

MFS CHARTER INCOME TRUST
Form N-CSRS
August 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05822

MFS CHARTER INCOME TRUST

(Exact name of registrant as specified in charter)

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: May 31, 2012

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ITEM 1. REPORTS TO STOCKHOLDERS.

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MFS® Charter Income Trust

SEMIANNUAL REPORT

May 31, 2012

MCR-SEM

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MFS® CHARTER INCOME TRUST

New York Stock Exchange Symbol: **MCR**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning

of our investment process in all business climates. Through this integrated approach, our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

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 that the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

We, like our investors, are 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 emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

July 17, 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)**

High Yield Corporates	58.1%
High Grade Corporates	14.3%
Non-U.S. Government Bonds	12.0%
Emerging Markets Bonds	11.1%
Mortgage-Backed Securities	6.2%
Commercial Mortgage-Backed Securities	5.3%
Collateralized Debt Obligations	0.8%
U.S. Government Agencies	0.7%
Asset-Backed Securities	0.3%
Floating Rate Loans	0.1%
U.S. Treasury Securities	(6.2)%

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

AAA	7.8%
AA	2.2%
A	10.0%
BBB	19.6%
BB	23.3%
B	29.7%
CCC	9.0%
CC	0.1%
C	0.3%
U.S. Government	3.0%
Federal Agencies	6.9%
Not Rated	(9.2)%
Non-Fixed Income	0.6%
Cash & Other	(3.3)%

Portfolio facts (i)

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

Issuer country weightings (i)(x)

United States	65.9%
United Kingdom	3.9%
Japan	3.4%
Canada	2.3%
Mexico	2.2%
Italy	1.8%
Germany	1.7%
France	1.6%
Brazil	1.3%
Other Countries	15.9%

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Portfolio Composition continued

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). 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. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.
- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. 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.
- (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.
- (x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's net assets. From time to time Cash & Other Net Assets may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets as of 5/31/12.

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

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PORTFOLIO MANAGERS PROFILES

Richard Hawkins	Investment Officer of MFS; employed in the investment management area of MFS since 1988. Portfolio Manager of the Fund since July 2004.
William Adams	Investment Officer of MFS; employed in the investment management area of MFS since 2009. Portfolio Manager of the Fund since May 2011.
David Cole	Investment Officer of MFS; employed in the investment management area of MFS since 2004. Portfolio Manager of the Fund since October 2006.
Matthew Ryan	Investment Officer of MFS; employed in the investment management area of MFS since 1997. Portfolio Manager of the Fund since September 2004.

OTHER NOTES

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

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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5/31/12 (unaudited)

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

Bonds - 110.2%		
Issuer	Shares/Par	Value (\$)
Aerospace - 1.3%		
BE Aerospace, Inc., 8.5%, 2018	\$ 1,225,000	\$ 1,335,250
Bombardier, Inc., 7.5%, 2018 (n)	1,615,000	1,760,350
Bombardier, Inc., 7.75%, 2020 (n)	375,000	411,563
CPI International, Inc., 8%, 2018	840,000	751,800
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 505,000	430,859
Huntington Ingalls Industries, Inc., 7.125%, 2021	\$ 1,685,000	1,748,188
Kratos Defense & Security Solutions, Inc., 10%, 2017	645,000	683,700
		\$ 7,121,710
Airlines - 0.0%		
Continental Airlines, Inc., 7.25%, 2021	\$ 198,384	\$ 223,182
Apparel Manufacturers - 0.6%		
Hanesbrands, Inc., 8%, 2016	\$ 660,000	\$ 723,525
Hanesbrands, Inc., 6.375%, 2020	390,000	398,288
Jones Group, Inc., 6.875%, 2019	455,000	437,369
Levi Strauss & Co., 6.875%, 2022 (n)	175,000	173,688
Phillips-Van Heusen Corp., 7.375%, 2020	1,305,000	1,425,713
		\$ 3,158,583
Asset-Backed & Securitized - 6.4%		
Anthracite Ltd., A , CDO, FRN, 0.599%, 2019 (z)	\$ 1,103,475	\$ 948,988
Anthracite Ltd., BFL , CDO, FRN, 1.238%, 2037 (z)	3,000,000	2,820,000
Banc of America Commercial Mortgage, Inc., FRN, 5.725%, 2051	1,500,000	1,703,076
Bayview Financial Acquisition Trust, FRN, 5.483%, 2041	193,982	194,634
Bayview Financial Revolving Mortgage Loan Trust, FRN, 1.838%, 2040 (z)	784,552	509,391
Citigroup/Deutsche Bank Commercial Mortgage Trust, FRN, 5.366%, 2049	1,605,000	1,507,440
Commercial Mortgage Pass-Through Certificates, FRN, 5.774%, 2046	230,000	234,560
Countrywide Asset-Backed Certificates, FRN, 5.147%, 2035	799,789	742,343
Credit Suisse Mortgage Capital Certificate, FRN, 5.678%, 2039	1,400,000	1,399,703
Crest Ltd., CDO, 7%, 2040 (a)(p)	2,297,764	114,888
First Union-Lehman Brothers Bank of America, FRN, 0.445%, 2035 (i)	14,458,773	201,281
JPMorgan Chase Commercial Mortgage Securities Corp., A3 , FRN, 5.817%, 2049	1,000,000	1,070,684

