverage through the issuance of preferred shares, borrowing from banks, and/or other methods of creating leverage, and investing the proceeds pursuant to its investment strategies.

MFS may engage in active and frequent trading in pursuing the fund's principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund's principal investment strategies by temporarily investing for defensive purposes.

**Principal Risks**

The fund may not achieve its objective and/or you could lose money on your investment in the fund.

Investments in debt instruments may decline in value as the result of increases in interest rates, declines in the credit quality of the issuer, borrower, counterparty or underlying assets, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile.

Investments in foreign markets can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, or other conditions.

Investments in derivatives can be used to take both long and short positions, be highly volatile, result in leverage (which can magnify losses), and involve risks in addition to the risks of the underlying indicator(s) on which the derivative is based, such as counterparty and liquidity risk.

Mortgage-backed securities can be subject to prepayment and/or extension and therefore can offer less potential for gains and greater potential for loss.

The market price of common shares of the fund will be based on factors such as the supply and demand for common shares in the market and general market, economic, political or regulatory conditions. Whether shareholders will realize gains or losses upon the sale of common shares of the fund will depend on the market price of common shares at the time of the sale, not on the fund's net asset value. The market price may be lower or higher than the fund's net asset value. Shares of closed-end funds frequently trade at a discount or premium to their net asset value.

Leverage involves investment exposure in an amount exceeding the initial investment. Leverage can cause increased volatility by magnifying gains or losses.

Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov>.



**Table of Contents**

**PORTFOLIO MANAGER PROFILE**

Geoffrey Schechter

Investment Officer of MFS; employed in the investment area of MFS since 1993. Manager of the fund since April 2006.

10

**Table of Contents**

## DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

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

**Table of Contents****PORTFOLIO OF INVESTMENTS**

11/30/11

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

<b>Bonds - 96.5%</b>		
<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>U.S. Bonds - 88.2%</b>		
<b>Agency - Other - 14.0%</b>		
Financing Corp., 10.7%, 2017	\$ 4,095,000	\$ 6,150,362
Financing Corp., 9.4%, 2018	3,085,000	4,427,543
Financing Corp., 9.8%, 2018	4,350,000	6,407,872
Financing Corp., 10.35%, 2018	6,820,000	10,367,614
Financing Corp., STRIPS, 0%, 2017	5,000,000	4,499,870
		\$ 31,853,261
<b>Asset-Backed &amp; Securitized - 3.9%</b>		
Citigroup Commercial Mortgage Trust, FRN, 5.885%, 2049	\$ 1,000,000	\$ 1,083,166
Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 2049	1,200,000	1,240,664
Commercial Mortgage Pass-Through Certificates, A4, 5.306%, 2046	1,366,646	1,459,366
Credit Suisse Mortgage Capital Certificate, 5.311%, 2039	500,000	526,831
CWC Capital LLC, 5.223%, 2048	1,000,000	1,049,972
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.004%, 2049	1,000,000	1,042,900
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.184%, 2051	754,902	796,925
Prudential Securities Secured Financing Corp., FRN, 7.319%, 2013 (z)	1,819,000	1,757,352
		\$ 8,957,176
<b>Cable TV - 0.5%</b>		
Time Warner Cable, Inc., 8.25%, 2019	\$ 1,000,000	\$ 1,240,805
<b>Chemicals - 0.3%</b>		
Dow Chemical Co., 8.55%, 2019	\$ 500,000	\$ 629,767
<b>Computer Software - Systems - 0.3%</b>		
International Business Machines Corp., 8%, 2038	\$ 500,000	\$ 788,323
<b>Energy - Integrated - 0.0%</b>		
Hess Corp., 8.125%, 2019	\$ 30,000	\$ 37,117
<b>Food &amp; Beverages - 0.9%</b>		
Anheuser-Busch InBev S.A., 7.75%, 2019	\$ 750,000	\$ 966,017
Kraft Foods, Inc., 6.125%, 2018	960,000	1,117,731
		\$ 2,083,748

