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MFS MUNICIPAL INCOME TRUST  
Form N-CSRS  
July 07, 2004

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 811-5912

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MFS MUNICIPAL INCOME TRUST

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(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr.  
Massachusetts Financial Services Company  
500 Boylston Street  
Boston, Massachusetts 02116

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(Name and address of agents for service)

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

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Date of fiscal year end: October 31, 2003

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Date of reporting period: April 30, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

MFS(R) Mutual Funds

SEMIANNUAL REPORT 4/30/04

MFS(R) MUNICIPAL INCOME TRUST

A path for pursuing opportunity

[graphic omitted]

[logo] M F S(R)  
INVESTMENT MANAGEMENT

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MFS(R) PRIVACY POLICY: A COMMITMENT TO YOU  
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### LETTER FROM THE CEO

Dear Shareholders,

[Photo of Robert J. Manning]

Our firm was built on the strength of MFS Original Research(R), our in-depth analysis of every security we consider for our portfolios. We've been honing this process since 1932, when we created one of the mutual fund industry's first research departments. And we continue to fine-tune this process so that we can provide strong and consistent long-term investment performance to help you achieve your financial goals.

While we have achieved strong investment performance in many of our portfolios, our goal is to achieve the same strong results across all asset classes. To ensure that our portfolio teams are doing the best possible job for our firm's clients and shareholders, I am focusing the vast majority of my time on the three key elements that I believe truly differentiate MFS from its competitors: people, process, and culture.

#### PEOPLE

Our people have always been our most valuable resource. Our philosophy is to deliver consistent, repeatable investment results by hiring the most talented investors in our industry. We recruit from the nation's top business schools and hire experienced analysts, both domestically and around the globe.

Our analysts are the engine that powers our entire investment team because their recommendations have a direct impact on the investment performance of our portfolios. To demonstrate our ongoing commitment in this area, we increased the number of equity analysts at MFS from less than 40 at the end of 2000 to over 50 in April 2004. During that same period, we doubled the average investment experience of our new domestic equity analysts, from 2.6 years to 5.3 years, by recruiting more seasoned analysts to the firm. Moreover, our international network of investment personnel now spans key regions of the world with offices in London, Mexico City, Singapore, and Tokyo, as well as Boston.

One of the major advantages that MFS has over many of its competitors is that the position of research analyst is a long-term career for many members of our team, not simply a steppingstone toward becoming a portfolio manager. We have

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worked to elevate the stature of the analyst position to be on par with that of a portfolio manager. In fact, an exceptional research analyst has the opportunity to earn more at MFS than some portfolio managers.

At the same time, we look within the firm to promote talented analysts who choose a path toward becoming a portfolio manager. We rarely hire portfolio managers from our competitors because we believe the best investors are those steeped in the MFS process and culture. In the past few months, we have identified four senior research analysts who will assume roles on the management teams of several of our larger portfolios. MFS is fortunate to have a deep bench of talented investment personnel, and we welcome the opportunity to put their skills to work for our clients.

### PROCESS

MFS was built on the strength of its bottom-up approach to researching securities. We have enhanced the mentoring process for our research analysts by calling on several of our most seasoned portfolio managers to supplement the work of Director of Global Equity Research David A. Antonelli. These portfolio managers will be taking a special interest in developing the careers of our research analysts and strengthening our investment process. Kenneth J. Enright of our value equity group will work with a team of domestic analysts; David E. Sette-Ducati of our small- and mid-cap equity team will work with analysts concentrating on small- and mid-cap companies; and Barnaby Wiener of our international equity team in London heads the European equity research team.

We have combined the bottom-up approach of our research process with a top-down approach to risk controls on portfolio composition. We have a very strong quantitative team under the leadership of industry veteran Deborah H. Miller, who represents the equity management department on the Management Committee of the firm. Quantitative analysis helps us generate investment ideas and, more importantly, assess the appropriate level of risk for each portfolio. The risk assessment is designed to assure that each portfolio operates within its investment objectives.

Additionally, we have increased the peripheral vision of our investment personnel across asset classes through the collaboration of our Equity, Fixed Income, Quantitative Analysis, and Risk Management teams. We recently codified this key aspect of our culture by forming an Investment Management Committee, composed of key members of these teams. This Committee will work to ensure that all teams are sharing information, actively debating investment ideas, and creating a unified investment team.

### CULTURE

Teamwork is at the heart of our ability to deliver consistent and competitive investment performance over time. At MFS, each member of our team is involved in our success; we have no superstars. The collaborative nature of our process works to assure a consistent investment approach across all of our products and provides a high level of continuity in portfolio management because our investment performance never depends on the contributions of just a single individual. Our culture is based on an environment of teamwork that allows our investment personnel to be successful. In turn, we demand superior investment results from every member of our team.

We have created a meritocracy at our firm based on investment results. We hold all of our portfolio managers accountable for the performance of their portfolios and their contributions to the team. We also track the equity and fixed-income ratings of our analysts so we can evaluate them based on the performance of their recommendations. We align bonus compensation to investment performance by weighting rewards to those who have created the

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greatest long-term benefit for our shareholders and who contribute most successfully to the Original Research(SM) process.

The strength of our culture has resulted in a tremendous amount of stability, both in terms of people and assets under management. Although we have dismissed members of our team whose performance did not meet MFS' high standards, only one member of our investment team has voluntarily left the firm over the past six months, based on a decision to retire from the industry. Similarly, our firm's assets under management have remained quite steady in the midst of a challenging environment.

In short, we can help you achieve your financial goals by hiring talented people, following a disciplined process, and maintaining our firm's unique culture. The recent enhancements described in this letter reflect the collaborative spirit and the depth of resources in our investment teams.

As always, we appreciate your confidence in MFS and welcome any questions or comments you may have.

Respectfully,

/s/ Robert J. Manning

Robert J. Manning  
CEO, President, and Chief Investment Officer  
MFS Investment Management (R)

May 19, 2004

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

The opinions expressed in this letter are those of MFS, and no forecasts can be guaranteed.

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MFS ORIGINAL RESEARCH (R)  
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THE MFS (R) DIFFERENCE

For 80 years MFS has been offering investors clear paths to pursuing specific investment objectives. Today, millions of individuals and thousands of institutions all over the world look to MFS to manage their assets with insight and care.

Our success, we believe, has to do with the fact that we see investors as people with plans, not just dollars to invest.

When you invest with MFS, you invest with a company dedicated to helping you realize your long-term financial goals.

INVESTORS CHOOSE MFS FOR OUR

- o global asset management expertise across all asset classes
- o time-tested money management process for pursuing consistent results
- o full spectrum of investment products backed by MFS Original Research(R)
- o resources and services that match real-life needs

TURNING INFORMATION INTO OPPORTUNITY

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Sound investments begin with sound information. MFS has been doing its own research and analyzing findings in-house for decades. The process we use to uncover opportunity is called MFS Original Research(R).

### MFS ORIGINAL RESEARCH INVOLVES:

- o meeting with the management of 3,000 companies each year to assess their business plans and the managers' ability to execute those plans
- o making onsite visits to more than 2,000 companies annually to gain first-hand knowledge of their operations and products
- o analyzing financial statements and balance sheets
- o talking extensively with companies' customers and competitors
- o developing our own proprietary estimates of companies' earnings

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### MANAGEMENT REVIEW

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### MARKET ENVIRONMENT

Over the six-month period ended April 30, 2004, long-term U.S. Treasury bond yields rose modestly, with 10-year treasury yields increasing from 4.29% to 4.50%. The path upward, however, was marked by significant volatility in the overall bond market.

Previous to the period, in the summer of 2003 and into early September, bond prices had declined as fixed-income investors, in our view, became concerned that the economic recovery was accelerating faster than expected.

In the fall and winter of 2003, however, bond prices revived as several factors combined to drive rates down. Economic reports indicated that inflation was well contained while job growth remained weak. Although most other measures indicated the U.S. economy was improving, we believe investors were concerned that consumer spending might falter because laid-off workers were not finding new jobs. The Federal Reserve Board (the Fed) appeared to sum up the situation in its statements that interest rates could remain low for the foreseeable future.

As the period came to a close in March and April of 2004, bonds reversed direction again. Long-term rates climbed sharply as the United States finally began to experience strong job growth, and the market began to anticipate that a Fed rate increase was imminent. Just after the period ended, the Fed's press release after its May 4 meeting contained the first indication in several years that rates were indeed going up: "At this juncture, ... the [Federal Open Market] Committee believes that policy accommodation can be removed at a pace that is likely to be measured."

The accelerating U.S. recovery over the period was generally positive for lower quality bonds. Growth in GDP (gross domestic product), business profits, and other measures pointed toward improving corporate fundamentals - business factors such as earnings and cash flow growth.

In response, we believe investors moved away from the risk aversion or "flight to quality" that had characterized the bond market in late 2002 and early 2003. Riskier, lower-rated classes of bonds showed the best performance over the period, as investors sought out higher-yielding debt. This caused spreads - the differences between yields on "AAA"-rated municipals and riskier "BBB"-

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rated issues - to tighten (decrease) over the period. Within categories, lower-rated bonds generally outperformed higher-rated issues. While bonds across most asset classes were hurt by rising rates in the final months of the period, lower-rated debt was less affected than higher-rated issues.

For the period as a whole, the performance of municipal bonds relative to Treasuries of comparable maturities was mixed. On the shorter end of the yield curve - maturities of 10 years and less - municipal bonds underperformed Treasuries. On the longer end of the curve, however, municipal bonds outperformed Treasuries.

In the closing months of the period, municipal bond prices were under pressure from several factors in addition to the rising rates mentioned earlier. A large amount of new issuance, particularly in March of 2004, increased the supply of municipal bonds and put downward pressure on prices. We saw additional pressure on bond prices in April as investors anticipated California's largest-ever municipal bond issue in U.S. history, set to take place in May. A third negative factor for municipal prices toward the end of the period was seasonal fluctuation, because bond selling has historically been higher in March and April as investors liquidate positions to pay tax bills.

### PORTFOLIO CONCENTRATION AS OF 4/30/04 QUALITY RATINGS

"AAA"	17.9%
"AA"	4.3%
"A"	8.8%
"BBB"	35.0%
"BB"	18.4%
"B"	13.1%
"CCC"	1.1%
Not Rated and Other	1.4%

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

Percentages based on assets on 4/30/04.

### CONTRIBUTORS TO PERFORMANCE

In the area of credit quality, relative performance was helped by the trust's overweighting in lower-quality debt relative to its Lehman benchmark. During a period when spreads were tightening, lower-rated bonds outperformed higher-rated bonds, and the trust's overweighting in debt rated "BBB" and below helped relative returns. (The Lehman Index is composed primarily of high-grade securities rated "A" or better and does not include securities rated below "BBB.")

The portfolio's positioning on the yield curve also helped relative results. (A yield curve for bonds is a graph showing yield against time remaining to maturity.) In managing the trust, we try to pick what we believe is the optimal spot on the yield curve - a time to maturity that optimizes the combination of yield and risk. Our research has for some time indicated that the 15- to 20-year part of the yield curve is that optimal spot, and the trust has historically tended to be overweighted in that area. This overweighting helped relative performance during the period, as short-term rates rose more than long-term rates and the yield curve flattened. The trust's relative overweighting in the longer part of the yield curve, which saw smaller price declines, and underweighting in the shorter end of the curve, where bond prices declined more, helped relative performance.

### DETRACTORS FROM PERFORMANCE

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Duration - a measure of the trust's holdings' sensitivity to interest rate changes - was the key detractor from the trust's relative performance during the period. We strive to position the trust with a duration comparable to that of its Lipper peer group of closed-end high-yield municipal portfolios. During the period, that strategy resulted in the trust having a longer average duration than that of its benchmark, the Lehman Brothers Municipal Bond Index (the Lehman Index). During a period of rising interest rates, that longer duration meant the trust's holdings, on average, suffered larger price declines than the holdings in our benchmark.

Respectfully,

/s/ Geoffrey L. Schechter

Geoffrey L. Schechter  
Portfolio Manager

Note to shareholders: Effective February 17, 2004, Geoffrey L. Schechter became the sole manager of the portfolio. Prior to that date, the trust was managed by a team composed of Geoffrey L. Schechter and Michael W. Roberge.

