

MFS GOVERNMENT MARKETS INCOME TRUST  
Form N-CSR  
January 27, 2017  
[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)

**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, 2016

**Table of Contents**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

**Table of Contents**

**ANNUAL REPORT**

November 30, 2016

**MFS® GOVERNMENT MARKETS INCOME TRUST**

MGF-ANN

**Table of Contents**

**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.

**Table of Contents**

**MFS® GOVERNMENT MARKETS INCOME TRUST**

New York Stock Exchange Symbol: **MGF**

<u>Letter from the Chairman</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	7
<u>Portfolio managers profile</u>	9
<u>Dividend reinvestment and cash purchase plan</u>	10
<u>Portfolio of investments</u>	11
<u>Statement of assets and liabilities</u>	20
<u>Statement of operations</u>	21
<u>Statements of changes in net assets</u>	22
<u>Financial highlights</u>	23
<u>Notes to financial statements</u>	25
<u>Report of independent registered public accounting firm</u>	36
<u>Results of shareholder meeting</u>	37
<u>Trustees and officers</u>	38
<u>Board review of investment advisory agreement</u>	43
<u>Proxy voting policies and information</u>	47
<u>Quarterly portfolio disclosure</u>	47
<u>Further information</u>	47
<u>Information about fund contracts and legal claims</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**

Dear Shareholders:

Despite June's unexpected vote by the United Kingdom to leave the European Union and the surprising result in November's U.S. presidential election, most markets have

proved resilient. U.S. share prices quickly reversed post-Brexit declines, and indices reached new highs following the November elections. U.S. bond yields rose after Trump's victory on hopes that his proposed policy mix of lower taxes, increased spending on infrastructure and a lower regulatory burden on businesses will lift both U.S. economic growth and inflation. However, even after a recent rise in bond yields, interest rates in most developed markets remain very low, with major central banks maintaining extremely accommodative monetary policies.

Globally, economic growth has shown signs of recovery of late, led by the United States and the eurozone. Despite better growth,

there are few immediate signs of worrisome inflation. Emerging market economies are recovering at a somewhat slower pace amid fears that restrictive U.S. trade policies could further hamper the already slow pace of global trade growth.

At MFS®, we believe in a patient, long-term approach to investing. Viewing investments with a long lens makes it possible to filter out short-term market noise and focus on achieving solid risk-adjusted returns over a full market cycle.

In our view, such an approach, along with the professional guidance of a financial advisor, will help you reach your investment objectives.

Respectfully,

**Robert J. Manning**

Executive Chairman

MFS Investment Management

January 13, 2017

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

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

Mortgage-Backed Securities	51.5%
U.S. Treasury Securities	23.5%
Investment Grade Corporates	10.9%
U.S. Government Agencies	10.0%
Emerging Markets Bonds	3.4%
Commercial Mortgage-Backed Securities	2.5%
High Yield Corporates	0.4%
Municipal Bonds	0.4%
Collateralized Debt Obligations	0.4%
Non-U.S. Government Bonds	0.1%
Asset-Backed Securities	0.1%

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

AAA	1.6%
AA	2.4%
A	2.7%
BBB	10.5%
BB	0.7%
B	0.3%
U.S. Government	19.8%
Federal Agencies	61.5%
Not Rated	3.7%
Cash & Cash Equivalents	0.5%
Other	(3.7)%

**Portfolio facts (i)**

Average Duration (d)	5.6
Average Effective Maturity (m)	8.0 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). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. The fund may or may not have held all of these instruments on this date. The fund is not rated by these agencies.

**Table of Contents**

*Portfolio Composition continued*

- (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 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. Where the fund holds convertible bonds, these 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 11/30/16.

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



**Table of Contents**

**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 invests the fund's assets in U.S. and foreign securities, including emerging market securities.

For the twelve months ended November 30, 2016, the fund provided a total return of 1.84%, at net asset value and a total return of 3.82%, at market value. This compares with a return of 1.26% for the fund's benchmark, the Bloomberg Barclays U.S. Government/Mortgage Bond Index (formerly 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 1.84%. 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**

Sluggish global growth weighed on both developed and emerging market ( EM ) economies during the reporting period. The US Federal Reserve began its long-anticipated monetary tightening cycle toward the end of the period, but the tightening cycle has proved to be more gradual than initially anticipated. Globally, central bank policy remained highly accommodative, which forced many government, and even some corporate, bond yields into negative territory. During the second half of the period, the United Kingdom voted to leave the European Union ( EU ), beginning a multi-year process of negotiation in order to achieve Brexit. While markets initially reacted to the vote with alarm, the spillover to European and EM economies was relatively short-lived, although risks of further hits to EU cohesiveness could re-emerge. Late in the period, the surprising US presidential election outcome prompted a significant rally in equities and a rise in bond yields in anticipation of a reflationary policy mix from the incoming Trump administration.

During much of the reporting period, US earnings headwinds expanded beyond the energy, materials and industrial sectors, to include most sectors of the market. Headwinds eased somewhat at the end of the period as stabilizing oil prices pushed energy earnings higher relative to expectations. The sharp rise in the US dollar also weighed on earnings. US consumer spending held up well during the second half of the period amid a modest increase in real wages and low gasoline prices. Demand for autos reached near-record territory before plateauing late in the period, while the

## **Table of Contents**

### *Management Review continued*

housing market continued its recovery. Slow global trade continued to mirror slow global growth, particularly for many EM countries. That said, EM countries began to show signs of a modest upturn in activity along with adjustment in their external accounts. These improved conditions appeared to have reassured investors and contributed to record inflows into the asset class during July and August as negative yields for an increasing share of developed market bonds drove yield-hungry investors further out on the risk spectrum. Similar investor inflows were experienced in the investment grade and high yield corporate markets. Late in the reporting period, however, new challenges emerged for emerging markets debt (EMD) as a result of the US presidential election, which raised concerns about the potential for a protectionist turn in US trade policy which could negatively impact EM economies. These concerns, along with rising expectations for US growth, inflation and rates, have turned the tables on flows into EMD. Since the election, flows have reversed. As of the end of the period, the markets seemed to be in wait-and-see mode, looking for evidence to either confirm or refute the repricing of risk that has occurred since Election Day.

While US Treasury yields finished slightly higher relative to where they started the reporting period, Treasuries experienced significant volatility during that time. According to data from the Fed, 10-year US Treasury yields started the reporting period at 2.21%, fell to as low as 1.37% in the wake of Brexit and finished the reporting period at 2.37%.

