

MFS GOVERNMENT MARKETS INCOME TRUST
Form N-CSR
February 02, 2007

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 811-5078

MFS GOVERNMENT MARKETS INCOME TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton
Massachusetts Financial Services Company
500 Boylston Street
Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2006

ITEM 1. REPORTS TO STOCKHOLDERS.

MFS(R) GOVERNMENT MARKETS INCOME TRUST

M F S(R)
INVESTMENT MANAGEMENT

[graphic omitted]

ANNUAL REPORT

11/30/06
MGF-ANN

MFS(R) GOVERNMENT MARKETS INCOME TRUST

LETTER FROM THE CEO

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TRUST OBJECTIVE: The Trust seeks to provide a high level of current income.

New York Stock Exchange Symbol: MGF

NOT FDIC INSURED ◦ MAY LOSE VALUE ◦
NO BANK OR CREDIT UNION GUARANTEE ◦ NOT A DEPOSIT ◦
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR
NCUA/NCUSIF

LETTER FROM THE CEO

[Photo of Robert J. Manning]

Dear Shareholders:

What a difference a year can make. By the end of 2005, the Dow Jones Industrial Average had lost value over the course of the year, as stocks were beaten back by a myriad of investor worries, including a spike in oil prices,

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a rise in interest rates, and political uncertainty in the Middle East.

Fast forward to 2006, and we have seen a dramatically different picture. While there were some fluctuations in the global markets in the first half of the year, the second half of 2006 has, so far, been good to many investors. Oil prices retreated, boosting consumer confidence, and interest rates have held steady. U.S. stock markets responded favorably to this news, as the Dow reached a record high in October, passing the 12,000 mark.

What does all of this mean for you? If you're focused on a long-term investment strategy, the high points in the road -- and the bumps -- should not necessarily dictate portfolio action on your part. Markets are inherently cyclical, and we firmly believe that investors who remain committed to a long-term investment strategy are more likely to achieve their goals than those who consistently chase short-term performance.

At MFS(R), our unique teamwork approach to managing money and our global research platform support an unwavering focus on helping you realize your long-term financial goals. We believe in a three-pronged investment strategy of allocating your holdings across major asset classes, diversifying within each class, and rebalancing regularly. Of course, these strategies cannot guarantee a profit or protect against a loss. Investing and planning for the long term require diligence and patience -- two traits that are essential to capitalizing on the many opportunities the financial markets can offer.

Respectfully,

/s/ Robert J. Manning

Robert J. Manning
Chief Executive Officer and Chief Investment Officer
MFS Investment Management (R)

January 16, 2007

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

PORTFOLIO COMPOSITION

PORTFOLIO STRUCTURE (i)

Bonds	95.8%
Cash & Other Net Assets	4.2%

FIXED INCOME SECTORS (i)

Mortgage-Backed Securities	48.2%
-----	-----
U.S. Government Agencies	22.7%
-----	-----
U.S. Treasury Securities	14.0%
-----	-----
Non-U.S. Government Bonds	8.2%
-----	-----
Emerging Market Bonds	2.2%
-----	-----
Commercial Mortgage-Backed Securities	0.5%
-----	-----

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CREDIT QUALITY OF BONDS (r)

AAA	97.1%
-----	-----
AA	0.1%
-----	-----
A	0.3%
-----	-----
BBB	1.7%
-----	-----
BB	0.8%
-----	-----

PORTFOLIO FACTS

Average Duration (d)	4.1
-----	-----
Average Life (m)	6.9 yrs.
-----	-----
Average Maturity (m)	14.5 yrs.
-----	-----
Average Credit Quality of Rated Securities (long-term) (a)	AAA
-----	-----
Average Credit Quality of Rated Securities (short-term) (a)	A-1
-----	-----

- (a) The average credit quality of rated securities is based upon a market weighted average of portfolio holdings that are rated by public rating agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.
- (i) For purposes of this graphical presentation, the bond component includes both accrued interest amounts and the equivalent exposure from any derivative holdings, if applicable.
- (m) The average maturity shown is calculated using the final stated maturity on the portfolio's holdings without taking into account any holdings which have been pre-refunded or pre-paid to an earlier date or which have a mandatory put date prior to the stated maturity. The average life shown takes into account these earlier dates.
- (r) Each security is assigned a rating from Moody's Investors Service. If not rated by Moody's, the rating will be that assigned by Standard & Poor's. Likewise, if not assigned a rating by Standard & Poor's, it will be based on the rating assigned by Fitch, Inc. For those portfolios that hold a security which is not rated by any of the three agencies, the security is considered Not Rated. Holdings in U.S. Treasuries and government agency mortgage-backed securities, if any, are included in the "AAA"-rating category. Percentages are based on the total market value of investments as of 11/30/06.

Percentages are based on net assets as of 11/30/06, unless otherwise noted.