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

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Visit [mfs.com](http://mfs.com) for our latest economic and investment outlook.

- o Under Updates & Announcements, click Week in Review for a summary of recent investment-related news.
  - o From Week in Review, link to MFS Global Investment Perspective for our current view of the world.
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### ----- PORTFOLIO MANAGER'S PROFILE -----

Geoffrey L. Schechter, CFA, CPA, is Senior Vice President of MFS Investment Management (R) (MFS(R)) and a portfolio manager of our municipal bond funds. He also manages several other state municipal bond portfolios for MFS.

He joined MFS as Investment Officer in 1993 after working as a municipal credit analyst with a major insurance company. He was named portfolio manager in 1993, Assistant Vice President in 1994, and Vice President in 1995.

Geoff is a graduate of the University of Texas and has an M.B.A. degree from Boston University. He holds the Chartered Financial Analyst (CFA) and Certified Public Accountant (CPA) designations.

All portfolio managers at MFS are supported by an investment staff of over 160 professionals utilizing MFS Original Research(R), a global, issuer-oriented, bottom-up process of selecting securities.



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 PERFORMANCE SUMMARY THROUGH 4/30/04  
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All results are historical. Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. More recent returns may be different from those shown. Past performance is no guarantee of future results. Price Summary

Six months ended 4/30/04

	Date	Price
Net asset value	10/31/2003	\$7.69
	4/30/2004	\$7.70
New York Stock Exchange price	10/31/2003	\$7.49
	3/9/2004 (high) *	\$8.15
	4/29/2004 (low) *	\$6.95
	4/30/2004	\$7.13

\* For the period November 1, 2003, through April 30, 2004.

Total Return vs Benchmarks

Six months ended 4/30/04

New York Stock Exchange price**	(1.39)%
Net asset value**	3.72%
Lehman Brothers Municipal Bond Index#	1.19%
Lipper Closed End High Yield Municipal Index+	3.23%

\*\* Includes reinvestment of dividend and capital distributions.

+ Source: Lipper Inc., an independent firm that reports mutual fund performance.

# Source: Standard & Poor's Municipal, Inc.

### INDEX DEFINITIONS

Lehman Brothers Municipal Bond Index A broad measure of the municipal bond market.

LIPPER CLOSED END HIGH YIELD MUNICIPAL INDEX - An index composed of 10 closed-end funds (including MFS Municipal Income Trust) that invest at least 50% of their assets in lower-rated municipal debt securities.

It is not possible to invest directly in an index.

### KEY RISK CONSIDERATIONS

Investments in high yield or lower-rated securities may provide greater returns but are subject to greater-than-average risk.

The portfolio focuses on companies in a limited number of sectors making it more

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susceptible to adverse economic, political, or regulatory developments affecting those sectors than a portfolio that invests more broadly.

Because the portfolio invests in a limited number of companies a change in one security's value may have a more significant effect on the portfolio's value.

Government guarantees apply to the underlying securities only and not to the prices and yields of the portfolio.

The portfolio may invest in derivative securities which may include futures, swaps, and options. These types of instruments can increase price fluctuation.

These risks may increase share price volatility. Please see the prospectus for further information regarding these and other risk considerations.

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

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### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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The Trust offers a Dividend Reinvestment and Cash Purchase Plan that allows you to reinvest either all of the distributions paid by the trust or only the long-term capital gains. Purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a discounted price of either the net asset value or 95% of the market price, whichever is greater. Twice each year you can also buy shares. Investments may be made in any amount over \$100 in January and July on the 15th of the month or shortly thereafter.

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

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

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

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Portfolio of Investments (unaudited) - 4/30/04

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

### Municipal Bonds - 141.8%

ISSUER	PRINCIPAL AMOUNT (000 Omitted)	\$ VALUE
<hr/>		
Airport & Port Revenue - 5.0%		
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Chicago, IL, O'Hare International Airport Rev., RITES, XLCA, 10.0738%, 2022+(+)	\$1,500	\$1,690,350
Cleveland Cuyahoga County, OH, Port Authority Rev. (Cleveland City), "B", 4.5%, 2030	1,485	1,368,635
Oklahoma City, OK, Airport Trust Rev., FSA, 5.75%, 2016	3,125	3,327,156
Port Authority, NY, Special Obligations Rev. (JFK International), MBIA, 5.75%, 2022	7,000	7,460,040
Seattle, WA, Airport Trust Rev., FGIC, 5.625%, 2018	1,500	1,581,105
		\$15,427,286
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Chemicals - 1.5%		
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Michigan Strategic Fund Limited Rev. (Dow Chemical Co.), 4.6%, 2014	\$1,500	\$1,578,555
Sweetwater County, WY, Solid Waste Disposal Rev. (FMC Corp.), 7%, 2024	3,000	3,028,440
		\$4,606,995
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General Obligations - General Purpose - 1.4%		
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Jefferson County, OH, RADIAN, 7.125%, 2005(++)	\$1,000	\$1,108,600
Lake County, IL, Land Acquisition & Development, 5.75%, 2017	1,000	1,111,140
New York City, NY, 6.125%, 2006(++)	2,000	2,178,260
		\$4,398,000
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General Obligations - Improvement - 0.6%		
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New Lenox, IL, Community Park Development Authority, 8.25%, 2004(++)	\$1,675	\$1,737,059
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Healthcare Revenue - Hospitals - 37.6%		
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Allegheny County, PA, Hospital Development Authority Rev. (South Hills Health Systems), 6.75%, 2025	\$500	\$502,650
Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), 9.25%, 2022	1,000	1,114,250
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Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), 9.25%, 2030	2,000	2,228,500
Athens County, OH, Hospital Facilities Rev. (O'Bleness Memorial Hospital), 7.125%, 2033	1,500	1,502,880
Baldwin County, AL, Eastern Shore Health Care Authority Rev. (Thomas Hospital), 5.75%, 2027	700	651,049
Brookhaven, NY, Civic Facilities Rev. (Memorial Hospital Medical Center, Inc.), 7.75%, 2010	905	956,694
Chautauqua County, NY, Civic Facilities Rev. (Women's Christian Assn.), 6.35%, 2017	275	271,604
Chautauqua County, NY, Civic Facilities Rev. (Women's Christian Assn.), 6.4%, 2029	980	912,419
Chemung County, NY, Civic Facilities Rev. (St. Joseph's Hospital-Elmira), 6%, 2013	590	581,817
Chemung County, NY, Civic Facilities Rev. (St. Joseph's Hospital-Elmira), 6.35%, 2013	150	151,152
Chester County, PA, Health & Educational Facilities Rev. (Chester County Hospital), 6.75%, 2021	1,625	1,606,101
Citrus County, FL, Hospital Development Authority Rev. (Citrus Memorial Hospital), 6.25%, 2023	995	1,014,870
Colorado Health Facilities Authority Rev. (Parkview Medical Center), 6.5%, 2020	1,230	1,296,334
Colorado Health Facilities Authority Rev. (Parkview Medical Center), 6.6%, 2025	1,000	1,056,790
Colorado Health Facilities Authority Rev. (Portercare Adventist Health Systems), 6.625%, 2026	675	734,535
Comal County, TX, Health Facilities Development Rev. (McKenna Memorial Hospital), 6.125%, 2022	500	500,535
Crittenden County, AR, 7%, 2020	1,030	996,350
Cumberland County PA, Municipal Authority Rev. (Carlisle Hospital & Health Centers), 6.8%, 2004(++)	250	262,518
Cuyahoga County, OH, Hospital Facilities Rev. (Canton, Inc.), 7.5%, 2030	1,330	1,455,871
Delaware Health Facilities Authority Rev. (Nanticoke Memorial Hospital), 5.625%, 2032	1,250	1,272,238
Denver, CO, Health & Hospital Authority Rev., 5.25%, 2013	635	643,801
Denver, CO, Health & Hospital Authority Rev., 5.375%, 2018	1,500	1,461,405
Denver, CO, Health & Hospital Authority Rev., 6%, 2023	250	251,023
Denver, CO, Health & Hospital Authority Rev., 5.375%, 2028	860	782,118
District of Columbia, Health & Hospital Authority Rev.		

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(Medstar University Hospital), 6.875%, 2031	1,200	1,350,108
Farmington, NM, Hospital Rev. (San Juan Regional Medical Center), "A", 5%, 2023	835	804,013
Grand Forks, ND, Health Care Authority Rev. (Altru Health Systems Obligation Group), 7.125%, 2024	755	813,611
Gulfport, MS, Healthcare Authority Rev. (Memorial Hospital), 5.75%, 2031	1,000	1,010,860
Highlands County, FL, Health Facilities Authority Rev. (Adventist/Sunbelt Hospital), 6%, 2031	900	944,784
Houston County, AL, Health Care Authority Rev., AMBAC, 6.25%, 2030	2,000	2,229,340
Huntsville, AL, Health Care Authority Rev., 5.625%, 2026	875	887,810
Illinois Development Finance Authority, Hospital Authority Rev. (Adventist/Sunbelt Hospital), 5.65%, 2024	1,750	1,764,823
Illinois Health Facilities Authority Rev. (Centegra Health Systems), 5.25%, 2018	1,000	992,450
Indiana Health Facilities Financing Authority, Hospital Rev. (Munster Medical Research Foundation, Inc.), 6.375%, 2031	3,990	4,001,092
Indiana Health Facilities Financing Authority, Hospital Rev. (Riverview Hospital), 6.125%, 2031	1,000	1,009,690
Kentucky Economic Development Finance Authority, Health Systems Rev. (Norton Healthcare, Inc.), 6.5%, 2020	5,000	5,223,000
Knox County, TN, Health Educational Housing Facilities Board, Hospital Facilities Rev. (Baptist Health Systems), 6.5%, 2031	1,500	1,530,855
Lauderdale County & Florence, AL, Health Care Authority Rev. (Coffee Health Group), MBIA, 5.625%, 2021	3,000	3,229,800
Lufkin, TX, Health Facilities Rev. (Memorial Health System of East Texas), 6.875%, 2026	1,615	1,632,636
Lufkin, TX, Health Facilities Rev. (Memorial Health System of East Texas), 5.7%, 2028	995	886,784
Macomb County, MI, Hospital Finance Authority Rev. (Mount Clemens General Hospital), 5.75%, 2025	1,000	918,800
Macomb County, MI, Hospital Finance Authority Rev. (Mount Clemens General Hospital), 5.875%, 2034	905	820,283
Maryland Health & Higher Educational Facilities Authority Rev. (Medstar Health), 5.5%, 2033	380	367,202
Maryland Health & Higher Educational Facilities Authority Rev. (North Arundel Hospital), 6.5%, 2031	1,500	1,640,175
Massachusetts Health & Educational Facilities Authority Rev. (Anna Jaques Hospital), 6.875%, 2012	315	319,757

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Massachusetts Health & Educational Facilities Authority Rev. (Berkshire Health Systems), 6.25%, 2031	1,900	1,928,880
Massachusetts Health & Educational Facilities Authority Rev. (Caritas Christi Obligation), 6.5%, 2012	600	665,340
Massachusetts Health & Educational Facilities Authority Rev. (Caritas Christi Obligation), 5.7%, 2015	500	508,960
Massachusetts Health & Educational Facilities Authority Rev. (Jordan Hospital), 5.25%, 2018	1,400	1,245,146
Massachusetts Health & Educational Facilities Authority Rev. (Saints Memorial Medical Center), 6%, 2023	465	428,270
Miami Beach, FL, Health Facilities Rev. (Mount Sinai Medical Center), 6.7%, 2019	995	1,015,149
Miami Beach, FL, Health Facilities Rev. (Mount Sinai Medical Center), 6.75%, 2029	810	791,581
Mississippi Business Finance Corp., Health Facilities Rev. (Rush Medical Foundation, Inc.), 5.625%, 2023	845	778,101
Mississippi Hospital Equipment, Health Facilities Rev. (Rush Medical Foundation, Inc.), 5.4%, 2007	315	323,429
Mount Lebanon, PA, Hospital Authority Rev. (St. Clair Memorial Hospital), 5.625%, 2032	435	428,127
Nassau County, NY, Industrial Development Agency, Civic Facilities Rev. (North Shore Health System), 5.625%, 2010	820	889,536
Nassau County, NY, Industrial Development Agency, Civic Facilities Rev. (North Shore Health System), 5.875%, 2011	610	669,024
New Hampshire Health & Educational Facilities Authority Rev. (Covenant Health), 6.5%, 2017	960	1,052,189
New Hampshire Higher Educational & Health Facilities Authority Rev. (Catholic Medical Center), 6.125%, 2032	1,000	999,270
New Hampshire Higher Educational & Health Facilities Authority Rev. (Littleton Hospital), 5.8%, 2018	1,000	899,790
New Jersey Health Care Facilities, Financing Authority Rev. (St. Peter's University Hospital), 6.875%, 2030	3,000	3,273,840
New York City, NY, Health & Hospital Corp. Rev., 5.25%, 2017	700	716,415
North Texas Health Facilities Development Corp. Rev. (United Regional Health Care System, Inc.), 6%, 2023	1,000	1,033,500
Ohio County, WV, County Commission Health System Rev. (Ohio Valley Medical Center), 5.75%, 2013	850	768,893
Oklahoma Development Finance Authority Rev. (Comanche County Hospital), 6.6%, 2031	1,875	1,923,169
Rhode Island Health & Education Building Rev., Hospital Financing (Lifespan Obligation Group), 6.375%, 2021	1,805	1,852,237