A significant portion of the increase in yields occurred in the wake of the results of the US presidential election, as President-elect Donald Trump and Republicans, who remained in control of both houses of Congress, discussed the prospects for greater-than-expected fiscal stimulus. The prospects for fiscal stimulus raised the possibility of stronger growth and higher inflation in the near-to-medium-term, which pushed Treasury yields higher.

### **Contributors to Performance**

Relative to the Blended Index, the fund's greater exposure to *B-rated* issues was a primary contributor to relative performance. Additionally, the fund's lesser exposure to the *industrials* sector was an area of relative strength. A greater exposure to Chinese issued bonds further supported relative results.

The fund's shorter duration<sup>(d)</sup> stance relative to the benchmark contributed to relative returns as interest rates rose during the period. The fund's yield curve<sup>(y)</sup> positioning, particularly the fund's lesser exposure to shifts in the middle (centered around maturities of 7 years) portion of the curve, also contributed to performance during the reporting period.

### **Detractors from Performance**

The portion of the fund's return derived from yield, which was less than that of the Blended Index, was a primary detractor from relative performance. Additionally, the fund's greater exposure to both the *mortgage* and *finance* sectors further hindered relative results.

Respectfully,

**Table of Contents**

*Management Review continued*

Geoffrey Schechter  
Portfolio Manager

Ward Brown  
Portfolio Manager

Robert Persons  
Portfolio Manager

Matt Ryan  
Portfolio Manager

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

**Table of Contents**

**PERFORMANCE SUMMARY THROUGH 11/30/16**

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	11/30/16	\$5.35
		11/30/15	\$5.67
	New York Stock Exchange Price	11/30/16	\$5.06
Year		3/31/16 (high) (t)	\$5.50
Ended		11/15/16 (low) (t)	\$4.99
11/30/16		11/30/15	\$5.26

**Total Returns vs Benchmarks**

	MFS Government Markets Income Trust at	
	New York Stock Exchange Price (r)	3.82%
	Net Asset Value (r)	1.84%
Year	Bloomberg Barclays U.S. Government/Mortgage Bond Index (f)	1.26%
Ended	MFS Government Markets Income Trust Blended Index (f)(w)	1.84%
11/30/16	Bloomberg Barclays U.S. Credit Bond Index (f)	4.19%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2015 through November 30, 2016.

(w) As of November 30, 2016, 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 Definitions**

Bloomberg Barclays U.S. Credit Bond Index (formerly 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.

**Table of Contents**

*Performance Summary continued*

Bloomberg Barclays U.S. Government/Mortgage Bond Index (formerly 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 monthly distributions may include a return of capital to shareholders to the extent that the fund's net investment income and net capital gains, determined in accordance with federal income tax regulations, 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.

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

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

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

**Table of Contents**

**PORTFOLIO MANAGERS 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.

**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.

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.

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

11/30/16

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 - 98.8%</b>		
<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>U.S. Bonds - 94.4%</b>		
<b>Agency - Other - 7.0%</b>		
Financing Corp., 10.7%, 10/06/2017	\$ 4,095,000	\$ 4,429,288
Financing Corp., 9.4%, 2/08/2018	3,085,000	3,387,046
Financing Corp., 10.35%, 8/03/2018	3,820,000	4,401,328
		\$ 12,217,662
<b>Asset-Backed &amp; Securitized - 2.9%</b>		
Citigroup Commercial Mortgage Trust, FRN, 5.9%, 12/10/2049	\$ 1,000,000	\$ 1,010,502
Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/2049	70,119	70,082
CNH Equipment Trust, 2015-C, A2B, FRN, 1.008%, 12/17/2018	108,495	108,617
Commercial Mortgage Trust, 2015-DC1, A5, 3.35%, 2/10/2048	327,000	331,358
Credit Suisse Commercial Mortgage Trust, A4, FRN, 6.133%, 9/15/2039	312,132	317,468
Credit Suisse Commercial Mortgage Trust, AM, FRN, 5.876%, 6/15/2039	398,459	404,357
Credit Suisse Commercial Mortgage Trust, C4, FRN, 6.133%, 9/15/2039	378,313	386,546
CWC Capital Cobalt Ltd., A4, FRN, 5.954%, 5/15/2046	480,579	487,468
Dryden XXIII Senior Loan Fund, 2012-23A, A1R, FRN, 2.13%, 7/17/2023 (n)	286,505	286,069
Fortress Credit BSL Ltd., 2013-1A, A, FRN, 2.057%, 1/19/2025 (n)	342,461	341,743
JPMorgan Chase Commercial Mortgage Securities Corp., A4, FRN, 5.753%, 6/15/2049	872,120	879,356
Morgan Stanley Capital I Trust, AM, FRN, 5.871%, 4/15/2049	431,000	420,531
		\$ 5,044,097
<b>Automotive - 0.1%</b>		
Ford Motor Credit Co. LLC, 2.551%, 10/05/2018	\$ 241,000	\$ 242,556
<b>Building - 0.0%</b>		
Martin Marietta Materials, Inc., 4.25%, 7/02/2024	\$ 82,000	\$ 82,939
<b>Business Services - 0.7%</b>		
Cisco Systems, Inc., 2.6%, 2/28/2023	\$ 299,000	\$ 295,223
Fidelity National Information Services, Inc., 3.875%, 6/05/2024	1,000,000	1,019,246
		\$ 1,314,469