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

MANAGEMENT REVIEW

SUMMARY OF RESULTS

For the twelve months ended November 30, 2006, the MFS Government Markets Income Trust provided a total return of 5.74%, at net asset value. This compares with a return of 5.85% for the trust's benchmark, the Lehman Brothers

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U.S. Government/Mortgage Bond Index.

DETRACTORS FROM PERFORMANCE

Over the reporting period, the trust's yield curve(y) positioning held back relative results.

CONTRIBUTORS TO PERFORMANCE

The trust's foreign currency exposure contributed to relative performance. Our positioning in agency related securities and some sovereign debt securities of Ireland, the Netherlands, and Spain also generated positive results.

Respectfully,

Geoffrey Schechter
Portfolio Manager

Note to Shareholders: Effective April 1, 2006, Geoffrey Schechter became portfolio manager of the trust replacing Peter Vaream.

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

The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market 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.

PORTFOLIO MANAGER'S PROFILE

Geoffrey L. Schechter, CFA, CPA, is a Senior Vice President of MFS Investment Management (MFS) and a government bond portfolio manager. He also manages several other municipal and bond portfolios for MFS. He joined MFS as a portfolio manager in 1993, and named Senior Vice President in 2002. Geoffrey 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.

Note to Shareholders: Effective April 1, 2006, Geoffrey Schechter became portfolio manager of the trust replacing Peter Vaream.

PERFORMANCE SUMMARY THROUGH 11/30/06

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 more or less than those shown. Past performance is no guarantee of future results.

PRICE SUMMARY

Year ended 11/30/06

	Date	Price
Net Asset Value	11/30/06	\$7.28

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	11/30/05	\$7.27
New York Stock Exchange Price	11/30/06	\$6.60
	1/11/06 (high) (t)	\$6.62
	6/29/06 (low) (t)	\$6.23
	11/30/05	\$6.39

TOTAL RETURNS VS BENCHMARK

Year ended 11/30/06

New York Stock Exchange Price (r)	9.06%
Net Asset Value (r)	5.74%
Lehman Brothers U.S. Government/Mortgage Bond Index (f)	5.85%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2005 through November 30, 2006.

INDEX DEFINITION

Lehman Brothers U.S. Government/Mortgage Bond Index - measures debt issued by the U.S. Government as well as mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

It is not possible to invest directly in an index.

NOTES TO PERFORMANCE SUMMARY

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

The trust's monthly distributions may include a return of capital to shareholders. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. Returns of shareholder capital have the effect of reducing the trust's assets and may increase the trust's expense ratio.

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

KEY RISK CONSIDERATIONS

The portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when

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interest rates fall. Debt securities with longer maturity dates will be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. Derivatives involve risks that may be different from, and potentially greater than, those of the underlying indicator's in whose value the derivative is based. The value of the derivative can move in unexpected ways and result in unanticipated losses and increased volatility if the value of the underlying indicator(s) does not move in the direction or the extent anticipated. Interest payments on inflation adjusted debt instruments can be unpredictable and vary based on the level of inflation. The value of floating rate loans depends on the credit quality and adequacy of the collateral securing the loan. Enforcing rights against the collateral may be difficult or insufficient if the borrower of the floating rate loan defaults. Foreign investments can be more volatile than U.S. investments. Changes in currency exchange rates may affect the portfolio's net asset value, the value of dividends and interest earned and gains and losses realized on the sale of securities. Investing in emerging markets can involve risks in addition to those generally associated with investing in more developed foreign markets. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the prospectus for further information regarding these and other risk considerations.

These risks may increase share price volatility.

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.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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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The trust has amended the plan to appoint Computershare Trust Company, N.A. (the Transfer Agent for the trust as of December 18, 2006) as agent for the plan. The effective date for the amendment is May 1, 2007. Under the terms of the plan, if you do not withdraw from the plan prior to May 1, 2007, you will be deemed to accept the appointment of Computershare Trust Company, N.A. as your agent under the plan.

PORTFOLIO OF INVESTMENTS 11/30/06

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

Bonds - 95.9%

ISSUER	SHARES/PAR	VA
U.S. Bonds - 85.7%		
Agency - Other - 7.9%		
Financing Corp., 10.7%, 2017	\$ 4,095,000	\$ 6,
Financing Corp., 9.4%, 2018	3,085,000	4,
Financing Corp., 9.8%, 2018	4,350,000	6,
Financing Corp., 10.35%, 2018	6,820,000	10,
Financing Corp., STRIPS, 0%, 2017	5,000,000	2,
		\$ 29,