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Rhode Island Health & Education Building Rev., Hospital Financing (Lifespan Obligation Group), 6.5%, 2032	505	518,968
Royston, GA, Hospital Authority Rev. (Ty Cobb Healthcare Systems, Inc.), 6.375%, 2014	955	933,341
Russell, KY (Bon Secours Health Systems), 5.85%, 2005(++)	3,000	3,202,020
Salt Lake City, UT, Hospital Authority Rev. INFLOS (Intermountain Health Care), AMBAC, 12.202%, 2020(+), (++)	600	602,094
Scranton-Lackawanna, PA, Health & Welfare Authority Rev. (Allied Rehab Hospital), 7.125%, 2005	555	559,801
Shelby County, TN, Health Educational and Housing Facilities Board, Hospital Rev. (Methodist Healthcare), 6.25%, 2018	500	541,185
Shelby County, TN, Health Educational and Housing Facilities Board, Hospital Rev. (Methodist Healthcare), 6.375%, 2019	1,000	1,076,670
South Carolina Jobs & Economic Development Authority (Bon Secours Health Systems, Inc.), "A", 5.625%, 2030	710	695,055
South Carolina Jobs Economic Development Authority, Hospital Facilities Rev. (Palmetto Health Alliance), 6.25%, 2031	835	860,008
South Dakota Health & Education Facilities Authority Rev. (Prairie Lakes Health Care System), 5.625%, 2032	670	655,803
Southwestern Illinois Development Authority Rev. (Anderson Hospital), 5.625%, 2029	1,500	1,423,380
Springfield, TN, Health & Educational Facilities Rev. (Northcrest Medical Center), 5.25%, 2018	1,400	1,321,124
State of Arkansas, Development Finance Authority Rev. (Washington Regional Medical Center), 7.25%, 2020	500	551,075
Steubenville, OH, Hospital Authority Rev. (Trinity Health Center), 6.5%, 2030	1,300	1,362,478
Stillwater, OK, Medical Center Authority, 5.625%, 2023	1,000	977,470
Suffolk County, NY, Industrial Development Agency Rev. (Southampton Hospital), 7.25%, 2020	750	730,238
Suffolk County, NY, Industrial Development Agency Rev. (Southampton Hospital), 7.625%, 2030	750	745,080
Tallahassee, FL, Health Facilities Rev. (Tallahassee Memorial Healthcare), 6.25%, 2020	3,085	3,002,600
Texas Metro Health Facilities Development Corp., Metro Health Facilities Development Rev. (Wilson N. Jones Memorial Hospital), 7.2%, 2021	700	700,350
Texas Metro Health Facilities Development Corp., Metro Health Facilities Development Rev. (Wilson N. Jones Memorial Hospital), 7.25%, 2031	1,000	999,450

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Tom Green County, TX, Health Facilities Rev. (Shannon Health System), 6.75%, 2021	1,250	1,314,088
Upper Illinois River Valley Development, Health Facilities Rev. (Morris Hospital), 6.625%, 2031	600	628,212
Valley, AL, Special Care Facilities, Financing Authority Rev. (Lanier Memorial Hospital), 5.6%, 2016	600	558,618
Wapello County, IA, Hospital Authority Rev. (Ottumwa Regional Health Center), 6.375%, 2031	1,500	1,532,850
Weirton, WV, Municipal Hospital Building, Commission Rev. (Weirton Hospital Medical Center), 6.375%, 2031	1,115	1,048,200
Weslaco, TX, Health Facilities Rev. (Knapp Medical Center), 6.25%, 2032	1,000	1,013,250
West Plains, MO, Industrial Development Authority Rev. (Ozarks Medical Center), 6.75%, 2024	170	171,173
West Shore Pennsylvania, Hospital Authority Rev. (Holy Spirit Hospital), 6.2%, 2026	1,250	1,261,925
Wichita, KS, Hospital Authority Rev. (Via Christi Health System), 6.25%, 2020	1,500	1,651,770
Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), 6.875%, 2030	1,000	1,103,250
Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), MBIA, 5.25%, 2017	5,000	5,284,100
Yonkers, NY, Industrial Development Agency, Civic Facilities Rev. (St. John's Riverside Hospital), 6.8%, 2016	790	804,252
Yonkers, NY, Industrial Development Agency, Civic Facilities Rev. (St. John's Riverside Hospital), 7.125%, 2031	490	493,376
		\$115,099,477
Healthcare Revenue - Long Term Care - 14.1%		
Abilene, TX, Health Facilities Development Co., Retirement Facilities Rev. (Sears Methodist Retirement), 7%, 2033	\$345	\$346,680
Arizona Health Facilities Authority Rev. (The Terraces Project), 7.75%, 2033	750	760,088
Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 7.75%, 2006	195	183,573
Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 8.125%, 2016	1,085	889,819
Bell County, TX, Health Facilities Development Rev. (Advanced Living Technology), 8.5%, 2026	2,405	1,885,761



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Cambria County, PA, Industrial Development Authority Rev. (Beverly Enterprises, Inc.), 10%, 2012	480	535,651
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Chester County, PA, Industrial Development Authority Rev. (RHA Nursing Home), 8.5%, 2032	600	576,264
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Clarion, PA, Industrial Development Authority Rev. (Beverly Enterprises, Inc.), 7.5%, 2012	1,000	1,020,610
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Colorado Health Facilities Authority Rev. (Covenant Retirement Communities, Inc.), 6.125%, 2033	1,000	1,002,110
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Colorado Health Facilities Authority Rev. (Evangelical Lutheran Church), 6.9%, 2025	3,000	3,230,550
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Colorado Health Facilities Authority Rev. (NBA Lifestyles of Colorado Springs), GNMA, 5.6%, 2021	1,025	1,069,393
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Contra Costa County, CA, Residential Rental Facilities Rev. (Cypress Meadows), 7%, 2028*	1,840	1,609,190
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Cumberland County, PA, Retirement Community Rev. (Wesley Affiliated Services), 7.25%, 2035	1,000	1,000,110
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Franklin County, OH, Healthcare Facilities Rev. (Ohio Presbyterian Church), 7.125%, 2029	1,000	1,046,030
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Fulton County, GA, Residential Care Facilities (Canterbury Court), "A", 6.125%, 2034	330	320,120
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Goldsboro, NC, Housing Authority Rev. (North Carolina Housing Foundation, Inc.), 7.25%, 2029	385	329,321
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Grand Prairie, TX, Housing Finance Corp., Independent Senior Living Center Rev., 7.5%, 2017	600	578,988
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Greenville County, SC, Hospital Rev. (Chestnut Hill) "A", 8%, 2015	2,380	2,107,490
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Illinois Health Facilities Authority Rev. (Lutheran Senior Ministries), 7.375%, 2031	800	783,592
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Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives Project), 5.75%, 2018	895	811,890
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Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives Project), 9.25%, 2025	1,685	1,973,270
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Jacksonville, FL, Health Care Facilities Rev. (National Benevolent-Cypress Village), 6.25%, 2026*	1,245	893,288
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Lenexa, KS, Health Care Facilities Rev. (Lakeview Village, Inc.), 6.25%, 2026	500	497,550
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Lenexa, KS, Health Care Facilities Rev. (Lakeview Village, Inc.), 6.875%, 2032	500	514,830
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Maine Health & Higher Educational Facilities Rev. (Piper Shores), 7.5%, 2019	825	851,846
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Massachusetts Industrial Finance Agency Rev. (Metro Health Foundation, Inc.), 6.75%, 2027	1,500	1,394,445

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Millbrae, CA, Residential Facilities Rev. (Magnolia of Millbrae), 7.375%, 2027	1,940	2,004,505
Mocksville, NC (Housing Foundation, Inc.), 7.25%, 2029	385	329,321
Montgomery County, PA, Higher Education & Health Authority Rev. (AHF/Montgomery), 10.5%, 2020	2,260	2,231,117
New Hampshire Business Finance Authority, Health Care Facilities Rev. (Metro Health Foundation, Inc.), 6.55%, 2028	755	697,001
New Jersey Economic Development Authority Rev. (Courthouse Convalescent Center), 8.7%, 2014	650	653,309
New Jersey Economic Development Authority Rev., First Mortgage Gross Rev. (Wanaque Convalescent Center), 8.6%, 2011	1,000	1,001,720
New Jersey Health Care Facilities Financing Authority Rev. (Cherry Hill), 8%, 2027	1,000	924,330
Oklahoma Development Finance Authority Rev. (Inverness Village), 8%, 2032	1,010	953,753
Reedley, CA, Certificate of Participation (Mennonite Home), 7.5%, 2026	2,800	2,801,344
Santa Fe, NM, Industrial Development Rev. (Casa Real Nursing Home), 9.75%, 2013	940	943,685
Shelby County, TN, Health Educational Rev. (Germantown Village), 7.25%, 2034	300	293,448
State of Hawaii, Department of Budget & Finance, Special Purpose Rev. (Kahala Nui Senior Living Community), 8%, 2033	500	500,405
Sterling, IL (Hoosier Care), 7.125%, 2034	725	590,339
Washington County, FL, Industrial Development Authority Rev. (Washington County), 10%, 2016	940	942,171
Waterford Township, MI, Economic Development Corp. Rev. (Canterbury Health), 6%, 2039	1,535	1,116,406
Wilkinsburg, PA, Municipal Authority Health Rev. (Monroeville Christian), 8.25%, 2027	990	933,194
		\$43,128,507
Human Services - 3.0%		
Iowa Finance Authority, Community Provider (Boys & Girls Home), 6.25%, 2028	\$500	\$451,240
Lehigh County, PA, Gen Purpose Authority (Kidspace Corp.), 6%, 2023	3,000	2,889,000
New York City, NY, Industrial Development Agency, Civic Facility Rev. (Special Needs Facilities), 6.5%, 2017	1,030	1,051,929
NY, City Industrial Development Agency, Civic Facility Rev. (A Very Special Place, Inc.), "A", 5.75%, 2029	1,000	856,770