11



**Table of Contents**

*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Cable TV - 0.9%		
Charter Operating/CCO Capital Corp., 4.908%, 7/23/2025 (n)	\$ 242,000	\$ 252,612
Comcast Corp., 4.2%, 8/15/2034	96,000	97,979
Time Warner Cable, Inc., 8.25%, 4/01/2019	1,000,000	1,128,647
Time Warner Cable, Inc., 4.5%, 9/15/2042	100,000	88,022
		\$ 1,567,260
Computer Software - 0.1%		
Microsoft Corp., 3.125%, 11/03/2025	\$ 124,000	\$ 125,392
Computer Software - Systems - 0.3%		
Apple, Inc., 3.25%, 2/23/2026	\$ 400,000	\$ 402,513
Apple, Inc., 4.375%, 5/13/2045	121,000	123,722
		\$ 526,235
Consumer Products 0.2%		
Newell Rubbermaid, Inc., 3.15%, 4/01/2021	\$ 369,000	\$ 375,472
Food & Beverages - 0.4%		
Anheuser-Busch InBev Worldwide, Inc., 3.3%, 2/01/2023	\$ 167,000	\$ 168,714
Anheuser-Busch InBev Worldwide, Inc., 4.7%, 2/01/2036	219,000	229,665
J.M. Smucker Co., 4.25%, 3/15/2035	164,000	165,185
Kraft Heinz Foods Co., 5.2%, 7/15/2045	120,000	127,610
Tyson Foods, Inc., 5.15%, 8/15/2044	38,000	39,315
		\$ 730,489
Food & Drug Stores - 0.3%		
CVS Health Corp., 3.5%, 7/20/2022	\$ 277,000	\$ 284,430
CVS Health Corp., 5.125%, 7/20/2045	270,000	296,214
		\$ 580,644
Insurance - 0.1%		
American International Group, Inc., 4.7%, 7/10/2035	\$ 108,000	\$ 111,833
Insurance - Health - 0.4%		
UnitedHealth Group, Inc., 4.625%, 7/15/2035	\$ 672,000	\$ 724,543
Insurance - Property & Casualty - 0.1%		
Liberty Mutual Group, Inc., 4.85%, 8/01/2044 (n)	\$ 99,000	\$ 96,899
Local Authorities - 1.1%		
New Jersey Turnpike Authority Rev. (Build America Bonds), F , 7.414%, 1/01/2040	\$ 32,000	\$ 46,188
State of California (Build America Bonds), 7.6%, 11/01/2040	925,000	1,385,585
University of California Rev. (Build America Bonds), 5.77%, 5/15/2043	450,000	549,063
		\$ 1,980,836

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Major Banks - 0.4%		
Bank of America Corp., 7.625%, 6/01/2019	\$ 170,000	\$ 191,418
Goldman Sachs Group, Inc., 3.625%, 1/22/2023	446,000	456,678
Goldman Sachs Group, Inc., 4.8%, 7/08/2044	94,000	98,096
		\$ 746,192
Medical & Health Technology & Services - 0.2%		
Becton, Dickinson and Co., 4.685%, 12/15/2044	\$ 179,000	\$ 183,542
Laboratory Corp. of America Holdings, 4.7%, 2/01/2045	106,000	105,425
		\$ 288,967
Medical Equipment - 0.5%		
Medtronic, Inc., 4.625%, 3/15/2045	\$ 237,000	\$ 251,572
Zimmer Holdings, Inc., 4.45%, 8/15/2045	607,000	572,562
		\$ 824,134
Metals & Mining - 0.3%		
Freeport-McMoRan Copper & Gold, Inc., 3.875%, 3/15/2023	\$ 500,000	\$ 470,000
Midstream - 1.0%		
Energy Transfer Partners LP, 5.15%, 3/15/2045	\$ 220,000	\$ 198,264
Enterprise Products Operating LLC, 3.9%, 2/15/2024	29,000	29,624
Kinder Morgan Energy Partners LP, 6.85%, 2/15/2020	1,000,000	1,113,705
Kinder Morgan Energy Partners LP, 5.4%, 9/01/2044	358,000	342,153
		\$ 1,683,746
Mortgage-Backed - 51.4%		
Fannie Mae, 5.05%, 1/01/2017	\$ 471,054	\$ 471,172
Fannie Mae, 1.9%, 6/01/2017	154,701	154,695
Fannie Mae, 6%, 8/01/2017 - 7/01/2037	1,203,743	1,378,893
Fannie Mae, 5.5%, 9/01/2017 - 3/01/2038	4,001,967	4,485,883
Fannie Mae, 4.88%, 3/01/2020	115,040	120,999
Fannie Mae, 3.87%, 7/01/2022	183,708	195,525
Fannie Mae, 2.152%, 1/25/2023	401,000	395,418
Fannie Mae, 2.41%, 5/01/2023	129,522	129,487
Fannie Mae, 2.55%, 5/01/2023	111,493	112,337
Fannie Mae, 2.59%, 5/01/2023	70,539	71,225
Fannie Mae, 3.78%, 10/01/2023	64,273	68,419
Fannie Mae, 2.7%, 7/01/2025	200,000	199,002
Fannie Mae, 3.43%, 6/01/2026	198,829	206,212
Fannie Mae, 3.59%, 9/01/2026	73,688	77,686
Fannie Mae, 3%, 4/01/2027 - 11/01/2046	7,624,313	7,771,728
Fannie Mae, 6.5%, 5/01/2031 - 2/01/2037	724,771	832,394
Fannie Mae, 5%, 6/01/2035 - 3/01/2042	780,756	857,292
Fannie Mae, 4.5%, 1/01/2040 - 4/01/2044	5,975,695	6,464,089