Asset Backed & Securitized - 0.5%

Prudential Securities Secured Financing Corp., FRN, 7.4504%, 2013(z)	\$ 1,819,000	\$ 1,
Mortgage Backed - 48.0%		
Fannie Mae, 7.056%, 2007	\$ 267,703	\$
Fannie Mae, 4.79%, 2012	3,522,804	3,
Fannie Mae, 4.543%, 2013	854,495	
Fannie Mae, 4.8%, 2013	411,315	
Fannie Mae, 4.845%, 2013	1,009,870	
Fannie Mae, 5%, 2013 - 2027	11,345,776	11,
Fannie Mae, 5.06%, 2013	404,183	
Fannie Mae, 5.369%, 2013	744,712	
Fannie Mae, 4.45%, 2014	1,213,651	1,
Fannie Mae, 4.519%, 2014	1,156,569	1,
Fannie Mae, 4.6%, 2014	485,535	
Fannie Mae, 4.667%, 2014	2,943,157	2,
Fannie Mae, 4.77%, 2014	495,403	
Fannie Mae, 4.847%, 2014	3,389,087	3,
Fannie Mae, 4.871%, 2014	1,813,965	1,
Fannie Mae, 5.1%, 2014	528,703	
Fannie Mae, 4.56%, 2015	626,713	
Fannie Mae, 4.62%, 2015	697,204	
Fannie Mae, 4.665%, 2015	422,689	
Fannie Mae, 4.69%, 2015	345,492	
Fannie Mae, 4.7%, 2015	484,883	
Fannie Mae, 4.74%, 2015	390,000	
Fannie Mae, 4.815%, 2015	543,000	

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Fannie Mae, 4.82%, 2015	1,467,993	1,
Fannie Mae, 4.85%, 2015	345,180	
Fannie Mae, 4.87%, 2015	365,934	
Fannie Mae, 4.89%, 2015	409,968	
Fannie Mae, 4.925%, 2015	1,357,623	1,
Fannie Mae, 5.471%, 2015	951,850	
Fannie Mae, 5.423%, 2016	806,283	
Fannie Mae, 6.5%, 2016 - 2036	9,189,979	9,
Fannie Mae, 5.5%, 2017 - 2035	67,601,914	67,
Fannie Mae, 6%, 2017 - 2034	11,949,566	12,
Fannie Mae, 4.5%, 2019	14,797,936	14,
Fannie Mae, 4.88%, 2020	360,293	
Freddie Mac, 4.5%, 2013 - 2015	2,254,574	2,
Freddie Mac, 4.375%, 2015	2,033,564	1,
Freddie Mac, 5%, 2016 - 2025	12,710,422	12,
Freddie Mac, 6%, 2021 - 2035	1,854,116	1,
Freddie Mac, 5.5%, 2025 - 2035	10,923,080	10,
Ginnie Mae, 5.5%, 2033	6,344,505	6,

		\$179,

U.S. Government Agencies - 14.5%

Aid-Egypt, 4.45%, 2015	\$ 1,755,000	\$ 1,
Aid-Israel, 0%, 2021 - 2024	7,830,000	3,
Fannie Mae, 4.625%, 2013	736,000	
Farmer Mac, 5.5%, 2011 (n)	3,010,000	3,
Federal Home Loan Bank, 4.5%, 2007	2,250,000	2,
Federal Home Loan Bank, 4.625%, 2008	9,090,000	9,
Freddie Mac, 4.2%, 2007	4,358,000	4,
Overseas Private Investment Corp., 0%, 2007	1,713,000	1,
Small Business Administration, 8.875%, 2011	148,543	
Small Business Administration, 6.34%, 2021	1,079,623	1,
Small Business Administration, 6.35%, 2021	1,244,233	1,
Small Business Administration, 6.44%, 2021	1,155,448	1,
Small Business Administration, 6.625%, 2021	1,264,655	1,
Small Business Administration, 4.98%, 2023	840,352	
Small Business Administration, 4.34%, 2024	1,212,944	1,
Small Business Administration, 4.72%, 2024	2,185,259	2,
Small Business Administration, 4.77%, 2024	2,102,339	2,
Small Business Administration, 4.86%, 2024 - 2025	2,630,075	2,
Small Business Administration, 4.87%, 2024	1,463,750	1,
Small Business Administration, 5.52%, 2024	1,355,284	1,
Small Business Administration, 4.76%, 2025	2,126,518	2,
Small Business Administration, 5.11%, 2025	1,283,900	1,
U.S. Department of Housing & Urban Development, 6.36%, 2016	1,580,000	1,
U.S. Department of Housing & Urban Development, 6.59%, 2016	5,612,000	5,

		\$ 53,

U.S. Treasury Obligations - 14.8%

U.S. Treasury Bonds, 6.5%, 2010(f)	\$ 19,994,000	\$ 21,
U.S. Treasury Bonds, 10.375%, 2012	8,400,000	8,
U.S. Treasury Bonds, 12%, 2013	3,036,000	3,
U.S. Treasury Bonds, 8.75%, 2017	6,100,000	8,
U.S. Treasury Bonds, 4.5%, 2036	6,301,000	6,
U.S. Treasury Bonds, TIPS, 3.875%, 2009	2,717,330	2,
U.S. Treasury Notes, 4.25%, 2015	4,400,000	4,