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Asset-Backed & Securitized - continued		
JPMorgan Chase Commercial Mortgage Securities Corp., A3 , FRN, 5.98%, 2051	\$ 6,000,000	\$ 6,365,196
JPMorgan Chase Commercial Mortgage Securities Corp., A4 , FRN, 5.817%, 2049	5,000,000	5,398,755
JPMorgan Chase Commercial Mortgage Securities Corp., C , FRN, 6.052%, 2051	185,000	51,915
Merrill Lynch Mortgage Trust, FRN, 5.847%, 2050	1,350,000	1,491,881
Multi Security Asset Trust, A3 , CDO, 5%, 2035 (z)	782,963	782,963
Spirit Master Funding LLC, 5.05%, 2023 (z)	1,296,634	1,210,524
Wachovia Bank Commercial Mortgage Trust, A4 , FRN, 5.899%, 2051	7,250,000	8,059,093
		\$ 34,807,315
Automotive - 3.0%		
Accuride Corp., 9.5%, 2018	\$ 1,935,000	\$ 2,022,075
Allison Transmission, Inc., 7.125%, 2019 (n)	945,000	987,525
Automotores Gildemeister S.A., 8.25%, 2021 (n)	137,000	139,398
Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021	475,000	476,188
Ford Motor Co., 7.45%, 2031	800,000	1,042,000
Ford Motor Credit Co. LLC, 8%, 2014	485,000	539,719
Ford Motor Credit Co. LLC, 12%, 2015	4,165,000	5,258,276
General Motors Financial Co., Inc., 6.75%, 2018	795,000	853,490
Goodyear Tire & Rubber Co., 7%, 2022	350,000	343,000
Hyundai Capital America, 4%, 2017 (n)	210,000	215,562
IDQ Holdings, Inc., 11.5%, 2017 (z)	335,000	350,075
Jaguar Land Rover PLC, 7.75%, 2018 (n)	430,000	433,225
Jaguar Land Rover PLC, 8.125%, 2021 (n)	2,065,000	2,085,650
Lear Corp., 8.125%, 2020	1,190,000	1,332,800
RCI Banque S.A., 4.6%, 2016 (n)	139,000	138,992
		\$ 16,217,975
Basic Industry - 0.1%		
Trimas Corp., 9.75%, 2017	\$ 636,000	\$ 694,830
Broadcasting - 3.2%		
Allbritton Communications Co., 8%, 2018	\$ 900,000	\$ 931,500
AMC Networks, Inc., 7.75%, 2021 (n)	548,000	608,280
Clear Channel Communications, Inc., 9%, 2021	1,068,000	918,480
Clear Channel Worldwide Holdings, Inc., 7.625%, 2020 (n)	1,115,000	1,064,825
Clear Channel Worldwide Holdings, Inc., A , 7.625%, 2020 (n)	50,000	47,000
Hughes Network Systems LLC, 7.625%, 2021	765,000	791,775
Inmarsat Finance PLC, 7.375%, 2017 (n)	790,000	841,350
Intelsat Bermuda Ltd., 11.25%, 2017	1,435,000	1,409,888

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Broadcasting - continued		
Intelsat Bermuda Ltd., 11.5%, 2017 (p)	\$ 1,370,000	\$ 1,346,025
Intelsat Jackson Holdings Ltd., 11.25%, 2016	320,000	334,000
Liberty Media Corp., 8.5%, 2029	675,000	685,125
Liberty Media Corp., 8.25%, 2030	355,000	361,213