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Orange County, FL, Health Facilities Authority Rev. (GF/ Orlando Healthcare Facilities), 8.75%, 2011	635	633,286
Orange County, FL, Health Facilities Authority Rev. (GF/ Orlando Healthcare Facilities), 9%, 2031	1,000	1,014,710
Osceola County, FL, Industrial Development Authority Rev. (Community Provider Pooled Loan), 7.75%, 2017	551	557,221
Westside Habilitation Center, Cheneyville, LA, Rev., 8.375%, 2013	1,610	1,651,071
		\$9,105,227
Industrial Revenue - Airlines - 2.4%		
Celevand, OH, Special Facilities Rev. (Continental Airlines, Inc.), 5.375%, 2027	\$500	\$346,515
Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.), 6.375%, 2035	1,645	1,102,709
Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines) "B", 6.05%, 2029	245	230,185
Hillsborough County, FL, Aviation Authority Rev. (Special Purpose Facilities U.S. Air Corp.), 8.6%, 2022*	400	158,140
Houston, TX, Airport Systems Rev. (Special Facilities Continental, Inc.) "E", 6.75%, 2029	1,000	832,930
New Jersey Economic Development Authority (Continental Airlines, Inc.), 7.2%, 2030	1,595	1,404,015
New York City, NY, Industrial Development Agencies Rev. (Continental Airlines, Inc.), 7.25%, 2008	250	244,008
New York City, NY, Industrial Development Agencies Rev. (Continental Airlines, Inc.), 8%, 2012	300	287,877
Tulsa, OK, Municipal Airport Trust Rev. (AMR Corp.), 5.8%, 2035	355	352,494
Tulsa, OK, Municipal Airport Trust Rev. (AMR Corp.) "B", 6%, 2035	2,500	2,325,975
		\$7,284,848
Industrial Revenue - Chemicals - 0.7%		
Red River Authority, TX, Pollution Control Rev. (Celanese), 6.7%, 2030	\$2,125	\$2,235,436
Industrial Revenue - Environmental Services - 3.4%		
California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Browning Ferris, Inc.), 5.8%, 2016	\$1,000	\$924,570
Gloucester County, NJ, Solid Waste Resource Recovery Rev. (Waste Management, Inc.), 6.85%, 2029	850	963,229

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Henrico County, VA, Industrial Development Authority Rev. (Browning Ferris Co.), 5.45%, 2014	1,750	1,599,920
Illinois Development Finance Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), 5.85%, 2007	4,500	4,767,570
Nevada Department of Business (Republic Services, Inc.), 5.625%, 2026	750	767,558
New Morgan, PA, Industrial Development Authority, Solid Waste Disposal Rev. (New Morgan Landfill Co, Inc.), 6.5%, 2019	1,000	935,800
State of Ohio, Air Quality Development Authority Rev. (USX Corp.), 5%, 2015	575	616,090
		\$10,574,737
-----		
Industrial Revenue - Metals - 0.5%		
Indiana Development Finance Authority Rev. (Inland Steel), 5.75%, 2011	\$1,000	\$829,240
Mobile County, AL, Industrial Development Authority Rev. (Ipsco, Inc.), 6.875%, 2030	650	662,558
Ohio Solid Waste Rev. (Republic Engineered Steels, Inc.), 8.25%, 2014*	3,000	30
Ohio Solid Waste Rev. (Republic Engineered Steels, Inc.), 9%, 2021*	3,000	30
		\$1,491,858
-----		
Industrial Revenue - Other - 5.6%		
Gulf Coast, TX, Industrial Development Authority (Valero Energy Corp.), 5.6%, 2031	\$1,750	\$1,718,973
Gulf Coast, TX, Waste Disposal Rev. (Valero Energy Corp.), 6.65%, 2032	1,000	1,061,800
Hardeman County, TN, Correctional Facilities Rev., 7.75%, 2017	2,220	2,301,807
New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.4%, 2015+*	1,000	570,000
New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.6%, 2017+*	1,000	570,000
Park Creek Metropolitan District, CO, Rev., 7.875%, 2032#	1,270	1,267,930
Park Creek Metropolitan District, CO, Rev., 7.875%, 2032	580	588,439
Pennsylvania Economic Development Financing Authority, Wastewater Treatment Rev. (Sunoco Co.), 7.6%, 2024	750	785,700
Pennsylvania Economic Development Financing Authority,		

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Finance Authority Facilities Rev. (Amtrak), "A", 6.25%, 2031	2,000	2,041,620
-----		
Philadelphia, PA, Industrial Development Authority Rev. (Host Marriott LP), 7.75%, 2017	3,255	3,286,248
-----		
Port Corpus Christ, TX, Industrial Development Authority Rev. (Citgo Petroleum Corp.), 8.25%, 2031	700	732,704
-----		
Port of New Orleans, LA, Industrial Development Rev. (Avondale Industries), 8.25%, 2004(++)	165	165,853
-----		
Port of New Orleans, LA, Industrial Development Authority Rev. (Avondale Industries), 8.5%, 2014(++)	1,515	1,565,722
-----		
Tooele County, UT, Hazardous Waste Treatment Rev. (Union Pacific Corp.), 5.7%, 2026	385	384,276
-----		
		\$17,041,072
-----		
Industrial Revenue - Paper - 8.6%		
-----		
Beauregard Parish, LA (Boise Cascade Corp.), 6.8%, 2027	\$1,000	\$1,010,040
-----		
Bedford County, VA, Industrial Development Authority Rev. (Nekoosa Packaging), "A", 6.55%, 2025	1,000	995,150
-----		
Butler, AL, Solid Waste Disposal Rev. (James River Corp.), 8%, 2028	500	512,705
-----		
Columbus County, NC, Industrial Facilities & Pollution Control Financing Authority (International Paper, Co.), "A", 6.15%, 2021	5,000	5,177,400
-----		
Courtland, AL, Solid Waste Disposal Rev. (Champion International Corp.), 6.375%, 2029	2,000	2,028,400
-----		
Delta County, MI, Economic Development Corp., Environmental Improvements Rev. (Mead Westvaco Escanaba), 6.45%, 2023	500	520,800
-----		
Delta County, MI, Economic Development Corp., Environmental Improvements Rev. (Mead Westvaco Escanaba), 6.25%, 2027	1,000	1,045,210
-----		
Effingham County, GA, Development Authority, Solid Waste Disposal Rev. (Fort James), 5.625%, 2018	850	812,209
-----		
Hodge, LA, Utilities Rev. (Stone Container Corp.), 7.45%, 2024	3,335	3,360,680
-----		
Isle Wight County, VA, Industrial Development Authority, Solid Waste Disposal Facilities Rev. (Union Camp Corp.), 6.55%, 2024	4,000	4,099,600
-----		
Lowndes County, MS, Solid Waste Disposal & Pollution Control Rev. (Weyerhaeuser Co.), 6.8%, 2022	2,000	2,281,220
-----		
Navajo County, AZ, Industrial Development Authority (Stone Container Corp.), 7.2%, 2027	880	887,005
-----		
Onondaga County, NY, Industrial Development Authority		

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Rev., Solid Waste Disposal Rev. (Solvay Paperboard LLC), 6.8%, 2014	1,000	1,053,140
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West Point, VA, Solid Waste Disposal Rev. (Chesapeake Corp.), 6.25%, 2019	1,750	1,599,903
-----		
York County, SC, Pollution Control Rev. (Bowater, Inc.), "A", 7.4%, 2010	1,045	1,052,440
-----		
		\$26,435,902
-----		
Industrial Revenue - Retail - 0.7%		
-----		
Monongalia County, WV, Commercial Development Rev. (The Kroger Co.), 7.7%, 2012	\$2,000	\$2,011,500
-----		
Miscellaneous Revenue - Entertainment & Tourism - 2.7%		
-----		
California Statewide Communities Development Authority Rev., East Valley Tourist (Cabazon Casino)"A", 9.25%, 2020	\$1,155	\$1,216,261
-----		
Capital Trust Agency of Florida Rev. (Seminole Tribe Convention), 10%, 2033	3,500	4,254,075
-----		
Mississippi Development Bank, Special Obligation (Diamond Lakes Utilities), 6.25%, 2017	1,000	1,010,550
-----		
Nevada Department of Business & Industry Rev. (Las Vegas Monorail), 7.375%, 2040	1,765	1,703,331
-----		
		\$8,184,217
-----		
Miscellaneous Revenue - Other - 1.1%		
-----		
Austin, TX, Convention Center (Convention Enterprises, Inc.), 6.6%, 2021	\$400	\$418,944
-----		
Austin, TX, Convention Center (Convention Enterprises, Inc.), 6.7%, 2028	600	626,970
-----		
Gallery Certificate Trust, PA, Parking Rev., FSA, 4.5%, 2013	955	961,666
-----		
Rockbridge County, VA, Industrial Development Authority Rev. (Virginia Horse Center), 6.85%, 2021	700	646,331
-----		
Southwestern Illinois Development Authority Rev., Solid Waste Disposal Rev., 5.9%, 2014	370	374,429
-----		
St. Louis County, MO, Industrial Development Authority Rev. (Kiel Center Multipurpose Arena), 7.875%, 2024	300	307,743
-----		
		\$3,336,083
-----		
Multi-Family Housing Revenue - 3.4%		
-----		
Bexar County TX, Multi-Family Housing Rev. (American Opportunity Housing), "A", MBIA, 5.7%, 2021	\$1,250	\$1,292,138
-----		
Charter Mac Equity Issuer Trust, 7.1%, 2009	1,000	1,129,580
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Dallas Fort-Worth, TX, Housing Corp., 8.5%, 2011	895	897,918

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Eaglebend, CO, Affordable Housing Corp., Multi-Family Rev. (Housing Project), "A", 6.4%, 2017	1,000	977,340
Florida Multi-Family Housing Finance Agency Rev. (Center Court Apartments), 8.5%, 2018	900	869,769
Memphis, TN, Educational & Housing Facilities (Wesley Highland Terrace), 8.5%, 2024	115	114,000
Metropolitan Government of Nashville & Davidson County, TN, Health & Educational & Housing Facilities Board Rev. (Berkshire Place), GNMA, 6%, 2023	500	514,160
Munimae TE Bond Subsidiaries LLC, 6.875%, 2009#	2,000	2,130,960
Ridgeland, MS, Urban Renewal (Northbrook I & II Apartments), 6.15%, 2019*	280	134,680
Ridgeland, MS, Urban Renewal (Northbrook I & III Apartments), 6.25%, 2029*	475	225,877
San Bernardino County, CA (Equity Residential/Redlands), "A", 5.2%, 2029	2,000	2,107,020
		\$10,393,442
-----		
Single Family Housing Revenue - Local - 1.7%		
Cook County, IL, Single Family Mortgage Rev., "A", 0%, 2015	\$105	\$30,806
Corpus Christi, TX, Housing Finance Authority Rev., MBIA, 0%, 2011	3,000	1,486,290
Dallas, TX, Housing Finance Corp., Single Family Mortgage Rev., MBIA, 0%, 2016	4,015	1,121,430
Jefferson Parish, LA, Single Family Mortgage Rev., GNMA, 6.625%, 2023	400	436,432
Jefferson Parish, LA, Single Family Mortgage Rev., GNMA, 6.3%, 2032	1,315	1,398,529
Sedgwick & Shawnee Counties, KS, Single Family Housing Rev., GNMA, 6.45%, 2029	745	805,583
		\$5,279,070
-----		
Single Family Housing Revenue - State - 3.5%		
Colorado Housing & Finance Authority Rev., 7.15%, 2014	\$13	\$13,292
Colorado Housing & Finance Authority Rev., 5.9%, 2023	330	345,622
Colorado Housing & Finance Authority Rev., 6.9%, 2029	790	809,892
Colorado Housing & Finance Authority Rev., 6.6%, 2032	385	401,297
Colorado Housing & Finance Authority Rev., 6.375%, 2033	175	182,529
Georgia Housing & Finance Authority Rev., 5.65%, 2021	2,490	2,536,339

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Louisiana Housing Finance Agency, Single Family Mortgage Rev., GNMA, 6.4%, 2032	410	427,392
-----		
Minnesota Housing Finance Agency Rev., Residential Housing Finance "B", 4.8%, 2023	330	336,544
-----		
Missouri Housing Development Commission, Single Family Mortgage Rev. (Home Loan Program), GNMA, 6.35%, 2032	645	678,398
-----		
Missouri Housing Development Commission, Single Family Mortgage Rev. (Home Loan Program), GNMA, 6.85%, 2032	300	328,581
-----		
Nebraska Investment Finance Authority, Single Family Mortgage Rev., 0%, 2015	9,575	3,344,931
-----		
Single Family Housing Revenue - State - continued		
-----		
Nebraska Investment Finance Authority, "C", 6.25%, 2021	\$1,165	\$1,198,575
-----		
New Hampshire Housing Finance Authority Rev., 5.875%, 2030	230	238,933
-----		
		\$10,842,325
-----		
Solid Waste Revenue - 2.7%		
-----		
California Statewide Community Development Authority, Solid Waste Facilities Rev. (Republic Services, Inc.), "A", 4.95%, 2012	\$1,000	\$1,007,200
-----		
Delaware County, PA, Industrial Development Authority Rev., Resource Recovery Facilities, "A", 6.1%, 2005	2,000	2,027,700
-----		
Delaware County, PA, Industrial Development Authority Rev., Resource Recovery Facilities, "A", 6.5%, 2008	1,600	1,718,912
-----		
Massachusetts Development Finance Agency Rev. (Ogden Haverhill Associates), 6.7%, 2014	725	763,128
-----		
Massachusetts Industrial Finance Agency Rev., Resource Recovery Rev. (Ogden Haverhill Associates), 5.6%, 2019	2,850	2,753,585
-----		
		\$8,270,525
-----		
State & Local Appropriation - 1.6%		
-----		
Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.9164%, 2016+(+)	\$1,300	\$1,524,068
-----		
Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.9164%, 2017+(+)	1,050	1,223,775
-----		
College Park, GA (Civic Center), AMBAC, 5.75%, 2020	1,000	1,113,550
-----		
Houston, TX, Certificates of Participation, 6.3%, 2020	815	893,696
-----		
		\$4,755,089
-----		
Student Loan Revenue - 0.5%		
-----		
Access to Loans for Learning, California Student Loan Rev., 7.95%, 2030	\$650	\$667,472