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Mortgage-Backed - continued		
Fannie Mae, 4%, 9/01/2040 - 2/01/2045	\$ 10,929,137	\$ 11,537,831
Fannie Mae, 3.5%, 4/01/2043 - 5/01/2046	5,491,606	5,653,323
Fannie Mae, TBA, 3%, 12/01/2031	910,000	935,878
Fannie Mae, TBA, 3.5%, 12/01/2046	500,000	513,496
Fannie Mae, TBA, 4%, 1/01/2047	1,200,000	1,262,250
Freddie Mac, 2.699%, 5/25/2018	791,560	804,069
Freddie Mac, 2.412%, 8/25/2018	1,137,394	1,152,451
Freddie Mac, 2.303%, 9/25/2018	275,000	278,774
Freddie Mac, 2.323%, 10/25/2018	498,949	506,794
Freddie Mac, 2.13%, 1/25/2019	1,566,818	1,581,661
Freddie Mac, 5.085%, 3/25/2019	752,000	803,915
Freddie Mac, 2.456%, 8/25/2019	383,000	390,403
Freddie Mac, 4.186%, 8/25/2019	600,000	637,078
Freddie Mac, 3.808%, 8/25/2020	219,000	233,292
Freddie Mac, 3.034%, 10/25/2020	291,000	302,682
Freddie Mac, 2.856%, 1/25/2021	400,000	413,842
Freddie Mac, 6%, 5/01/2021 - 10/01/2038	632,054	730,662
Freddie Mac, 2.791%, 1/25/2022	517,000	532,589
Freddie Mac, 2.716%, 6/25/2022	399,000	408,755
Freddie Mac, 2.355%, 7/25/2022	500,000	502,276
Freddie Mac, 2.682%, 10/25/2022	189,000	192,711
Freddie Mac, 2.51%, 11/25/2022	496,000	501,020
Freddie Mac, 3.32%, 2/25/2023	433,000	456,240
Freddie Mac, 3.3%, 4/25/2023	429,471	452,275
Freddie Mac, 3.06%, 7/25/2023	181,000	187,871
Freddie Mac, 2.454%, 8/25/2023	379,000	379,294
Freddie Mac, 3.458%, 8/25/2023	367,000	389,046
Freddie Mac, 4.5%, 9/01/2024 - 5/01/2042	1,338,142	1,442,335
Freddie Mac, 5.5%, 10/01/2024 - 6/01/2036	883,346	993,033
Freddie Mac, 2.67%, 12/25/2024	827,000	828,565
Freddie Mac, 2.811%, 1/25/2025	642,000	650,295
Freddie Mac, 3.329%, 5/25/2025	678,000	708,736
Freddie Mac, 3.01%, 7/25/2025	225,000	229,792
Freddie Mac, 2.745%, 1/25/2026	629,000	627,013
Freddie Mac, 2.673%, 3/25/2026	900,000	891,223
Freddie Mac, 6.5%, 5/01/2037	181,399	212,929
Freddie Mac, 5%, 4/01/2040 - 7/01/2041	2,476,762	2,715,034
Freddie Mac, 4%, 1/01/2041 - 9/01/2045	2,307,031	2,427,037
Freddie Mac, 3.5%, 5/01/2042 - 4/01/2046	8,163,927	8,399,169
Freddie Mac, 3%, 4/01/2043 - 11/01/2046	4,986,192	4,983,318
Ginnie Mae, 5.5%, 7/15/2033 - 1/20/2042	1,249,359	1,416,992
Ginnie Mae, 4%, 8/15/2040 - 4/20/2041	204,638	218,007
Ginnie Mae, 4.5%, 9/20/2041	239,262	260,860

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Mortgage-Backed - continued		
Ginnie Mae, 3.5%, 4/15/2042 - 5/20/2046	\$ 5,750,792	\$ 6,004,000
Ginnie Mae, 3%, 7/20/2043	858,760	875,950
Ginnie Mae, 6.286%, 4/20/2058	25,179	26,743
		\$ 89,643,965
Municipals - 0.4%		
State of California, 5%, 8/01/2027	\$ 360,000	\$ 424,447
State of Illinois, AGM 5.1%, 6/01/2033	245,000	240,242
		\$ 664,689
Network & Telecom - 1.0%		
Verizon Communications, Inc., 5.05%, 3/15/2034	\$ 750,000	\$ 784,462
Verizon Communications, Inc., 6.55%, 9/15/2043	793,000	988,402
		\$ 1,772,864
Oils - 0.1%		
Valero Energy Corp., 4.9%, 3/15/2045	\$ 130,000	\$ 120,405
Other Banks & Diversified Financials - 0.6%		
Discover Bank, 4.25%, 3/13/2026	\$ 1,000,000	\$ 1,024,527
Pharmaceuticals - 0.2%		
Actavis Funding SCS, 4.55%, 3/15/2035	\$ 261,000	\$ 257,223
Gilead Sciences, Inc., 4.5%, 2/01/2045	82,000	80,961
Gilead Sciences, Inc., 4.75%, 3/01/2046	80,000	82,211
		\$ 420,395
Real Estate - Healthcare - 0.1%		
HCP, Inc., REIT, 3.875%, 8/15/2024	\$ 267,000	\$ 264,986
Real Estate - Retail - 0.1%		
DDR Corp., REIT, 3.625%, 2/01/2025	\$ 122,000	\$ 117,803
Restaurants - 0.1%		
McDonald's Corp., 2.75%, 12/09/2020	\$ 134,000	\$ 135,567
Supranational - 0.1%		
Inter-American Development Bank, 4.375%, 1/24/2044	\$ 158,000	\$ 183,687
Tobacco - 0.8%		
Altria Group, Inc., 9.25%, 8/06/2019	\$ 55,000	\$ 65,270
Altria Group, Inc., 4%, 1/31/2024	14,000	14,788
Reynolds American, Inc., 8.125%, 6/23/2019	583,000	669,497

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
Tobacco - continued		
Reynolds American, Inc., 4%, 6/12/2022	\$ 295,000	\$ 310,728
Reynolds American, Inc., 4.45%, 6/12/2025	276,000	292,394
		\$ 1,352,677
Transportation - Services - 0.0%		
ERAC USA Finance LLC, 3.85%, 11/15/2024 (n)	\$ 34,000	\$ 34,687
U.S. Government Agencies and Equivalents - 2.8%		
AID-Tunisia, 2.452%, 7/24/2021	\$ 235,000	\$ 240,598
AID-Ukraine, 1.844%, 5/16/2019	444,000	443,333
AID-Ukraine, 1.847%, 5/29/2020	330,000	329,114
Hashemite Kingdom of Jordan, 1.945%, 6/23/2019	443,000	448,514
Hashemite Kingdom of Jordan, 2.503%, 10/30/2020	418,000	431,807
Private Export Funding Corp., 2.25%, 3/15/2020	86,000	87,550
Private Export Funding Corp., 2.3%, 9/15/2020	360,000	365,442
Private Export Funding Corp., 1.875%, 7/15/2018	460,000	464,647
Small Business Administration, 6.35%, 4/01/2021	52,482	55,938
Small Business Administration, 6.34%, 5/01/2021	50,065	53,340
Small Business Administration, 6.44%, 6/01/2021	63,237	66,897
Small Business Administration, 6.625%, 7/01/2021	70,702	75,517
Small Business Administration, 5.52%, 6/01/2024	141,673	151,684
Small Business Administration, 2.21%, 2/01/2033	242,552	239,737
Small Business Administration, 2.22%, 3/01/2033	395,311	391,368
Small Business Administration, 3.15%, 7/01/2033	354,040	366,873
Small Business Administration, 3.62%, 9/01/2033	316,417	333,130
Tennessee Valley Authority, 1.75%, 10/15/2018	292,000	294,968
		\$ 4,840,457
U.S. Treasury Obligations - 19.7%		
U.S. Treasury Bonds, 5.25%, 2/15/2029	\$ 48,000	\$ 61,774
U.S. Treasury Bonds, 4.75%, 2/15/2037	336,000	440,318
U.S. Treasury Bonds, 4.375%, 2/15/2038	4,842,000	6,063,661
U.S. Treasury Bonds, 4.5%, 8/15/2039	5,097,100	6,451,216
U.S. Treasury Bonds, 3.125%, 2/15/2043	453,700	463,997
U.S. Treasury Bonds, 2.875%, 5/15/2043	1,697,100	1,653,149
U.S. Treasury Bonds, 2.5%, 2/15/2045	2,183,000	1,960,351
U.S. Treasury Bonds, TIPS, 0.125%, 7/15/2024	2,069,127	2,036,507
U.S. Treasury Notes, 4.75%, 8/15/2017 (f)	838,000	861,274
U.S. Treasury Notes, 2.75%, 2/15/2019	1,654,000	1,709,823
U.S. Treasury Notes, 3.125%, 5/15/2019	300,000	313,442
U.S. Treasury Notes, 1%, 6/30/2019	3,593,000	3,566,053
U.S. Treasury Notes, 2.625%, 8/15/2020	162,000	167,740
U.S. Treasury Notes, 3.125%, 5/15/2021	5,026,000	5,310,085