		\$ 55,

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TOTAL U.S. BONDS			\$319,

Foreign Bonds - 10.2%			

Australia - 0.1%			

Commonwealth of Australia, 6%, 2017	AUD	235,000	\$

Austria - 0.6%			

Republic of Austria, 4.65%, 2018	EUR	1,546,000	\$ 2,

Brazil - 0.0%			

Federative Republic of Brazil, 8%, 2018	\$	102,000	\$

Canada - 0.7%			

Canada Housing Trust, 4.6%, 2011	CAD	695,000	\$
Government of Canada, 5.5%, 2009	CAD	655,000	
Government of Canada, 4.5%, 2015	CAD	1,120,000	1,
Government of Canada, 8%, 2023	CAD	243,000	
Government of Canada, 5.75%, 2033	CAD	60,000	

\$ 2,			

Chile - 0.4%			

HQI Transelec Chile S.A., 7.875%, 2011	\$	314,000	\$
Republic of Chile, FRN, 5.7763%, 2008		1,057,000	1,

\$ 1,			

Denmark - 0.4%			

Kingdom of Denmark, 4%, 2015	DKK	7,242,000	\$ 1,

Egypt - 0.0%			

Petroleum Export/Cayman, 5.265%, 2011(n)	\$	92,881	\$

France - 1.0%			

Republic of France, 4.75%, 2012	EUR	301,000	\$
Republic of France, 5%, 2016	EUR	930,000	1,
Republic of France, 6%, 2025	EUR	224,000	
Republic of France, 4.75%, 2035	EUR	962,000	1,

\$ 3,			

Germany - 1.8%			

Federal Republic of Germany, 3.5%, 2008	EUR	1,058,000	\$ 1,
Federal Republic of Germany, 5.25%, 2010	EUR	825,000	1,
Federal Republic of Germany, 3.75%, 2015	EUR	1,175,000	1,
Federal Republic of Germany, 6.25%, 2030	EUR	856,000	1,
KfW Bankengruppe, FRN, 3.164%, 2007	EUR	874,000	1,

\$ 6,			

Ireland - 1.0%			

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Republic of Ireland, 3.25%, 2009	EUR	1,733,000	\$ 2,
Republic of Ireland, 4.6%, 2016	EUR	940,000	1,

			\$ 3,

Japan - 0.5%			

Development Bank of Japan, 1.05%, 2023	JPY	44,000,000	\$
Japan Finance Corp. Ltd., 2%, 2016	JPY	170,000,000	1,

			\$ 1,

Malaysia - 0.1%			

Petronas Capital Ltd., 7.875%, 2022		\$ 433,000	\$

Mexico - 0.7%			

Pemex Project Funding Master Trust, 9.375%, 2008		\$ 1,072,000	\$ 1,
United Mexican States, 8.125%, 2019		1,040,000	1,
United Mexican States, 8.3%, 2031		128,000	

			\$ 2,

Netherlands - 0.7%			

Kingdom of Netherlands, 3.75%, 2009	EUR	1,693,000	\$ 2,
Kingdom of Netherlands, 3.75%, 2014	EUR	187,000	

			\$ 2,

Panama - 0.2%			

Republic of Panama, 9.375%, 2029		\$ 677,000	\$

Russia - 0.4%			

Russian Federation, 3%, 2008		\$ 1,474,000	\$ 1,

South Africa - 0.2%			

Republic of South Africa, 9.125%, 2009		\$ 855,000	\$

Spain - 0.7%			

Kingdom of Spain, 6%, 2008	EUR	595,000	\$
Kingdom of Spain, 5.35%, 2011	EUR	1,250,000	1,

			\$ 2,

United Kingdom - 0.7%			

United Kingdom Treasury, 5.75%, 2009	GBP	325,000	\$
United Kingdom Treasury, 5%, 2012	GBP	249,000	
United Kingdom Treasury, 8%, 2015	GBP	410,000	1,
United Kingdom Treasury, 8%, 2021	GBP	94,000	
United Kingdom Treasury, 4.25%, 2036	GBP	192,000	

			\$ 2,

TOTAL FOREIGN BONDS			\$ 38,

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TOTAL BONDS (IDENTIFIED COST, \$357,503,651)		\$358,

Repurchase Agreements - 3.5%		

Merrill Lynch, 5.31%, dated 11/30/06, due 12/01/06, total to be received \$13,211,948 (secured by various U.S. Treasury and Federal Agency obligations and Mortgage Backed securities in a jointly traded account), at Cost	\$ 13,210,000	\$ 13,