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Arizona Student Loan Acquisition Authority Rev., 7.625%, 2010	750	768,825
		\$1,436,297
Tax Assessment - 3.0%		
Capital Region Community Development District of Florida, Capital Improvement Rev., 5.95%, 2006	\$385	\$389,085
Chicago IL, Ryan Garfield Tax Increment Allocation, 10.125%, 2007	775	775,930
Concorde Estates Community Development District, FL, Capital Improvement Rev., "B", 5%, 2011	650	631,924
Heritage Isles, FL, Community Development District, "A", 5.75%, 2005	145	145,068
Katy, TX, Development Authority Rev., 5.8%, 2011	920	953,194
Katy, TX, Development Authority Rev., 6%, 2018	1,325	1,342,994
Killarney Community Development District of Florida, "B", 5.125%, 2009	310	303,946
Markham, IL, Tax Increment Rev., 9%, 2012	1,080	1,083,521
Middle Village Community Development District, FL, Special Assessment, "B", 5%, 2009	800	792,632
Panther Trace, FL, Community Development District Rev., Special Assessment, 5.4%, 2008	625	622,938
Preserve At Wilderness Lake Florida, Community Development District, Capital Improvement,"B", 5%, 2009	665	654,400
Reunion East Community Development District, FL, Special Assessment, 5.9%, 2007	275	279,109
Sterling Hill Community Development District of Florida, Capital Improvement Rev., 5.5%, 2010	540	538,472
Villasol Community Development District of Florida,Special Assessment Rev., "B", 5.375%, 2008	845	852,014
		\$9,365,227
Tax - Other - 1.3%		
Black Hawk, CO, Device Tax Rev., 5.625%, 2017	\$250	\$239,370
Dade County, FL, Special Obligations Rev., Capital Appreciation Bond, "B", AMBAC, 0%, 2008(++)	15,080	2,956,585
Virgin Islands Public Finance Authority Rev., 6%, 2006	250	264,230
Virgin Islands Public Finance Authority Rev., 5.875%, 2018	500	508,275
		\$3,968,460
Tobacco - 4.9%		

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Badger Tobacco, WI (Asset Securitization Corp.), 6.125%, 2027	\$3,000	\$2,781,630
California Statewide Financing Authority, Tobacco Settlement, 5.625%, 2029	1,940	1,696,840
District of Columbia, Tobacco Settlement, 6.25%, 2024	1,260	1,176,664
Golden State Tobacco Securitization, Tobacco Settlement, 5.375%, 2028	2,000	1,943,460
Golden State Tobacco Securitization, Tobacco Settlement, 7.8%, 2042	1,000	1,055,170
Iowa Tobacco Settlement Authority, 5.3%, 2025	2,000	1,644,660
Louisiana Tobacco Settlement Authority, 5.5%, 2030	1,435	1,222,390
New Jersey Tobacco Settlement Authority, 5.75%, 2032	700	621,061
Rhode Island Tobacco Settlement Authority, 6%, 2023	370	339,253
South Carolina Tobacco Settlement Authority, 6.375%, 2028	1,000	910,370
Southern California Tobacco Settlement Authority, 5.25%, 2027	1,265	1,226,620
Washington Tobacco Settlement Authority, 6.5%, 2026	495	466,736
		\$15,084,854
Toll Roads - 1.2%		
Arapahoe County, CO, Capital Improvement Highway Rev., "C", 0%, 2005(++)	\$1,000	\$476,980
Niagara Falls, NY, Bridge Commission, Toll Rev., RITES, FGIC, 9.1623%, 2015(++)	1,500	1,790,700
Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2011	1,000	424,320
Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2012	1,000	377,190
Pocahontas Parkway Assn., VA, Toll Road Rev., 0%, 2015	1,750	732,165
		\$3,801,355
Transportation - Special Tax - 3.3%		
Missouri Highways & Transportation Commission, State Road Rev., "A", 5.625%, 2018	\$4,500	\$4,922,280
Telluride, CO (Gondola Transit Co.), 9%, 2006(++)	790	894,865
Telluride, CO, Real Estate Transfer Assessment Rev. (Gondola Transit Co.), 11.5%, 2012(++)	2,900	4,306,007
		\$10,123,152
Universities - Colleges - 3.7%		
California Educational Facilities Authority Rev. (L.A.)		

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College of Chiropractic), 5.6%, 2017	\$750	\$703,148
-----		
Houston, TX, Community College Systems, MBIA, 7.875%, 2025	2,500	3,111,050
-----		
Illinois Educational Facilities Authority Rev. (Augustana College), 5.625%, 2022	400	406,576
-----		
Islip, NY, Community Development Agency Rev. (New York Institute of Technology), 7.5%, 2006(++)	2,500	2,800,200
-----		
Louisiana State University (Health Sciences Center Project), MBIA, 6.375%, 2031	2,500	2,841,475
-----		
Savannah, GA, Economic Development Authority Rev. (College of Art & Design, Inc.), 6.5%, 2013	625	741,263
-----		
State of Massachusetts, Development Finance Agency Rev. (Eastern Nazarene College), 5.625%, 2029	750	607,755
-----		
		\$11,211,467
-----		
Universities - Secondary Schools - 1.7%		
-----		
California Statewide Communities, Development Authority Rev. (Aspire Public Schools Lodi Project), 7.25%, 2032	\$1,250	\$1,234,813
-----		
California Statewide Communities, Development Authority Rev. (Escondido Charter High School), 7.5%, 2036	1,000	998,050
-----		
California Statewide Communities, Development Authority Rev. (Escondido Charter High School), 7.5%, 2023	600	598,830
-----		
Michigan Municipal Bond Authority Rev. (Detroit Academy of Arts & Sciences), 8%, 2031	1,000	956,810
-----		
Michigan Municipal Bond Authority Rev. (YMCA Service Learning Academy), 7.625%, 2021	1,000	998,790
-----		
Pima County, AZ, Industrial Development Authority Education Rev. (Arizona Charter Schools), "C", 6.75%, 2031	500	500,940
-----		
		\$5,288,233
-----		
Utilities - Cogeneration - 3.6%		
-----		
Alaska Industrial Development Export Authority, Power Rev., Upper Lynn Canal Regional Power, 5.8%, 2018	\$830	\$740,485
-----		
Carbon County, PA, Industrial Development Authority Rev. (Panther Creek Partners), 6.65%, 2010	2,620	2,836,517
-----		
Klamath Falls, OR, Electric Rev. (Klamath Cogeneration), 6%, 2025	2,500	2,418,725
-----		
Mecklenburg County, VA, Industrial Development Authority Rev. (UAE Mecklenburg, LP), 6.5%, 2017	800	807,272
-----		
Pennsylvania Economic Development Financing Authority Rev., Resources Recovery Rev. (Northampton Generating), 6.4%, 2009	350	355,950

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Pennsylvania Economic Development Financing Authority Rev., Resources Recovery Rev. (Northampton Generating), 6.5%, 2013	1,000	1,015,370
Pittsylvania County, VA, Industrial Development Authority Rev. (Multi-trade of Pittsylvania), 7.5%, 2014	3,000	2,977,860
		\$11,152,179
-----		
Utilities - Investor Owned - 12.1%		
-----		
Brazos River Authority, TX (Reliant Energy, Inc.), "A", 5.375%, 2019	\$500	\$491,420
Brazos River Authority, TX, Authority Texas Rev. (Reliant Energy, Inc.), "B", AMBAC, 5.125%, 2020	2,000	2,047,920
Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), 7.7%, 2033	\$575	\$652,556
Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), "B", 6.3%, 2032	500	518,855
Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), "C", 6.75%, 2038	1,000	1,073,300
Calcasieu Parish, LA, Industrial Development Board, Pollution Control Rev. (Entergy Gulf States, Inc.), 5.45%, 2010	1,250	1,278,475
California Pollution Control Financing Authority, Pollution Control Rev. (Pacific Gas & Electric Co.), MBIA, 5.35%, 2016	1,000	1,045,560
California Pollution Control Financing Authority, Pollution Control Rev. (Southern California Edison Co.), 6.4%, 2024	1,000	1,013,820
Connecticut Development Authority, Pollution Control Rev. (Connecticut Light & Power Co.), 5.85%, 2028	2,000	2,081,420
Connecticut Development Authority, Pollution Control Rev. (Connecticut Light & Power Co.), 5.95%, 2028	2,270	2,347,657
Farmington, NM, Pollution Control Rev. (New Mexico Public Service), 5.8%, 2022	2,105	2,209,176
Farmington, NM, Pollution Control Rev. (Public Service Co. San Juan), "A", 6.3%, 2016	2,195	2,330,673
Forsyth, MT, Pollution Control Rev. (Portland General), 5.2%, 2033	230	240,739
Matagorda County, TX (Centerpoint Energy), 5.6%, 2027	1,500	1,496,115
Matagorda County, TX, Pollution Control Rev. (Central Power & Light Co.), 4.55%, 2029	2,000	2,067,000
Matagorda County, TX, Pollution Control Rev. (Reliant Energy), 5.95%, 2030	1,655	1,585,407

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New Hampshire Business Finance Authority, Pollution Control Rev. (Public Service of New Hampshire), 6%, 2021	1,000	1,033,390
Ohio Air Quality Development Authority Rev., Pollution Control, Rev. (Cleveland Electric)"B", 6%, 2020	3,000	3,048,750
Ohio Water Development, Pollution Control Rev. (Cleveland Electric), 8%, 2023	2,500	2,613,925
Pima County, AZ, Industrial Development Authority Rev. (Tucson Electric Power Co.), 6.1%, 2025	650	616,376
Pima County, AZ, Industrial Development Authority Rev. (Tucson Electric Power Co.), 6%, 2029	2,905	2,809,280
Port Morrow, OR, Pollution Control Rev. (Portland General Electric), 5.2%, 2033	550	587,703
Sullivan, IN, Pollution Control Rev. (Indiana- Michigan Power Co.), "C", 5.95%, 2009	250	253,500
Trinity River Authority, TX, Pollution Control Rev. (TXU Electric Co.), 6.25%, 2028	500	518,160
West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 7.7%, 2014	550	558,272
West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 5.8%, 2015	1,500	1,540,185
West Feliciana Parish, LA, Pollution Control Rev. (Gulf States Utilities Co.), 5.8%, 2016	1,000	1,021,900
		\$37,081,534
Utilities - Municipal Owned - 3.0%		
California State Department Water Resources Power Supply Rev. "A", 5.75%, 2017	\$1,250	\$1,355,812
North Carolina Eastern Municipal Power Agency, Power Systems Rev., "B", 5.55%, 2014	2,150	2,250,556
North Carolina Municipal Power Agency (Catawba Electric Rev.) "B", 6.5%, 2020	2,000	2,195,960
Seattle, WA, Municipal Light & Power Rev., 5.625%, 2017	3,000	3,261,000
Southern California Public Power Authority (Transmission Project Rev.), RIBS, 10.347%, 2012(+)	100	101,522
		\$9,164,850
Water & Sewer Utility Revenue - 1.7%		
New York City, NY, Municipal Water Finance Authority, Water & Sewer Systems Rev., 5.5%, 2033	\$5,000	\$5,156,650
Total Municipal Bonds (Identified Cost, \$428,135,490)		\$434,472,913
Floating Rate Demand Notes		

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Lincoln County, WY, Pollution Control Rev. (Exxon Mobile Corp.), due 5/03/04	\$100	\$100,000
Sevier County, TN, Public Building Authority, due 5/05/04	65	65,000
Total Floating Rate Demand Notes, at Identified Cost		\$165,000
Total Investments (Identified Cost, \$428,300,490)		\$434,637,913
Preferred Shares - (45.7)%		\$(140,008,228)
Other Assets, Less Liabilities -3.9%		11,825,806
Net Assets - 100.0%		\$306,455,491

\* Non-income producing security - in default.  
+ Restricted security.  
(+) Inverse floating rate security.  
(++) Refunded bond.  
# SEC Rule 144A.