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
U.S. Bonds - continued		
U.S. Treasury Obligations - continued		
U.S. Treasury Notes, 1.75%, 5/15/2022	\$ 508,000	\$ 501,809
U.S. Treasury Notes, 2.75%, 2/15/2024	577,000	597,781
U.S. Treasury Notes, 2.5%, 5/15/2024	2,047,000	2,083,783
U.S. Treasury Notes, 2%, 8/15/2025	98,000	95,316
		\$ 34,338,079
<b>Total U.S. Bonds</b>		<b>\$ 164,649,153</b>
Foreign Bonds - 4.4%		
Brazil - 0.2%		
Federative Republic of Brazil, 5.625%, 1/07/2041	\$ 162,000	\$ 140,875
Vale Overseas Ltd., 6.875%, 11/10/2039	165,000	156,268
		\$ 297,143
Canada - 0.1%		
Teck Resources Ltd., 6%, 8/15/2040	\$ 200,000	\$ 194,000
Chile - 0.6%		
Engie Energia Chile S.A., 5.625%, 1/15/2021	\$ 566,000	\$ 608,197
GNL Quintero S.A., 4.634%, 7/31/2029 (n)	200,000	197,500
Transec S.A., 4.25%, 1/14/2025	200,000	200,754
		\$ 1,006,451
China - 0.7%		
Baidu, Inc., 3.25%, 8/06/2018	\$ 240,000	\$ 244,622
CNPC (HK) Overseas Capital Ltd., 4.5%, 4/28/2021 (n)	226,000	240,671
State Grid Overseas Investment (2014) Ltd., 4.125%, 5/07/2024 (n)	690,000	720,907
		\$ 1,206,200
France - 0.2%		
Banque Federative du Credit Mutuel S.A., 2.5%, 4/13/2021 (n)	\$ 395,000	\$ 394,151
Kazakhstan - 0.1%		
Republic of Kazakhstan, 5.125%, 7/21/2025 (n)	\$ 201,000	\$ 212,682
Mexico - 1.2%		
Comision Federal de Electricidad, 4.875%, 5/26/2021	\$ 277,000	\$ 281,155
Petroleos Mexicanos, 5.625%, 1/23/2046	23,000	17,878
Petroleos Mexicanos, 4.25%, 1/15/2025	15,000	13,274
Petroleos Mexicanos, 4.875%, 1/18/2024	95,000	88,996
Petroleos Mexicanos, 5.5%, 6/27/2044	12,000	9,282
Petroleos Mexicanos, 5.5%, 1/21/2021	130,000	131,690
Petroleos Mexicanos, 6%, 3/05/2020	202,000	210,585
Petroleos Mexicanos, 6.75%, 9/21/2047 (n)	21,000	18,420

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
Foreign Bonds - continued		
Mexico - continued		
Petroleos Mexicanos, 4.625%, 9/21/2023 (n)	\$ 53,000	\$ 49,740
Southern Copper Corp., 5.875%, 4/23/2045	80,000	76,326
United Mexican States, 3.625%, 3/15/2022	1,164,000	1,161,090
		\$ 2,058,436
Netherlands - 0.5%		
ING Bank N.V., 5.8%, 9/25/2023 (n)	\$ 769,000	\$ 840,167
Panama - 0.1%		
Republic of Panama, 3.875%, 3/17/2028	\$ 213,000	\$ 209,273
Peru - 0.3%		
El Fondo Mivivienda S.A., 3.5%, 1/31/2023	\$ 226,000	\$ 222,542
Republic of Peru, 8.75%, 11/21/2033	180,000	265,050
		\$ 487,592
Romania - 0.1%		
Republic of Romania, 4.375%, 8/22/2023 (n)	\$ 36,000	\$ 37,134
Republic of Romania, 4.875%, 1/22/2024 (n)	58,000	61,625
		\$ 98,759
Russia - 0.1%		
LUKOIL International Finance B.V., 4.563%, 4/24/2023	\$ 213,000	\$ 211,775
United Kingdom - 0.2%		
Imperial Tobacco Finance PLC, 3.75%, 7/21/2022 (n)	\$ 266,000	\$ 272,404
Royal Bank of Scotland Group PLC, 6%, 12/19/2023	124,000	125,428
		\$ 397,832
Uruguay - 0.0%		
Oriental Republic of Uruguay, 4.5%, 8/14/2024	\$ 26,762	\$ 27,873
Oriental Republic of Uruguay, 4.375%, 10/27/2027	47,300	47,182
		\$ 75,055
<b>Total Foreign Bonds</b>		<b>\$ 7,689,516</b>
<b>Total Bonds (Identified Cost, \$167,369,039)</b>		<b>\$ 172,338,669</b>
<b>Money Market Funds - 5.9%</b>		
MFS Institutional Money Market Portfolio, 0.46% (v) (Identified Cost, \$10,282,023)	10,282,023	\$ 10,282,023
<b>Total Investments (Identified Cost, \$177,651,062)</b>		<b>\$ 182,620,692</b>
<b>Other Assets, Less Liabilities - (4.7)%</b>		<b>(8,225,118)</b>
<b>Net Assets - 100.0%</b>		<b>\$ 174,395,574</b>