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Local Authorities - 1.9%		
California (Build America Bonds), 7.6%, 2040	\$ 420,000	\$ 503,983
Nashville & Davidson County, TN, Metropolitan Government Convention Center Authority (Build America Bonds), 6.731%, 2043	580,000	673,403
New Jersey Turnpike Authority Rev. (Build America Bonds), F, 7.414%, 2040	32,000	44,288
Port Authority NY & NJ (168th Series), 4.926%, 2051	770,000	776,599
San Francisco, CA, City & County Public Utilities Commission, Water Rev. (Build America Bonds), 6%, 2040	1,650,000	1,899,728
University of California Rev. (Build America Bonds), 5.77%, 2043	450,000	508,217
		\$ 4,406,218
Major Banks - 0.4%		
Bank of America Corp., 7.625%, 2019	\$ 170,000	\$ 165,807
Merrill Lynch & Co., Inc., 6.05%, 2016	750,000	703,720
		\$ 869,527
Mortgage-Backed - 37.0%		
Fannie Mae, 4.719%, 2012	\$ 96,219	\$ 97,386
Fannie Mae, 4.542%, 2013	922,335	948,992
Fannie Mae, 5%, 2013 - 2040	3,905,568	4,161,065
Fannie Mae, 5.06%, 2013	364,424	368,963
Fannie Mae, 5.37%, 2013	966,317	992,969
Fannie Mae, 4.77%, 2014	450,034	481,173
Fannie Mae, 4.842%, 2014	2,578,207	2,748,428
Fannie Mae, 5.1%, 2014	488,719	525,704
Fannie Mae, 4.7%, 2015	444,624	481,234
Fannie Mae, 4.74%, 2015	361,520	392,656
Fannie Mae, 4.78%, 2015	504,255	550,305
Fannie Mae, 4.815%, 2015	532,258	579,326
Fannie Mae, 4.82%, 2015	896,121	968,912
Fannie Mae, 4.85%, 2015	317,750	343,783
Fannie Mae, 4.86%, 2015	146,029	157,659
Fannie Mae, 4.87%, 2015	336,249	365,464
Fannie Mae, 4.89%, 2015	377,024	408,558
Fannie Mae, 5.466%, 2015	834,072	921,705
Fannie Mae, 5.09%, 2016	500,000	553,839
Fannie Mae, 5.423%, 2016	728,753	821,634
Fannie Mae, 5.845%, 2016	292,944	319,045
Fannie Mae, 6.5%, 2016 - 2037	3,269,910	3,677,679
Fannie Mae, 5.05%, 2017	512,638	568,209
Fannie Mae, 5.3%, 2017	562,886	627,175

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Mortgage-Backed - continued		
Fannie Mae, 5.5%, 2017 - 2037	\$ 23,304,505	\$ 25,412,555
Fannie Mae, 6%, 2017 - 2037	6,617,047	7,289,921
Fannie Mae, 4.88%, 2020	253,755	277,462
Fannie Mae, 4.5%, 2041	1,783,975	1,899,416
Freddie Mac, 5%, 2016 - 2040	8,875,554	9,503,974
Freddie Mac, 6%, 2021 - 2038	3,368,684	3,714,178
Freddie Mac, 4.5%, 2024	769,527	814,411
Freddie Mac, 5.5%, 2024 - 2036	4,959,743	5,401,930
Freddie Mac, 6.5%, 2037	1,004,443	1,124,528
Ginnie Mae, 5.5%, 2033 - 2038	4,096,347	4,600,198
Ginnie Mae, 5.612%, 2058	1,036,044	1,103,059
Ginnie Mae, 6.357%, 2058	868,983	893,405
		\$ 84,096,900
<b>Municipals - 0.8%</b>		
Minnesota Public Facilities Authority, Revolving Fund Rev., C, 5%, 2020	\$ 1,090,000	\$ 1,350,292
Triborough Bridge & Tunnel Authority Rev., A, 5%, 2021	370,000	443,663
		\$ 1,793,955
<b>Natural Gas - Pipeline - 0.5%</b>		
Energy Transfer Partners LP, 8.5%, 2014	\$ 21,000	\$ 23,773
Kinder Morgan Energy Partners, 6.85%, 2020	1,000,000	1,157,999
		\$ 1,181,772
<b>Network &amp; Telecom - 0.3%</b>		
Verizon Communications, Inc., 8.75%, 2018	\$ 449,000	\$ 598,332
<b>Other Banks &amp; Diversified Financials - 0.5%</b>		
Capital One Financial Corp., 8.8%, 2019	\$ 280,000	\$ 326,012
Citigroup, Inc., 8.5%, 2019	94,000	108,765
UBS Preferred Funding Trust V, 6.243% to 2016, FRN to 2049	750,000	601,875
		\$ 1,036,652
<b>Pollution Control - 0.5%</b>		
Allied Waste North America, Inc., 6.875%, 2017	\$ 1,000,000	\$ 1,066,250
<b>Real Estate - 0.4%</b>		
Simon Property Group, Inc., REIT, 5.875%, 2017	\$ 750,000	\$ 845,480
<b>Retailers - 0.4%</b>		
Staples, Inc., 9.75%, 2014	\$ 750,000	\$ 856,955