The following abbreviations for insurers and inverse floater are used in the Portfolio of Investments and are defined:

Insurers

Inverse Floaters

AMBAC = AMBAC Indemnity Corp.	INFLOS = Inverse Floating Security
FGIC = Financial Guaranty Insurance Co.	RIBS = Residual Interest Bonds
FSA = Financial Security Assurance Inc.	RITES = Residual Interest Tax-Exempt Security
GNMA = Government National Mortgage Assn.	
MBIA = Municipal Bond Investors Corp.	
RADIAN = Radian Guaranty, Inc.	
XLCA = XL Capital Insurance Co.	

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS STATEMENT OF ASSETS AND LIABILITIES (unaudited)

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

AT 4/30/04

ASSETS

Investments, at value (identified cost, \$428,300,490)	\$434,637,913
Cash	68,509
Receivable for investments sold	3,226,649
Interest receivable	8,480,052
Unrealized appreciation on interest rate swap agreements	495,573

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Other assets	2,181	
Total assets		\$446,910,87

LIABILITIES

Distributions payable on common shares	\$174,032	
Payable to affiliates		
Management fee	9,399	
Transfer agent and dividend disbursing costs	6,219	
Administrative fee	162	
Accrued expenses and other liabilities	257,346	
Series T and Series TH auction preferred shares (5,600 shares issued and outstanding at \$25,000 per share) at liquidation value plus cumulative unpaid dividends	140,008,228	
Total liabilities		\$140,455,38
Net assets applicable to common shares		\$306,455,49

NET ASSETS CONSIST OF

Paid-in capital - common shares	\$337,101,074	
Unrealized appreciation on investments	6,832,996	
Accumulated net realized loss on investments	(44,146,866)	
Accumulated undistributed net investment income	6,668,287	
Net assets applicable to common shares		\$306,455,49
Preferred shares, at value (5,600 shares issued and outstanding at \$25,000 per share)		140,000,00
Net assets including preferred shares		\$446,455,49
Common shares of beneficial interest outstanding (39,832,578 shares issued less 55,500 treasury shares)		39,777,07
Net asset value per common share (\$306,455,491/39,777,078)		\$7.7

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS STATEMENT OF OPERATIONS (unaudited)

This statement describes how much the trust received in investment income and paid in expenses. It also describes any gains and/or losses generated by trust

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operations.

FOR THE SIX MONTHS ENDED 4/30/04

NET INVESTMENT INCOME

Interest income		\$14,193,71
-----		
Expenses		
-----		
Management fee	\$1,781,016	
-----		
Trustees' compensation	22,914	
-----		
Administrative fee	24,697	
-----		
Transfer agent and dividend disbursing costs	46,541	
-----		
Preferred shares remarketing agent fee	174,692	
-----		
Custodian fee	43,554	
-----		
Printing	19,079	
-----		
Postage	10,634	
-----		
Auditing fees	29,655	
-----		
Miscellaneous	60,520	
-----		
Total expenses		\$2,213,30
-----		
Fees paid indirectly	(1,178)	
-----		
Net expenses		\$2,212,12
-----		
Net investment income		\$11,981,59
-----		
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
-----		
Realized loss (identified cost basis)		
-----		
Investment transactions	\$(645,326)	
-----		
Swap transactions	(1,020,113)	
-----		
Net realized loss on investments		\$(1,665,43
-----		
Change in unrealized appreciation		
-----		
Investments	\$2,193,855	
-----		
Swap transactions	(419,445)	
-----		
Net unrealized gain on investments		\$1,774,41
-----		
Net realized and unrealized gain on investments		\$108,97
-----		
Distributions declared from preferred shares		\$(681,80
-----		



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Increase in net assets from operations \$11,408,76

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SEE NOTES TO FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS STATEMENT OF CHANGES IN NET ASSETS

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This statement describes the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	SIX MONTHS ENDED 4/30/04 (UNAUDITED)	YEAR ENDED 10/31/03
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
Net investment income	\$11,981,594	\$24,126,02
Net realized loss on investments	(1,665,439)	(10,546,64
Net unrealized gain on investments	1,774,410	12,101,89
Distributions declared from preferred shares from net investment income	(681,800)	(1,449,56
Increase in net assets from operations	\$11,408,765	\$24,231,72
Distributions declared to shareholders		
From net investment income	\$(10,847,111)	\$(21,191,72
Trust share (principal) transactions		
Net asset value of shares issued to common shareholders in reinvestment of distributions	511,173	332,93
Total increase in net assets	\$1,072,827	\$3,372,93
NET ASSETS		
At beginning of period	\$305,382,664	\$302,009,73
At end of period (including accumulated undistributed net investment income of \$6,628,287 and \$6,215,604, respectively)	\$306,455,491	\$305,382,66

SEE NOTES TO FINANCIAL STATEMENTS

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### FINANCIAL STATEMENTS

### FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the trust's financial performance and the past 5 fiscal years. Certain information reflects financial results for a single trust share. The table represents the rate by which an investor would have earned (or lost) on an investment in the trust (net of all distributions) held for the entire period.

	SIX MONTHS ENDED 4/30/04 (UNAUDITED)	2003	2002	YEAR ENDED 10/31/01
Net asset value - beginning of period	\$7.69	\$7.61	\$7.93	\$7.79
<b>INCOME FROM INVESTMENT OPERATIONS#(S)</b>				
Net investment income	\$0.30	\$0.61	\$0.64	\$0.64
Net realized and unrealized gain (loss) on investments	--+++	0.04	(0.38)	0.18
Distributions declared to shareholders on preferred shares	(0.02)	(0.04)	(0.05)	(0.10)
<b>Total from investment operations</b>	<b>\$0.28</b>	<b>\$0.61</b>	<b>\$0.21</b>	<b>\$0.72</b>
<b>LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS</b>				
From net investment income, common shares	\$ (0.27)	\$ (0.53)	\$ (0.53)	\$ (0.53)
Preferred shares offering cost charge to paid-in capital	\$ --	\$ --	\$ --	\$ (0.05)
Net asset value - end of period	\$7.70	\$7.69	\$7.61	\$7.93
Common share market value, end of period	\$7.13	\$7.49	\$7.15	\$7.83
Total return at common market value (%) *	(1.39) (++)	12.51	(2.23)	13.58
<b>RATIOS (%) TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES/SUPPLEMENTAL DATA##</b>				
Expenses+	1.43 (+)	1.51	1.56	1.49
Net investment income+(S)	7.76 (+)	7.98	8.26	8.12
Portfolio turnover	5	11	16	26
Net assets at end of period (000 Omitted)	\$306,455	\$305,383	\$302,010	\$312,996

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Financial Highlights - continued

	SIX MONTHS ENDED 4/30/04 (UNAUDITED)	2003	2002	YEAR ENDED 10/ 2001
<b>SUPPLEMENTAL RATIOS (%):</b>				
Ratios of expenses to average net assets including preferred shares+##	0.99(+)	1.03	1.07	1.07
Preferred shares dividends	0.44(+)	0.48	0.68	1.28
Net investment income available to common shares(S)	7.32(+)	7.50	7.58	6.84
<b>SENIOR SECURITIES:</b>				
Total preferred shares outstanding	5,600	5,600	5,600	5,600
Asset coverage per preferred share++	\$79,724	\$79,533	\$79,090	\$80,897
Involuntary liquidation preference per preferred shares	\$25,000	\$25,000	\$25,000	\$25,000
Approximate market value per preferred share	\$25,000	\$25,000	\$25,000	\$25,000

(S) As required, effective November 1, 2001, the trust has adopted the provisions of the AICPA A Investment Companies and began accreting market discount on debt securities. The effect of t October 31, 2002 was to increase net investment income per share by \$0.01, decrease net real losses per share by \$0.01, and to increase the ratio of net investment income to average net ratios, and supplemental data for periods prior to November 1, 2001 have not been restated t presentation.

+ Ratio excludes dividend payment on auction preferred shares.

++ Calculated by subtracting the trust's total liabilities (not including preferred shares) fr and dividing this by the number of preferred shares outstanding.

+++ Per share amount was less than \$0.01.

# Per share data are based on average shares outstanding.

## Ratios do not reflect reductions from fees paid indirectly.

(+) Annualized.

(++) Not annualized.

\* As revised, to reflect transactions conducted prior to close, not including in closing activ 2002. Such amount was previously reported as (2.64)%. Additionally, for the years ended Octo 1999, total returns previously reported were based on Net Asset Value (5.20% and (0.59)%, re

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (unaudited)

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### (1) BUSINESS AND ORGANIZATION

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

### (2) SIGNIFICANT ACCOUNTING POLICIES

**GENERAL** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The trust can invest up to 100% of its portfolio in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline in value.

**INVESTMENT VALUATIONS** - The trust uses independent pricing services approved by the Board of Trustees wherever possible to value its portfolio securities. Portfolio securities are valued at current market quotations where current market quotations are readily available, or the trust may fair value portfolio securities under the direction of the Board of Trustees when a determination is made that current market quotations are not readily available. Bonds and other fixed income securities (other than short-term obligations) in the trust's portfolio are valued at an evaluated bid price as reported by an independent pricing service, or to the extent a valuation is not reported by a pricing service, such securities are valued on the basis of quotes from brokers and dealers. Prices obtained from pricing services utilize both dealer-supplied valuations and electronic data processing techniques which take into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data without exclusive reliance upon quoted prices or exchange or over-the-counter prices, since such valuations are believed to reflect more accurately the fair value of such securities. Bonds and other fixed income securities for which it is determined that current market quotations are not readily available will be fair valued under the direction of the Board of Trustees. Short-term obligations with a remaining maturity in excess of 60 days will be valued upon dealer-supplied valuations. All other short-term obligations in the trust's portfolio are valued at amortized cost, which constitutes market value as determined by the Board of Trustees.

**SWAP AGREEMENTS** - The trust may enter into swap agreements. A swap is an exchange of cash payments between the trust and another party, which is based on a specific financial index. Cash payments are exchanged at specified intervals and the expected income or expense is recorded on the accrual basis. The value of the swap is adjusted daily and the change in value is recorded as unrealized appreciation or depreciation. Risks may arise upon entering into these agreements from the potential inability of counterparties to meet the terms of their contract and from unanticipated changes in the value of the financial index on which the swap agreement is based. The trust uses swaps for both hedging and non-hedging purposes. For hedging purposes, the trust may use

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swaps to reduce its exposure to interest rate fluctuations. For non-hedging purposes, the trust may use swaps to take a position on anticipated changes in the underlying financial index.

**INTEREST RATE SWAP AGREEMENTS** - Interest rate swap agreements are agreements to exchange cash flows periodically based on a notional principal amount, for example the exchange of fixed rate interest payments for floating rate interest payments which are based on a specific financial index or the exchange of two distinct floating rate payments. The net receivable or payable associated with these payments is accrued daily and is recorded as net interest income or expense. For financial statement purposes, the net interest income or expense periodically recognized for an interest rate is recorded in the same line item as any unrealized and realized gains or losses recognized for that instrument. The primary risk associated with interest rate swap agreements is that unfavorable changes in the fluctuation of interest rates could adversely impact the trust.

**RATE LOCK SWAP AGREEMENTS** - The trust may enter into rate lock swap agreements, which are used to reduce the interest rate risk of the portfolio. A rate lock swap agreement is a payment or receipt of cash on a specified future date, calculated as the difference between the strike rate and a specific index yield on that date. The payment received or made at the end of the measurement period is recorded as a realized gain or loss in the Statement of Operations. The value of the swap is adjusted daily and the change in value is recorded as unrealized appreciation or depreciation.