TOTAL INVESTMENTS (IDENTIFIED COST, \$370,713,651) (k)		\$371,

Other Assets, Less Liabilities - 0.6%		2,

NET ASSETS - 100.0%		\$373,

- (f) All or a portion of the security has been segregated as collateral for an open futures contract.
- (k) As of November 30, 2006, the trust held securities fair valued in accordance with the policies adopted by the Board of Trustees, aggregating \$356,216,813 and 95.96% of market value. An independent pricing service provided an evaluated bid for 95.81% of the market value.
- (n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$3,185,082, representing 0.85% of net assets.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The trust holds the following restricted securities:

RESTRICTED SECURITIES	ACQUISITION DATE	ACQUISITION COST	CURRENT MARKET VALUE
Prudential Securities Secured Financing Corp., FRN, 7.4504%, 2013	12/06/04	\$2,019,445	\$1,953,916

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

- FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.
- STRIPS Separate Trading of Registered Interest and Principal of Securities
- TIPS Treasury Inflation Protected Security

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown in the table below.

AUD	Australian Dollar	GBP	British Pound
CAD	Canadian Dollar	JPY	Japanese Yen
DKK	Danish Krone	NOK	Norwegian Krone
EUR	Euro	NZD	New Zealand Dollar

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

Sales and Purchases in the table below are reported by currency.

CONTRACTS TO

CONTRACTS

N
UNRE
APPRE

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DELIVER/RECEIVE	SETTLEMENT DATE	IN EXCHANGE FOR	AT VALUE	(DEPR
SALES				
AUD	12/06/06	\$ 121,229	\$124,609	\$
CAD	12/04/06 - 2/06/07	2,648,123	2,622,011	
DKK	12/18/06 - 12/27/06	1,279,565	1,348,969	(
EUR	12/18/06	21,949,252	23,113,423	(1,1
GBP	2/26/07	2,755,708	2,849,280	(
JPY	1/18/07 - 1/23/07	1,490,036	1,516,985	(
NOK	1/08/07	2,160	2,273	
		\$30,246,073	\$31,577,550	\$ (1,3

PURCHASES				
AUD	12/06/06	\$ 41,310	\$43,245	\$
CAD	12/04/06	1,222,862	1,217,439	
EUR	12/18/06	4,501,591	4,641,014	1
NZD	12/06/06	8,018	8,319	
		\$ 5,773,781	\$5,910,017	\$ 1

At November 30, 2006, forward foreign currency purchases and sales under master netting agreement above amounted to a net payable of \$62,849 with Goldman Sachs & Co. and a net receivable of \$24,1 International.

FUTURES CONTRACTS OUTSTANDING AT NOVEMBER 30, 2006:

DESCRIPTION	CONTRACTS	VALUE	EXPIRATION DATE
U.S. Treasury Note 10 yr (Long)	81	\$8,844,188	Mar-07
U.S. Treasury Note 5 yr (Short)	54	5,732,438	Mar-07
U.S. Treasury Bond (Short)	59	6,748,125	Mar-07

At November 30, 2006, the trust had sufficient cash and/or securities to cover any commitments un

SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements

STATEMENT OF ASSETS AND LIABILITIES
At 11/30/06

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

ASSETS

Investments, at value (identified cost, \$370,713,651)	\$371,227,603
Cash	299

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Receivable for forward foreign currency exchange contracts	167,771	
Receivable for forward foreign currency exchange contracts subject to master netting agreements	24,100	
Receivable for investments sold	1,285,937	
Interest receivable	3,395,249	
Other assets	16,596	
<hr style="border-top: 1px dashed black;"/>		
Total assets		\$376,11

LIABILITIES

Distributions payable	\$81,257	
Payable for forward foreign currency exchange contracts	1,363,012	
Payable for forward foreign currency exchange contracts subject to master netting agreements	62,849	
Payable for daily variation margin on open futures contracts	22,000	
Payable for investments purchased	734,474	
Payable to affiliates		
Management fee	12,598	
Transfer agent and dividend disbursing costs	34,659	
Administrative services fee	405	
Payable for independent trustees' compensation	180,522	
Accrued expenses and other liabilities	121,023	
<hr style="border-top: 1px dashed black;"/>		
Total liabilities		\$2,61
<hr style="border-top: 1px dashed black;"/>		
Net assets		\$373,50

NET ASSETS CONSIST OF

Paid-in capital	\$401,546,887	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	(724,282)	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(28,218,088)	
Undistributed net investment income	900,239	
<hr style="border-top: 1px dashed black;"/>		
Net assets		\$373,50

Shares of beneficial interest outstanding (56,436,886 issued, less 5,104,331 treasury shares)		51,33
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Net asset value per share (net assets of \$373,504,756/ 51,332,555 shares of beneficial interest outstanding)		
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SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements

STATEMENT OF OPERATIONS
Year ended 11/30/06

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

NET INVESTMENT INCOME

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Interest income		\$18,83
Expenses		
Management fee	\$2,301,831	
Transfer agent and dividend disbursing costs	144,464	
Administrative services fee	65,927	
Independent trustees' compensation	70,856	
Custodian fee	141,938	
Shareholder communications	51,508	
Auditing fees	62,663	
Legal fees	12,895	
Miscellaneous	104,521	
Total expenses		\$2,95
Fees paid indirectly	(40,328)	
Reduction of expenses by investment adviser	(946)	
Net expenses		\$2,91
Net investment income		\$15,92
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) (identified cost basis)		
Investment transactions	\$ (636,260)	
Futures contracts	(11,726)	
Foreign currency transactions	(1,193,413)	
Net realized gain (loss) on investments and foreign currency transactions		\$ (1,84
Change in unrealized appreciation (depreciation)		
Investments	\$5,050,604	
Futures contracts	(10,608)	
Translation of assets and liabilities in foreign currencies	(1,015,862)	
Net unrealized gain (loss) on investments and foreign currency translation		\$4,02
Net realized and unrealized gain (loss) on investments and foreign currency		\$2,18
Change in net assets from operations		\$18,10

SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements
STATEMENTS OF CHANGES IN NET ASSETS

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

YEARS ENDED 11/30

2006

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CHANGE IN NET ASSETS

FROM OPERATIONS

Net investment income	\$15,920,038	\$16,41
Net realized gain (loss) on investments and foreign currency transactions	(1,841,399)	4,74
Net unrealized gain (loss) on investments and foreign currency translation	4,024,134	(14,15
Change in net assets from operations	\$18,102,773	\$7,01

DISTRIBUTIONS DECLARED TO SHAREHOLDERS

From net investment income	\$(18,296,971)	\$(16,93
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TRUST SHARE (PRINCIPAL) TRANSACTIONS

Change in net assets from trust share transactions	\$(5,014,933)	\$(10,42
Total change in net assets	\$(5,209,131)	\$(20,34

NET ASSETS

At beginning of period	378,713,887	399,06
At end of period (including undistributed net investment income of \$900,239 and \$2,323,510, respectively)	\$373,504,756	\$378,71

SEE NOTES TO FINANCIAL STATEMENTS

Financial Statements

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the trust's financial performance. Certain information reflects financial results for a single trust share. The total returns in the table represent the total return which an investor would have earned (or lost) on an investment in the trust share class (assuming reinvestment of distributions) held for the entire period. This information has been audited by the trust's independent accounting firm, whose report, together with the trust's financial statements, are included in the trust's annual report.

	YEARS ENDED 11/30		
	2006	2005	2004
Net asset value, beginning of period	\$7.27	\$7.43	\$7.44
INCOME (LOSS) FROM INVESTMENT OPERATIONS			
Net investment income (d)	\$0.31	\$0.31	\$0.31
Net realized and unrealized gain (loss) on investments and foreign currency	0.04	(0.17)	(0.02)
Total from investment operations	\$0.35	\$0.14	\$0.29

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LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS

From net investment income	\$ (0.35)	\$ (0.32)	\$ (0.33)
Net increase from repurchase of capital shares	\$0.01	\$0.02	\$0.03
Net asset value, end of period	\$7.28	\$7.27	\$7.43
Per share market value, end of period	\$6.60	\$6.39	\$6.55
Total return at market value (%) (r) (s)	9.06	2.36	2.49

RATIOS (%) (TO AVERAGE NET ASSETS) AND SUPPLEMENTAL DATA:

Expenses before expense reductions (f)	0.80	0.83	0.81
Expenses after expense reductions (f)	0.80	0.83	0.81
Net investment income	4.29	4.20	4.12
Portfolio turnover	26	68	71
Net assets at end of period (000 Omitted)	\$373,505	\$378,714	\$399,061

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

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

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

(s) From time to time the trust may receive proceeds from litigation settlements, without which p

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(1) BUSINESS AND ORGANIZATION

MFS Government Markets 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 closed-end diversified management investment company.

(2) SIGNIFICANT ACCOUNTING POLICIES

GENERAL - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The trust can invest in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

INVESTMENT VALUATIONS - Debt instruments (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as reported by an independent pricing service. Values of debt

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instruments obtained from pricing services can utilize both dealer-supplied valuations and electronic data processing techniques, which take into account 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. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as reported by an independent pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as reported by an independent pricing service on the market on which they are primarily traded. Forward foreign currency contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates reported by an independent pricing service for proximate time periods. Securities and other assets generally valued on the basis of information from an independent pricing service may also be valued at a broker-dealer bid quotation. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates reported by an independent pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the trust's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the trust's valuation policies and procedures, market quotations are not considered to be readily available for many types of debt instruments. These investments are generally valued at fair value based on information from independent pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the trust's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the trust's net asset value may be deemed to have a material affect on the value of securities traded in foreign markets. Accordingly, the trust's foreign equity securities may often be valued at fair value. The adviser may rely on independent pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the trust's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of investments used to determine the trust's net asset value may differ from quoted or published prices for the same investments.