**Table of Contents**

*Portfolio of Investments continued*

- (f) All or a portion of the security has been segregated as collateral for open futures contracts.
- (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 \$4,057,411 representing 2.3% of net assets.
- (v) Underlying affiliated fund 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:

- FRN Floating Rate Note. Interest rate resets periodically and the current rate may not be the rate reported at period end.
- PLC Public Limited Company
- REIT Real Estate Investment Trust
- TBA To Be Announced
- TIPS Treasury Inflation Protected Security

**Insurers**

AGM Assured Guaranty Municipal

**Derivative Contracts at 11/30/16**

**Futures Contracts at 11/30/16**

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
<b>Asset Derivatives</b>					
<i>Interest Rate Futures</i>					
U.S. Treasury Bond 30 yr (Short)	USD	45	\$6,807,656	March - 2017	\$7,217
U.S. Treasury Note 5 yr (Long)	USD	50	5,892,188	March - 2017	605
					\$7,822

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
<b>Liability Derivatives</b>					
<i>Interest Rate Futures</i>					
U.S. Treasury Note 10 yr (Long)	USD	45	\$5,603,203	March - 2017	\$(12,986)
U.S. Ultra Bond (Long)	USD	11	1,775,469	March - 2017	(1,158)
					\$(14,144)

At November 30, 2016, the fund had liquid securities with an aggregate value of \$82,222 to cover any commitments for certain derivative contracts.

**See Notes to Financial Statements**





**Table of Contents***Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 11/30/16

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	
Non-affiliated issuers, at value (identified cost, \$167,369,039)	\$172,338,669
Underlying affiliated funds, at value (identified cost, \$10,282,023)	10,282,023
Total investments, at value (identified cost, \$177,651,062)	\$182,620,692
Receivables for	
Daily variation margin on open futures contracts	6,094
Investments sold	213,921
TBA sale commitments	8,144,629
Interest	1,126,486
Other assets	67,981
Total assets	\$192,179,803
<b>Liabilities</b>	
Payables for	
Distributions	\$63,612
Investments purchased	6,492,235
TBA purchase commitments	11,079,835
Payable to affiliates	
Investment adviser	5,248
Transfer agent and dividend disbursing costs	1,958
Payable for independent Trustees' compensation	28,637
Accrued expenses and other liabilities	112,704
Total liabilities	\$17,784,229
Net assets	\$174,395,574
<b>Net assets consist of</b>	
Paid-in capital	\$177,956,740
Unrealized appreciation (depreciation) on investments	4,963,308
Accumulated net realized gain (loss) on investments	(8,432,241)
Accumulated distributions in excess of net investment income	(92,233)
Net assets	\$174,395,574
Shares of beneficial interest outstanding	32,601,117
Net asset value per share (net assets of \$174,395,574 / 32,601,117 shares of beneficial interest outstanding)	\$5.35
<b>See Notes to Financial Statements</b>	

**Table of Contents***Financial Statements***STATEMENT OF OPERATIONS**

Year ended 11/30/16

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</b>	
Income	
Interest	\$6,395,884
Other	5,224
Dividends from underlying affiliated funds	10,253
Total investment income	\$6,411,361
Expenses	
Management fee	\$970,072
Transfer agent and dividend disbursing costs	73,194
Administrative services fee	38,172
Independent Trustees compensation	40,754
Stock exchange fee	31,749
Custodian fee	16,918
Reimbursement of custodian expenses	(60,213)
Shareholder communications	91,967
Audit and tax fees	77,536
Legal fees	4,646
Miscellaneous	28,370
Total expenses	\$1,313,165
Net investment income	\$5,098,196
<b>Realized and unrealized gain (loss) on investments</b>	
Realized gain (loss) (identified cost basis)	
Investments:	
Non-affiliated issuers	\$1,455,622
Futures contracts	(579,761)
Net realized gain (loss) on investments	\$875,861
Change in unrealized appreciation (depreciation)	
Investments	\$(3,067,140)
Futures contracts	9,971
Net unrealized gain (loss) on investments	\$(3,057,169)
Net realized and unrealized gain (loss) on investments	\$(2,181,308)
Change in net assets from operations	\$2,916,888

**See Notes to Financial Statements**

**Table of Contents***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>Years ended 11/30</b>	
	<b>2016</b>	<b>2015</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$5,098,196	\$5,450,453
Net realized gain (loss) on investments	875,861	884,699
Net unrealized gain (loss) on investments	(3,057,169)	(5,360,944)
Change in net assets from operations	\$2,916,888	\$974,208
<b>Distributions declared to shareholders</b>		
From net investment income	\$(6,599,348)	\$(6,353,702)
From tax return of capital	(6,745,927)	(7,627,955)
Total distributions declared to shareholders	\$(13,345,275)	\$(13,981,657)
Total change in net assets	\$(10,428,387)	\$(13,007,449)
<b>Net assets</b>		
At beginning of period	184,823,961	197,831,410
At end of period (including accumulated distributions in excess of net investment income of \$92,233 and \$101,842, respectively)	\$174,395,574	\$184,823,961

**See Notes to Financial Statements**

**Table of Contents***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 by which 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.

	Years ended 11/30				
	2016	2015	2014	2013	2012
Net asset value, beginning of period	\$5.67	\$6.07	\$6.24	\$6.88	\$7.01
<b>Income (loss) from investment operations</b>					
Net investment income (d)	\$0.16(c)	\$0.17	\$0.18	\$0.20	\$0.23
Net realized and unrealized gain (loss) on investments and foreign currency	(0.07)	(0.14)	0.10	(0.36)	0.15
Total from investment operations	\$0.09	\$0.03	\$0.28	\$(0.16)	\$0.38
<b>Less distributions declared to shareholders</b>					
From net investment income	\$(0.20)	\$(0.20)	\$(0.22)	\$(0.23)	\$(0.32)
From tax return of capital	(0.21)	(0.23)	(0.23)	(0.25)	(0.19)
Total distributions declared to shareholders	\$(0.41)	\$(0.43)	\$(0.45)	\$(0.48)	\$(0.51)
Net asset value, end of period (x)	\$5.35	\$5.67	\$6.07	\$6.24	\$6.88
Market value, end of period	\$5.06	\$5.26	\$5.80	\$5.62	\$6.76
Total return at market value (%)	3.82	(2.02)	11.46	(10.19)	6.12
Total return at net asset value (%) (j)(r)(s)(x)	1.84(c)	0.92	5.06	(2.02)	5.54
<b>Ratios (%) (to average net assets) and Supplemental data:</b>					
Expenses before expense reductions (f)	0.72(c)	0.76	0.75	0.75	0.78
Expenses after expense reductions (f)	N/A	N/A	0.75	0.75	0.78
Net investment income	2.78(c)	2.84	2.93	3.04	3.36
Portfolio turnover	41	74	62	100	41
Net assets at end of period (000 omitted)	\$174,396	\$184,824	\$197,831	\$203,337	\$223,942