**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 accounting principles generally accepted in the United States of America. All premium and original issue discount is amortized or accreted for tax reporting purposes as required by federal income tax regulations. Some securities may be purchased on a "when-issued" or "forward delivery" basis, which means that the securities will be delivered to the trust at a future date, usually beyond customary settlement time.

Legal fees and other related expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions made directly to the security issuer, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as additions to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses. Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are expensed.

**FEES PAID INDIRECTLY** - The trust's custody fee is reduced according to an arrangement that measures the value of cash deposited with the custodian by the trust. This amount, for the six months ended April 30, 2004, is shown as a reduction of total expenses on the Statement of Operations.

**TAX MATTERS AND DISTRIBUTIONS** - The trust's policy is to comply with the provisions of the Internal Revenue Code (the Code) applicable to regulated investment companies and to distribute to shareholders all of its net tax-exempt and taxable net income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is provided. Distributions paid by the trust from net interest received on tax-exempt municipal bonds are not includable by shareholders as gross income for federal income tax purposes because the trust intends to meet certain requirements of the Code applicable to regulated investment companies, which will enable the trust to pay exempt-interest dividends. The portion of such interest, if any,

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earned on private activity bonds issued after August 7, 1986 may be considered a tax-preference item to shareholders.

Distributions to shareholders are recorded on the ex-dividend date. The trust distinguishes between distributions on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as distributions from paid-in capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits, which result in temporary over-distributions for financial statement purposes, are classified as distributions in excess of net investment income or net realized gains. Common types of book and tax differences that could occur include differences in accounting for defaulted bonds, capital losses, derivatives, and amortization and accretion on debt securities.

The tax character of distributions declared for the years ended October 31, 2003 and October 31, 2002 was as follows:

	10/31/03	10/31/02
Distributions declared from:		
Tax-exempt income	\$22,599,683	\$22,909,900
Ordinary income	41,603	64,159
Total distributions declared	\$22,641,286	\$22,974,059

As of October 31, 2003 the components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed ordinary income	\$171,028
Undistributed tax-exempt income	7,053,948
Capital loss carryforward	(43,353,428)
Unrealized appreciation	5,948,263
Other temporary differences	(1,027,048)

For federal income tax purposes, the capital loss carryforward may be applied against any net taxable realized gains of each succeeding year until the earlier of its utilization or expiration:

EXPIRATION DATE	
October 31, 2004	\$ (8,774,606)
October 31, 2005	(16,518,819)
October 31, 2006	(1,383,806)
October 31, 2009	(2,847,429)
October 31, 2010	(2,883,947)
October 31, 2011	(10,944,821)
Total	\$ (43,353,428)

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AUCTION PREFERRED SHARES - The trust issued 2,800 shares of Auction Preferred Shares (APS), series T and 2,800 of Auction Preferred Shares (APS), series TH. Dividends are cumulative at a rate that is reset every seven days for both series through an auction process. During the six months ended April 30, 2004, the dividend rates ranged from 1.31% to 1.83%. The trust pays an annual fee equivalent to 0.25% of the preferred share liquidation value for remarketing efforts associated with the preferred auction. The APS are redeemable at the option of the trust in whole or in part at the redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends. The APS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied. The trust is required to maintain certain asset coverage with respect to the APS as defined in the trust's By-Laws and the Investment Company Act of 1940.

In accordance with the provisions of FASB 150, "Accounting for certain financial instruments with characteristics of both Liabilities and Equity", effective for the current period, the trust has reclassified its Auction Preferred Shares ("APS") outside of permanent equity in the Net Assets section of the Statement of Assets and Liabilities. In addition, distributions to APS shareholders are now classified as a component of the "Increase in net assets from operations" on the Statement of Operations and Statement of Changes in Net Assets and as a component of the "Total from investment operations" in the Financial Highlights. Prior year amounts presented have been reclassified to conform to this period's presentation. This change has no impact of the net assets applicable to common shares of the trust.

### (3) TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISER - The trust has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment advisory and administrative services, and general office facilities. The management fee is computed daily and paid monthly at an annual rate of 0.40% of the trust's average daily net assets and 6.32% of investment income. Management fees incurred for the six months ended April 30, 2004 were 0.79% of average daily net assets, including preferred shares, on an annualized basis.

The trust pays compensation to the Independent Trustees ("Trustees") in the form of both a retainer and attendance fees, and pays no compensation directly to its Trustees who are officers of the investment adviser, or to officers of the trust, all of whom receive remuneration for their services to the trust from MFS. Certain officers and Trustees of the trust are officers or directors of MFS and MFS Service Center, Inc. (MFSC). The trust has an unfunded, defined benefit plan for retired Trustees. Included in Trustees' compensation is a pension expense of \$5,398 for retired trustees for the six months ended April 30, 2004.

ADMINISTRATOR - MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to certain funds for which MFS acts as investment adviser. Under an administrative services agreement between the funds and MFS, MFS is entitled to partial reimbursement of the costs MFS incurs to provide these services, subject to review and approval by the Board of Trustees. The trust is allocated a portion of these administrative costs based on its size and relative average net assets. Prior to April 1, 2004, the maximum amount was based on the following annual percentages of the trust's average daily net assets:

First \$2 billion	0.0175%
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Next \$2.5 billion	0.0130%
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Next \$2.5 billion	0.0005%

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In excess of \$7 billion	0.0000%
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Effective April 1, 2004 the maximum amount is based on the following annual percentages of the trust's average daily net assets:

First \$2 billion	0.01120%
Next \$2.5 billion	0.00832%
Next \$2.5 billion	0.00032%
In excess of \$7 billion	0.0000%

For the six months ended April 30, 2004, the trust paid MFS \$24,697 equivalent to 0.0110% of average daily net assets including preferred shares, to partially reimburse MFS for the costs of providing administrative services.

TRANSFER AGENT - Included in transfer agent and dividend disbursing costs is a fee paid to MFSC, a wholly owned subsidiary of MFS, for its services as registrar and dividend disbursing agent for the trust. The agreement provides that the trust will pay MFSC an account maintenance fee of no more than \$9.00 and a dividend services fee of \$0.75 per reinvestment. These fees amounted to \$32,576 for the six months ended April 30, 2004. Also included in transfer agent and dividend disbursing costs are out-of-pocket expenses, paid to MFSC, which amounted to \$8,715 for the six months ended April 30, 2004, as well as other expenses paid to unaffiliated vendors.

#### (4) PORTFOLIO SECURITIES

Purchases and sales of investments, other than U.S. government securities and short-term obligations, aggregated \$21,043,063 and \$23,523,580, respectively.

The cost and unrealized appreciation and depreciation in the value of the investments owned by the trust as computed on a federal income tax basis, are as follows:

Aggregate cost	\$427,660,278
Gross unrealized appreciation	\$20,723,066
Gross unrealized depreciation	(13,745,431)
Net unrealized appreciation	\$6,977,635

#### (5) SHARES OF BENEFICIAL INTEREST

The trust's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized 39,777,078 full and fractional shares of beneficial interest. The Trustees have authorized share repurchase by the trust of up to 10% annually of its own shares of beneficial interest. During the six months ended April 30, 2004, the trust did not repurchase any shares. Transactions in trust shares were as follows:

Six months ended		Year ended	
4/30/04		10/31/03	
SHARES	AMOUNT	SHARES	AMOUNT



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Shares issued to shareholders in reinvestment of distributions	64,891	\$511,173	42,903	\$332,939
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### (6) LINE OF CREDIT

The trust and other affiliated funds participate in an \$800 million unsecured line of credit provided by a syndication of banks under a line of credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the bank's base rate plus 0.50%. In addition, a commitment fee, based on the average daily, unused portion of the line of credit, is allocated among the participating funds at the end of each calendar quarter. The commitment fee allocated to the trust for the six months ended April 30, 2004, was \$373. The trust had no significant borrowings during the period.

### (7) FINANCIAL INSTRUMENTS

The trust trades financial instruments with off-balance-sheet risk in the normal course of its investing activities in order to manage exposure to market risks such as interest rates and foreign currency exchange rates. These financial instruments include swap agreements. The notional or contractual amounts of these instruments represent the investment the trust has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

#### Swap Agreements

#### Interest Rate Swaps

EXPIRATION	NOTIONAL PRINCIPAL AMOUNT (000 OMITTED)	CASH FLOWS RECEIVED BY THE TRUST	CASH FLOWS PAID BY THE TRUST
5/18/19	9,000	Floating - 7 day BMA Swap Index	Fixed - 4.184%
10/6/19	30,000	Floating - 7 Day BMA Swap Index	Fixed - 4.128%
6/16/24	20,000	Floating - 7 Day BMA Swap Index	Fixed - 4.423%

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At April 30, 2004, the trust had sufficient cash and/or securities to cover any margin requirements under these contracts.

### (8) RESTRICTED SECURITIES

The trust may invest not more than 15% of its total assets in securities which are subject to legal or contractual restrictions on resale. At April 30, 2004 the trust owned the following restricted securities, excluding securities issued under Rule 144A, constituting 1.7% of net assets, including preferred shares, which may not be publicly sold without registration under the

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Securities Act of 1933. The trust does not have the right to demand that such securities be registered. The value of these securities is determined by valuations furnished by dealers or by a pricing service, or if not available, in good faith at the direction of the Trustees.

DESCRIPTION	DATE OF ACQUISITION	PRINCIPAL AMOUNT	COST
Chicago, IL, O'Hare International Airport Rev., RITES, XLCA, 10.0738%, 2022	8/21/03	1,500,000	\$1,599,510
Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.9164%, 2016	3/11/99	1,300,000	1,403,610
Chicago, IL, Public Building Commission, Building Rev., RITES, FGIC, 8.9164%, 2017	3/11/99	1,050,000	1,123,542
New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.4%, 2015	1/30/97	1,000,000	1,049,280
New Jersey Economic Development Authority, Economic Development Rev. (Holt Hauling & Warehousing), 8.6%, 2017	1/30/97	1,000,000	1,051,940
Niagara Falls, NY, Bridge Commission, Toll Rev., RITES, FGIC, 9.1623%, 2015	5/21/99	1,500,000	1,609,680

### (9) CONCENTRATION OF CREDIT RISK

For the six months ended April 30, 2004, 12.1% of securities in the portfolio of investments are backed by letters of credit or bond insurance of various financial institutions and financial guaranty assurance agencies. The percentage of investments insured by or supported (backed) by a letter of credit from any one institution or agency did not exceed 6.0% of total investments.

### (10) LEGAL PROCEEDINGS

On March 31, 2004, MFS settled an administrative proceeding with the Securities and Exchange Commission ("SEC") regarding disclosure of brokerage allocation practices in connection with fund sales. Under the terms of the settlement, in which MFS neither admitted nor denied any wrongdoing, MFS agreed to pay (one dollar) \$1.00 in disgorgement and \$50 million in penalty to certain MFS funds, pursuant to a plan administered by an independent distribution consultant. The agreement with the SEC is reflected in an order of the SEC. The settlement order states that MFS failed to adequately disclose to the Boards and Trustees and to shareholders of the MFS funds the specifics of its preferred arrangements with certain brokerage firms selling MFS fund

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shares. The settlement order states that MFS had in place policies designed to obtain best execution of all fund trades. As part of the settlement, MFS has retained an independent compliance consultant to review the completeness of its disclosure to fund trustees and to fund shareholders of strategic alliances between MFS or its affiliates and broker-dealers and other financial advisers who support the sale of fund shares. The brokerage allocation practices which were the subject of this proceeding were discontinued by MFS in November 2003.

In addition, in February, 2004, MFS reached agreement with the SEC, the New York Attorney General ("NYAG") and the Bureau of Securities Regulation of the State of New Hampshire ("NH") to settle administrative proceedings alleging false and misleading information in certain MFS fund prospectuses regarding market timing and related matters (the "February Settlements"). These regulators alleged that prospectus language for certain MFS funds was false and misleading because, although the prospectuses for those funds in the regulators' view indicated that the funds prohibited market timing, MFS did not limit trading activity in 11 domestic large cap stock, high grade bond and money market funds. MFS' former Chief Executive Officer, John W. Ballen, and former President, Kevin R. Parke, also reached agreement with the SEC in which they agreed to, among other terms, monetary fines and temporary suspensions from association with any investment adviser or registered investment company. Messrs. Ballen and Parke have resigned their positions with, and will not be returning to, MFS and the MFS funds. Under the terms of the February Settlements, MFS and the executives neither admit nor deny wrongdoing.