In September 2006, FASB Statement No. 157, Fair Value Measurements (the "Statement") was issued, and is effective for fiscal years beginning after November 15, 2007 and for all interim periods within those fiscal years. This Statement provides a single definition of fair value, a hierarchy for measuring fair value and expanded disclosures about fair value measurements. Management is evaluating the application of the Statement to the trust, and believes the impact will be limited to expanded disclosures resulting from the adoption of this Statement in the trust's financial statements.

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REPURCHASE AGREEMENTS - The trust may enter into repurchase agreements with institutions that the trust's investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. The trust requires that the securities collateral in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the trust to obtain those securities in the event of a default under the repurchase agreement. The trust monitors, on a daily basis, the value of the collateral to ensure that its value, including accrued interest, is greater than amounts owed to the trust under each such repurchase agreement. The trust, along with other affiliated entities of Massachusetts Financial Services Company (MFS), may utilize a joint trading account for the purpose of entering into one or more repurchase agreements.

INFLATION-ADJUSTED DEBT SECURITIES - The trust invests in inflation-adjusted debt securities issued by the U.S. Treasury. The trust may also invest in inflation-adjusted debt securities issued by U.S. Government agencies and instrumentalities other than the U.S. Treasury and by other entities such as U.S. and foreign corporations and foreign governments. The principal value of these debt securities is adjusted by references to changes in the Consumer Price Index or another general price or wage index. These debt securities typically pay a fixed rate of interest, but this fixed rate is applied to the inflation-adjusted principal amount. The principal paid at maturity of the debt security is typically equal to the inflation-adjusted principal amount, or the security's original par value, whichever is greater. Other types of inflation-adjusted securities may use other methods to adjust for other measures of inflation.

FOREIGN CURRENCY TRANSLATION - Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

DERIVATIVE RISK - The trust may invest in derivatives for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the trust uses derivatives as an investment to gain market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost. Derivative instruments include forward foreign currency exchange contracts and futures contracts.

FUTURES CONTRACTS - The trust may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a fixed price on a future date. In entering such contracts, the trust is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the trust each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the trust. Upon entering into such contracts, the trust bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the trust may not achieve the anticipated benefits of the futures contracts and may realize a loss.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS - The trust may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to

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meet the terms of their contracts and from unanticipated movements in the value of the contract. The trust may enter into forward foreign currency exchange contracts for hedging purposes as well as for non-hedging purposes. For hedging purposes, the trust may enter into contracts to deliver or receive foreign currency it will receive from or require for its normal investment activities. The trust may also use contracts in a manner intended to protect foreign currency denominated securities from declines in value due to unfavorable exchange rate movements. For non-hedging purposes, the trust may enter into contracts with the intent of changing the relative exposure of the trust's portfolio of securities to different currencies to take advantage of anticipated changes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded as unrealized until the contract settlement date. On contract settlement date, the gains or losses are recorded as realized gains or losses on foreign currency transactions.

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

INVESTMENT TRANSACTIONS AND INCOME - Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. All discount is accreted for tax reporting purposes as required by federal income tax regulations.

The trust may receive proceeds from litigation settlements involving its portfolio holdings. Any proceeds received are reflected in realized gain/loss in the Statement of Operations, or in unrealized gain/loss if the security is still held by the trust.

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 year ended November 30, 2006, is shown as a reduction of total expenses on the Statement of Operations.

TAX MATTERS AND DISTRIBUTIONS - The trust intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. Accordingly, no provision for federal income tax is required in the financial statements. Foreign taxes, if any, have been accrued by the trust in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

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Book/tax differences primarily relate to amortization and accretion of debt securities, straddle loss deferrals, and foreign currency transactions.

The tax character of distributions declared to shareholders is as follows:

	11/30/06	11/30/05
Ordinary income (including any short-term capital gains)	\$18,296,971	\$16,936,571

The federal tax cost and the tax basis components of distributable earnings were as follows:

AS OF 11/30/06

Cost of investments	\$376,126,857

Gross appreciation	\$3,536,614
Gross depreciation	(8,435,868)

Net unrealized appreciation (depreciation)	\$(4,899,254)
Undistributed ordinary income	1,012,110
Capital loss carryforwards	(22,831,879)
Other temporary differences	(1,323,108)

As of November 30, 2006, the trust had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/07	\$(11,594,208)
11/30/08	(5,988,179)
11/30/12	(3,637,025)
11/30/14	(1,612,467)

Total	\$(22,831,879)

In June 2006, FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the "Interpretation") was issued, and is effective for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of no later than May 30, 2008. This Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return, and requires certain expanded disclosures. Management is evaluating the application of the Interpretation to the trust, and has not at this time determined the impact, if any, resulting from the adoption of this Interpretation on the trust's financial statements.