**Table of Contents**

*Financial Highlights continued*

- (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. See Note 2 in the Notes to Financial Statements for additional information.
- (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**

**Table of Contents**

**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.

In October 2016, the Securities and Exchange Commission (SEC) released its Final Rule on Investment Company Reporting Modernization (the Rule). The Rule, which introduces two new regulatory reporting forms for investment companies – Form N-PORT and Form N-CEN – also contains amendments to Regulation S-X which impact financial statement presentation, particularly the presentation of derivative investments. Although still evaluating the impacts of the Rule, management believes that many of the Regulation S-X amendments are consistent with the fund’s current financial statement presentation and expects that the fund will be able to comply with the Rule’s Regulation S-X amendments by the August 1, 2017 compliance date.

**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 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

**Table of Contents**

*Notes to Financial Statements continued*

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. 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. Values obtained from 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 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



**Table of Contents***Notes to Financial Statements continued*

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 not reflected in total investments, such as futures contracts. The following is a summary of the levels used as of November 30, 2016 in valuing the fund's assets or liabilities:

<b>Investments at Value</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	\$	\$51,396,194	\$	\$51,396,194
Non-U.S. Sovereign Debt		4,351,610		4,351,610
Municipal Bonds		664,689		664,689
U.S. Corporate Bonds		17,716,516		17,716,516
Residential Mortgage-Backed Securities		89,643,970		89,643,970
Commercial Mortgage-Backed Securities		4,307,668		4,307,668
Asset-Backed Securities (including CDOs)		736,430		736,430
Foreign Bonds		3,521,592		3,521,592
Mutual Funds	10,282,023			10,282,023
Total Investments	\$10,282,023	\$172,338,669	\$	\$182,620,692

**Other Financial Instruments**

Futures Contracts	\$(6,322)	\$	\$	\$(6,322)
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For further information regarding security characteristics, see the Portfolio of Investments.

**Inflation-Adjusted Debt Securities** The fund invests in inflation-adjusted debt securities issued by the U.S. Treasury. The principal value of these debt securities is adjusted through income according to changes in the Consumer Price Index. These debt securities typically pay a fixed rate of interest, but this fixed rate is applied to the inflation-adjusted principal amount. The principal paid at maturity of the debt security is typically equal to the inflation-adjusted principal amount, or the security's original par value, whichever is greater. Other types of inflation-adjusted securities may use other methods to adjust for other measures of inflation.

**Foreign Currency Translation** Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions 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.

**Table of Contents**

*Notes to Financial Statements continued*

**Derivatives** The fund uses derivatives for different purposes, 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 were futures contracts. 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, 2016 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Interest Rate	Interest Rate Futures	\$7,822	\$(14,144)

(a) The value of futures contracts includes cumulative appreciation (depreciation) as 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, 2016 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	\$(579,761)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended November 30, 2016 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	\$9,971

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 certain 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 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

**Table of Contents**

*Notes to Financial Statements continued*

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. Margin requirements are set by the clearing broker and the clearing house for cleared derivatives (e.g., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for uncleared derivatives (e.g., forward foreign currency exchange contracts, uncleared swap agreements, and uncleared options). 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 agreement and one amount is posted from one party to the other to collateralize such obligations. Cash that has been segregated 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 or Deposits with brokers. 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 certain 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.

**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

## **Table of Contents**

### *Notes to Financial Statements continued*

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 delivered to the fund at a future date, usually beyond customary settlement time. Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted upward or downward based on the rate of inflation. Interest is accrued based on the principal value, which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond is generally recorded as an increase or decrease in interest income, respectively, even though the adjusted principal is not received until maturity. 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. The value of these securities may depend, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due and that value may fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. 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

**Table of Contents**

*Notes to Financial Statements continued*

included in the Portfolio of Investments. TBA purchase commitments and TBA sale 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 certain 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 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.

**Reimbursement of Expenses by Custodian** In December 2015, the fund's custodian (or former custodian), State Street Bank and Trust Company, announced that it intended to reimburse its asset servicing clients for expense amounts that it billed in error during the period 1998 through 2015. The amount of this one-time reimbursement attributable to the fund is reflected as Reimbursement of custodian expenses in the Statement of Operations.

**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

**Table of Contents**

*Notes to Financial Statements continued*

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, 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. Distributions from other sources, in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

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

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

	<b>11/30/16</b>	<b>11/30/15</b>
Ordinary income (including any short-term capital gains)	\$6,599,348	\$6,353,702
Tax return of capital (b)	6,745,927	7,627,955
Total distributions	\$13,345,275	\$13,981,657

(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:

<b>As of 11/30/16</b>	
Cost of investments	\$182,866,450
Gross appreciation	5,468,693
Gross depreciation	(5,714,451)
Net unrealized appreciation (depreciation)	\$(245,758)
Capital loss carryforwards	(884,601)
Other temporary differences	(2,430,807)

Under the Regulated Investment Company Modernization Act of 2010 (the Act), net capital losses recognized for fund fiscal years beginning after November 30, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses (post-enactment losses). Previously, net capital losses were carried

**Table of Contents***Notes to Financial Statements continued*

forward for eight years and treated as short-term losses ( pre-enactment losses ). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses. As of November 30, 2016, the fund had capital loss carryforwards available to offset future realized gains as follows:

**Pre-enactment losses which expire as****follows:**

11/30/17	\$(129,764)
11/30/18	(199,149)
<b>Total</b>	<b>\$(328,913)</b>

**Post-enactment losses which are characterized as follows:**

Short-Term	\$(104,117)
Long-Term	(451,571)
<b>Total</b>	<b>\$(555,688)</b>

**(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, 2017. For the year ended November 30, 2016, the fund's average daily net assets and gross income 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, 2016 was equivalent to an annual effective rate of 0.53% of the fund's average daily net assets.

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, 2017. For the year ended November 30, 2016, 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, 2016, these fees paid to MFSC amounted to \$22,024.