Under the terms of the February Settlements, a \$225 million pool has been established for distribution to shareholders in certain of the MFS funds offered to retail investors ("Retail Funds"), which has been funded by MFS and of which \$50 million is characterized as a penalty. This pool will be distributed in accordance with a methodology developed by an independent distribution consultant in consultation with MFS and the Board of Trustees of the Retail Funds, and acceptable to the SEC. MFS has further agreed with NYAG to reduce its management fees in the aggregate amount of approximately \$25 million annually over the next five years, and not to increase certain management fees during this period. MFS has also paid an administrative fine to NH in the amount of \$1 million, which will be used for investor education purposes (NH retained \$250,000 and \$750,000 was contributed to the North American Securities Administrators Association's Investor Protection Trust). In addition, under the terms of the February Settlements, MFS is in the process of adopting certain governance changes and reviewing its policies and procedures.

Since December 2003, MFS, Sun Life Financial Inc., various MFS funds, the Trustees of these MFS funds, and certain officers of MFS have been named as defendants in multiple lawsuits filed in federal and state courts. The lawsuits variously have been commenced as class actions or individual actions on behalf of investors who purchased, held or redeemed shares of the funds during specified periods, as class actions on behalf of participants in certain retirement plan accounts, or as derivative actions on behalf of the MFS funds. The lawsuits generally allege that some or all of the defendants (i) permitted or acquiesced in market timing and/or late trading in some of the MFS funds, inadequately disclosed MFS' internal policies concerning market timing and such matters, and received excessive compensation as fiduciaries to the MFS funds, or (ii) permitted or acquiesced in the improper use of fund assets by MFS to support the distribution of fund shares and inadequately disclosed MFS' use of fund assets in this manner. The actions assert that some or all of the defendants violated the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Advisers Act of 1940, the Employee Retirement Income Security Act of 1974, as well as fiduciary duties and other violations of common law. The lawsuits seek unspecified compensatory damages.

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Insofar as any of the actions is appropriately brought derivatively on behalf of any of the MFS funds, any recovery will inure to the benefit of the funds. The defendants are reviewing the allegations of the multiple complaints and will respond appropriately. Additional lawsuits based on similar allegations may be filed in the future.

Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against MFS, the MFS funds, or any other named defendant. As noted above, as part of the regulatory settlements, MFS has established a restitution pool in the amount of \$225 million to compensate certain shareholders of the Retail Funds for damages that they allegedly sustained as a result of market timing or late trading in certain of the funds, and will pay \$50 million to compensate certain MFS funds based upon the amount of brokerage commissions allocated in recognition of fund sales. It is not clear whether these amounts will be sufficient to compensate shareholders for all of the damage they allegedly sustained, whether certain shareholders or putative class members may have additional claims to compensation, or whether the damages that may be awarded in any of the actions will exceed these amounts. In the event the MFS funds incur any losses, costs or expenses in connection with such lawsuits, the Boards of Trustees of the affected funds may pursue claims on behalf of such funds against any party that may have liability to the funds in respect thereof.

While these developments primarily relate to MFS' open-end funds, there can be no assurance that these developments, or the adverse publicity associated with these developments, will not result in an increase to the market discount of the Trust's shares or other adverse consequences.

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 TRUSTEES AND OFFICERS -- IDENTIFICATION AND BACKGROUND  
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The Trustees and officers of the Trust are listed below, together with their principal occupation five years. (Their titles may have varied during that period.) The business address of each Trust is 500 Boylston Street, Boston, Massachusetts 02116.

NAME, DATE OF BIRTH -----	POSITION(S) HELD WITH FUND -----	TRUSTEE/OFFICER SINCE (1) -----	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS -----
INTERESTED TRUSTEES			
John W. Ballen(3) (born 09/12/59)	Trustee and President	August 2001 until February 2004	Massachusetts Financial Company, Chief Executive Director (until February 2004)
Robert J. Manning(3) (born 10/20/63)	Trustee and President	February 2004	Massachusetts Financial Company, Chief Executive President, Chief Executive and Director
Kevin R. Parke(3) (born 12/14/59)	Trustee	January 2002 until February 2004	Massachusetts Financial Company, President Officer and Director (February 2004)
Robert C. Pozen(3) (born 08/08/46)	Trustee	February 2004	Massachusetts Financial Company, Chairman (February 2004); Harvard Law School, John Olin Visiting Professor (July 2002); Secretary

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			Affairs, The Comm Massachusetts (Ja December 2002); F Vice Chairman (Ju 2001); Fidelity M Company (investme President (March The Bank of New Y services), Direct Enterprises (tele Director; Telesat communications),
Jeffrey L. Shames (3) (born 06/02/55)	Trustee	October 1993 until February 2004	Massachusetts Fin Company, Chairman 2004)
INDEPENDENT TRUSTEES			
J. Atwood Ives (born 05/01/36)	Chairman	February 1992	Private investor; (energy related s Eastern Enterpris services company) and Chief Executi November 2000)
Lawrence H. Cohn, M.D. (born 03/11/37)	Trustee	August 1993	Brigham and Women Cardiac Surgery; School, Professor
David H. Gunning (born 05/30/42)	Trustee	January 2004	Cleveland-Cliffs, products and serv Chairman/Director Encinitos Venture company), Princip 2001); Lincoln EL (welding equipmen Director; Southwe (natural gas dist Director
William R. Gutow (born 09/27/41)	Trustee	December 1993	Private investor consultant; Capit Management Compan Vice Chairman
Amy B. Lane (born 02/08/53)	Trustee	January 2004	Retired; Merrill Managing Director Group (1997 to Fe Group, Inc. (book Director; Federal Trust (real estat Trustee
Lawrence T. Perera (born 06/23/35)	Trustee	July 1981	Hemenway & Barnes
William J. Poorvu (born 04/10/35)	Trustee	August 1982	Private investor; Graduate School o Administration, C Professor in Entr Emeritus; CBL & A Inc. (real estate

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			Director
J. Dale Sherratt (born 09/23/38)	Trustee	August 1993	Insight Resources planning speciali Wellfleet Investm health care compa General Partner (C Cambridge Nutrace nutritional produ Officer (until Ma
Elaine R. Smith (born 04/25/46)	Trustee	February 1992	Independent health consultant
Ward Smith (born 09/13/30)	Trustee	October 1992	Private investor
OFFICERS			
Robert J. Manning(3) (born 10/20/63)	President and Trustee	February 2004	Massachusetts Fin Company, Chief Ex President, Chief and Director.
John W. Ballen(3) (born 09/12/59)	President and Trustee	August 2001 until February 2004	Massachusetts Fin Company, Chief Ex Director (until F
James R. Bordewick, Jr.(3) (born 03/06/59)	Assistant Secretary and Assistant Clerk	September 1990	Massachusetts Fin Company, Senior V Associate General
Stephen E. Cavan(3) (born 11/06/53)	Secretary and Clerk	December 1989 until March 2004	Massachusetts Fin Company, Senior V General Counsel a March 2004)
Stephanie A. DeSisto(3) (born 10/01/53)	Assistant Treasurer	May 2003	Massachusetts Fin Company, Vice Pre 2003); Brown Brot Senior Vice Presi to April 2003); I Investment Manage President (prior
Robert R. Flaherty(3) (born 09/18/63)	Assistant Treasurer	August 2000	Massachusetts Fin Company, Vice Pre 2000); UAM Fund S President (prior
Richard M. Hisey(3) (born 08/29/58)	Treasurer	August 2002	Massachusetts Fin Company, Senior V July 2002); The B Senior Vice Presi to July 2002); Le Managers, Inc., E President and Chi (prior to Septemb Funds, Chief Fina to September 2000
Ellen Moynihan(3) (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Fin Company, Vice Pre

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James O. Yost(3)  
(born 06/12/60)

Assistant Treasurer September 1990

Massachusetts Financial  
Company, Senior Vice President

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- (1) Date first appointed to serve as Trustee/Officer of an MFS fund. Each Trustee has served continuous appointment unless indicated otherwise.
  - (2) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission ("public companies").
  - (3) "Interested person" of MFS within the meaning of the Investment Company Act of 1940 (referred to as the Act) which is the principal federal law governing investment companies like the series/the funds of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

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

Each of the Trust's Trustees and officers holds comparable positions with certain other funds of the Trust. A subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain other funds of MFS. Each Trustee serves as a board member of 109 funds within the MFS Family of Funds.

The Statement of Additional Information contains further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

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INVESTMENT ADVISER  
Massachusetts Financial Services Company  
500 Boylston Street, Boston, MA 02116-3741

CUSTODIAN  
State Street Bank and Trust Company  
225 Franklin Street, Boston, MA 02110

PORTFOLIO MANAGER  
Geoffrey Schechter

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### CONTACT INFORMATION AND NUMBER OF SHAREHOLDERS

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### INVESTOR INFORMATION

Transfer Agent, Registrar and Dividend Disbursing Agent

Call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time

Write to: State Street Bank and Trust Company  
c/o MFS Service Center, Inc.  
P.O. Box 55024  
Boston, MA 02205-5024

A general description of the MFS Funds proxy voting policies is available without charge, upon request, by calling 1-800-225-2606, by visiting the About MFS section of [mfs.com](http://mfs.com) or by visiting the SEC's website at <http://www.sec.gov>.

### NUMBER OF SHAREHOLDERS

As of April 30, 2004, our records indicate that there are 3,641 registered shareholders and approximately 13,150 shareholders owning trust shares in "street" name, such as through brokers, banks, and other financial intermediaries.

If you are a "street" name shareholder and wish to directly receive our

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reports, which contain important information about the trust, please write or call:

State Street Bank and Trust Company  
c/o MFS Service Center, Inc.  
P.O. Box 55024  
Boston, MA 02205-5024  
1-800-637-2304

[logo] M F S(R)  
INVESTMENT MANAGEMENT

500 Boylston Street  
Boston, MA 02116-3741

(C) 2004 MFS Investment Management (R)  
500 Boylston Street, Boston, MA 02116

MFM-SEM-6/04 40M

### ITEM 2. CODE OF ETHICS.

Applicable for semi-annual reports if the registrant has amended the code of ethics during the period covered by the report or has granted a waiver, including an implicit waiver, from a provision of the code of ethics.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not Applicable for semi-annual reports.

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

Not Applicable for semi-annual reports.

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

Not Applicable for semi-annual reports.

### ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable at this time. [Applicable for periods ending on or after July 9, 2004 (beginning with Form N-CSRs filed at the end of September, 2004 for July 31, 2004 reporting period.)]

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

Not Applicable for semi-annual reports.

### ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable at this time. [Required for closed-end funds for periods ending on or after June 15, 2004 (beginning with N-CSR's filed at the end of August, 2004 for June 30, 2004 reporting period.)]

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

### ITEM 10. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal financial officer and principal executive



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officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 11. EXHIBITS.

- (a) File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.
- (1) **[\*\*An amendment to the code of ethics, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: The amendment is attached hereto.\*\*][\*\*APPLICABLE IF THE REGISTRANT HAS AMENDED ITS CODE OF ETHICS DURING THE PERIOD COVERED BY REPORT\*\*]**
- (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
- (3) Any written solicitation to purchase securities under 23c-1 under the Act (17 C.F.R. 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. Not applicable at this time. [For closed-end funds for periods ending on or after June 15, 2004 (beginning with N-CSR's filed at the end of August 2004 for June 30, 2004 reporting period.)]
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

### SIGNATURES

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

(Registrant) MFS MUNICIPAL INCOME TRUST

By (Signature and Title)\* ROBERT J. MANNING  
-----  
Robert J. Manning, President

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Date: June 23, 2004  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* ROBERT J. MANNING  
-----

Robert J. Manning, President (Principal Executive Officer)

Date: June 23, 2004  
-----

By (Signature and Title)\* RICHARD M. HISEY  
-----

Richard M. Hisey, Treasurer (Principal Financial Officer and Accounting Officer)

Date: June 23, 2004  
-----

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