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>U.S. Bonds - continued</b>		
<b>Tobacco - 0.8%</b>		
Altria Group, Inc., 9.7%, 2018	\$ 500,000	\$ 654,700
Altria Group, Inc., 9.25%, 2019	250,000	321,952
Lorillard Tobacco Co., 8.125%, 2019	796,000	922,587
		\$ 1,899,239
<b>U.S. Government Agencies and Equivalents - 2.6%</b>		
Aid-Egypt, 4.45%, 2015	\$ 1,755,000	\$ 1,964,336
Small Business Administration, 6.35%, 2021	393,657	435,657
Small Business Administration, 6.34%, 2021	340,071	376,742
Small Business Administration, 6.44%, 2021	416,481	460,203
Small Business Administration, 6.625%, 2021	490,504	544,087
Small Business Administration, 5.52%, 2024	734,858	813,700
U.S. Department of Housing & Urban Development, 6.36%, 2016	1,038,000	1,041,443
U.S. Department of Housing & Urban Development, 6.59%, 2016	299,000	299,707
		\$ 5,935,875
<b>U.S. Treasury Obligations - 22.2%</b>		
U.S. Treasury Bonds, 5.25%, 2029	\$ 1,448,000	\$ 1,954,348
U.S. Treasury Bonds, 4.75%, 2037	2,000,000	2,640,312
U.S. Treasury Bonds, 4.375%, 2038	6,580,000	8,259,953
U.S. Treasury Bonds, 4.5%, 2039	2,618,100	3,356,077
U.S. Treasury Notes, 1.375%, 2013	4,711,000	4,774,306
U.S. Treasury Notes, 4%, 2015	4,140,000	4,604,131
U.S. Treasury Notes, 2.625%, 2016	6,999,000	7,559,466
U.S. Treasury Notes, 4.75%, 2017 (f)	3,389,000	4,067,064
U.S. Treasury Notes, 2.625%, 2018	702,000	757,063
U.S. Treasury Notes, 2.75%, 2019	6,894,000	7,458,446
U.S. Treasury Notes, 3.125%, 2019	2,834,000	3,138,655
U.S. Treasury Notes, 3.5%, 2020	1,741,000	1,974,402
		\$ 50,544,223
<b>Total U.S. Bonds</b>		<b>\$ 200,721,575</b>
<b>Foreign Bonds - 8.3%</b>		
<b>Brazil - 2.7%</b>		
Banco do Brasil (Cayman Branch), 6%, 2020 (n)	\$ 100,000	\$ 108,000
Banco do Brasil S.A., 5.875%, 2022 (n)	1,231,000	1,212,535
Banco do Nordeste do Brasil (BNB), 3.625%, 2015 (n)	253,000	249,838
BNDES Participacoes S.A., 6.5%, 2019 (n)	475,000	536,038
Centrais Eletricas Brasileiras S.A., 5.75%, 2021 (n)	965,000	996,845
Federative Republic of Brazil, 11%, 2040	183,000	240,188
Federative Republic of Brazil, 5.625%, 2041	323,000	365,798

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Foreign Bonds - continued</b>		
<b>Brazil - continued</b>		
Net Servicos de Comunicacao S.A., 7.5%, 2020	\$ 226,000	\$ 257,640
Petrobras International Finance Co., 5.375%, 2021	1,157,000	1,176,559
Petrobras International Finance Co., 7.875%, 2019	453,000	529,780
Vale Overseas Ltd., 6.875%, 2039	165,000	181,047
Vale Overseas Ltd., 4.625%, 2020	104,000	104,030
Votorantim Participacoes S.A., 6.75%, 2021 (n)	125,000	131,250
		\$ 6,089,548
<b>Canada - 0.9%</b>		
Rogers Communications, Inc., 6.8%, 2018	\$ 1,000,000	\$ 1,207,961
Talisman Energy, Inc., 7.75%, 2019	650,000	789,961
		\$ 1,997,922
<b>Chile - 0.4%</b>		
Corporacion Nacional del Cobre de Chile, 3.75%, 2020 (n)	\$ 209,000	\$ 208,995
Empresa Nacional del Petroleo, 6.25%, 2019	214,000	236,833
Sociedad Quimica y Minera de Chile S.A., 6.125%, 2016	429,000	466,307
		\$ 912,135
<b>China - 0.1%</b>		
CNPC (HK) Overseas Capital Ltd., 4.5%, 2021 (n)	\$ 226,000	\$ 233,821
<b>Iceland - 0.3%</b>		
Republic of Iceland, 4.875%, 2016 (n)	\$ 804,000	\$ 784,802
<b>Italy - 0.1%</b>		
UniCredito Luxembourg Finance S.A., 6%, 2017 (n)	\$ 200,000	\$ 143,654
<b>Kazakhstan - 0.3%</b>		
Development Bank of Kazakhstan, 5.5%, 2015 (n)	\$ 646,000	\$ 657,499
<b>Luxembourg - 0.0%</b>		
ArcelorMittal, 9.85%, 2019	\$ 33,000	\$ 35,810
<b>Malaysia - 0.2%</b>		
Petronas Capital Ltd., 7.875%, 2022	\$ 370,000	