**Table of Contents**

*Notes to Financial Statements continued*

**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, 2016 was equivalent to an annual effective rate of 0.0208% 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 \$3,927 and is included in Independent Trustees compensation in the Statement of Operations for the year ended November 30, 2016. The liability for deferred retirement benefits payable to certain independent Trustees under the DB plan amounted to \$28,621 at November 30, 2016, 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, 2016, the fee paid by the fund under this agreement was \$376 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, 2016, purchases and sales of investments, other than short-term obligations, were as follows:

	<b>Purchases</b>	<b>Sales</b>
U.S. Government securities	\$70,445,506	\$73,880,693
Investments (non-U.S. Government securities)	\$ 4,982,855	\$14,723,860



**Table of Contents***Notes to Financial Statements continued***(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 year ended November 30, 2016 and the year ended November 30, 2015, 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 Federal Reserve funds 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 at the end of each calendar quarter. 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 Federal Reserve funds rate plus an agreed upon spread. For the year ended November 30, 2016, the fund's commitment fee and interest expense were \$1,006 and \$0, respectively, and are included in Miscellaneous expense in the Statement of Operations.

**(7) Transactions in Underlying Affiliated Funds-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 an affiliated issuer:

<b>Underlying Affiliated Fund</b>	<b>Beginning Shares/Par Amount</b>	<b>Acquisitions Shares/Par Amount</b>	<b>Dispositions Shares/Par Amount</b>	<b>Ending Shares/Par Amount</b>
MFS Institutional Money Market Portfolio	6,796,142	43,402,625	(39,916,744)	10,282,023
<b>Underlying Affiliated Fund</b>	<b>Realized Gain (Loss)</b>	<b>Capital Gain Distributions</b>	<b>Dividend Income</b>	<b>Ending Value</b>
MFS Institutional Money Market Portfolio	\$	\$	\$10,253	\$10,282,023

35

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Government Markets Income Trust (the Fund) as of November 30, 2016, and 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, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2016, 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.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Government Markets Income Trust as of November 30, 2016, 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.

DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 13, 2017

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**Table of Contents****RESULTS OF SHAREHOLDER MEETING**

(unaudited)

At the annual meeting of shareholders of MFS Government Markets Income Trust, which was held on October 6, 2016, the following action was taken:

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

Nominee	Number of Shares	
	For	Withheld Authority
Maureen R. Goldfarb	24,381,397.130	3,865,629.382
Robert J. Manning	24,432,350.360	3,814,676.152
Maryanne L. Roepke	24,392,728.021	3,854,298.491
Laurie J. Thomsen	24,387,035.435	3,859,991.077

37

**Table of Contents****TRUSTEES AND OFFICERS IDENTIFICATION AND BACKGROUND**

The Trustees and Officers of the Trust, as of January 1, 2017, 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.

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer Since <sup>(b)</sup></b>	<b>Term Expiring <sup>(l)</sup></b>	<b>Principal Occupations During the Past Five Years</b>	<b>Other Directorships <sup>(j)</sup></b>
<b>INTERESTED TRUSTEES</b>					
Robert J. Manning <sup>(k)</sup> (age 53)	Trustee	February 2004	2019	Massachusetts Financial Services Company, Executive Chairman	N/A
Robin A. Stelmach <sup>(k)</sup> (age 55)	Trustee	January 2014	2018	Massachusetts Financial Services Company, Vice Chair	N/A
<b>INDEPENDENT TRUSTEES</b>					
David H. Gunning (age 74)	Trustee and Chair of Trustees	January 2004	2018	Private investor	Lincoln Electric Holdings, Inc., Director; Development Alternatives, Inc., Director/Non-Executive Chairman
Steven E. Buller (age 65)	Trustee	February 2014	2017	Chairman, Financial Accounting Standards Advisory Council (until 2015); Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Maureen R. Goldfarb (age 61)	Trustee	January 2009	2019	Private investor	N/A

**Table of Contents***Trustees and Officers continued*

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During the Past Five Years</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring <sup>(i)</sup></b>		<b>Directorships <sup>(j)</sup></b>
Michael Hegarty (age 72)	Trustee	December 2004	2017	Private investor	Rouse Properties Inc., Director; Capmark Financial Group Inc., Director (until 2015)
John P. Kavanaugh (age 62)	Trustee and Vice Chair of Trustees	January 2009	2017	Private investor	N/A
Maryanne L. Roepke (age 60)	Trustee	May 2014	2019	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 59)	Trustee	March 2005	2019	Private investor	The Travelers Companies, Director; Dycom Industries, Inc., Director
<b>OFFICERS</b>					
Christopher R. Bohane <sup>(k)</sup> (age 42)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark <sup>(k)</sup> (age 48)	Assistant Treasurer	January 2012	N/A	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors <sup>(k)</sup> (age 57)	Assistant Secretary and Assistant Clerk	September 2012	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey <sup>(k)</sup> (age 53)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A

**Table of Contents***Trustees and Officers continued*

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring <sup>(i)</sup></b>	<b>the Past Five Years</b>	<b>Directorships <sup>(j)</sup></b>
David L. DiLorenzo <sup>(k)</sup> (age 48)	President	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A
Brian E. Langenfeld <sup>(k)</sup> (age 43)	Assistant Secretary and Assistant Clerk	June 2006	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan A. Pereira <sup>(k)</sup> (age 46)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips <sup>(k)</sup> (age 46)	Assistant Treasurer	September 2012	N/A	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum <sup>(k)</sup> (age 64)	Secretary and Clerk	January 2006	N/A	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe <sup>(k)</sup> (age 42)	Assistant Secretary and Assistant Clerk	October 2014	N/A	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Frank L. Tarantino (age 72)	Independent Senior Officer	June 2004	N/A	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel <sup>(k)</sup> (age 46)	Assistant Secretary and Assistant Clerk	October 2007	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A

**Table of Contents**

*Trustees and Officers continued*

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring <sup>(i)</sup></b>	<b>the Past Five Years</b>	<b>Directorships <sup>(i)</sup></b>
Martin J. Wolin <sup>(k)</sup> (age 49)	Chief Compliance Officer	July 2015	N/A	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)	N/A
James O. Yost <sup>(k)</sup> (age 56)	Treasurer	September 1990	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A

(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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. From January 2012 through December 2016, Messrs. DiLorenzo and Yost serv