(3) TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISER - The trust has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the trust. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the trust's average daily net assets and 5.33% of gross income. Gross income is calculated based on tax elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. The management fee, from net assets and gross income, incurred for the year ended November 30, 2006 was equivalent to an annual effective rate of 0.62% of the trust's average daily net assets.

TRANSFER AGENT - MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the trust for its services as registrar and dividend-disbursing agent. Pursuant to a written agreement, the trust pays MFSC an account maintenance fee of no more than \$9.00 and a dividend services fee of

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\$0.75 per reinvestment. For the year ended November 30, 2006, these fees amounted to \$90,342. MFSC also receives payment from the trust for out-of-pocket expenses paid by MFSC on behalf of the trust. For the year ended November 30, 2006, these costs amounted to \$37,610.

Computershare Trust Company, N.A. became the Transfer Agent and Registrar of the trust effective December 18, 2006, succeeding MFSC.

ADMINISTRATOR - MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the trust. Under an administrative services agreement, the trust partially reimburses MFS the costs incurred to provide these services. The trust is charged a fixed amount plus a fee based on calendar year average net assets. From July 1, 2005 through March 31, 2006, the trust's annual fixed amount was \$10,000. Effective April 1, 2006, the trust's annual fixed amount is \$17,500.

The administrative services fee incurred for the year ended November 30, 2006 was equivalent to an annual effective rate of 0.0178% of the trust average daily net assets.

TRUSTEES' AND OFFICERS' COMPENSATION - The trust pays compensation to independent trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The trust does not pay compensation directly to trustees or to officers of the trust who are also officers of the investment adviser, 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 MFSC. The trust has an unfunded, defined benefit plan for certain retired independent trustees which resulted in a pension expense of \$12,240. The trust also has an unfunded retirement benefit deferral plan for certain independent trustees which resulted in an expense of \$2,927. Both amounts are included in independent trustees' compensation for the year ended November 30, 2006. The liability for deferred retirement benefits payable to certain independent trustees under both plans amounted to \$167,487 at November 30, 2006, and is included in payable for independent trustees' compensation.

DEFERRED TRUSTEE COMPENSATION - Under a Deferred Compensation Plan (the Plan) independent trustees previously were allowed to elect to defer receipt of all or a portion of their annual compensation. Trustees are no longer allowed to defer compensation under the Plan. Amounts previously deferred are treated as though equivalent dollar amounts had been invested in shares of the trust or other MFS funds selected by the trustee. Deferred amounts represent an unsecured obligation of the trust until distributed in accordance with the Plan. Included in other assets and payable for independent trustees' compensation is \$12,906 of deferred trustees' compensation.

OTHER - This trust and certain other MFS funds (the funds) have entered into a services agreement (the Agreement) which provides for payment of fees by the funds to Tarantino LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) for the funds. The ICCO is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the Agreement with Tarantino LLC at any time under the terms of the Agreement. For the year ended November 30, 2006, the fee paid to Tarantino LLC was \$1,004. MFS has agreed to reimburse the trust for a portion of the payments made by the funds to Tarantino LLC in the amount of \$946, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO.

(4) PORTFOLIO SECURITIES

Purchases and sales of investments, other than purchased option transactions and

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short-term obligations, were as follows:

	PURCHASES	SALES
U.S. government securities	\$48,778,050	\$65,793,640
Investments (non-U.S. government securities)	\$44,183,481	\$44,731,277

(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 the repurchase by the trust of up to 10% annually of its own shares of beneficial interest. The trust repurchased and retired 782,600 shares of beneficial interest during the year ended November 30, 2006 at an average price per share of \$6.41 and a weighted average discount of 10.50% per share. The trust repurchased and retired 1,578,900 shares of beneficial interest during the year ended November 30, 2005 at an average price per share of \$6.60 and a weighted average discount of 10.85% per share. Transactions in trust shares were as follows:

	YEAR ENDED 11/30/06		YEAR ENDED 11/30/05	
	SHARES	AMOUNT	SHARES	AMOUNT
Treasury shares reacquired	(782,600)	\$(5,014,933)	(1,578,900)	\$(10,423,312)

(6) LINE OF CREDIT

The trust and other funds managed by MFS participate in a \$1 billion unsecured committed line of credit provided by a syndication of banks under a credit agreement. In addition, the trust and other funds managed by MFS have established uncommitted borrowing arrangements with certain banks. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the Federal Reserve funds rate plus 0.35%. In addition, a commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. For the year ended November 30, 2006, the trust's commitment fee and interest expense were \$2,362 and \$0, respectively, and are included in miscellaneous expense on the Statement of Operations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Government Markets Income Trust (the "Trust") as of November 30, 2006, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material

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misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2006, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of MFS Government Markets Income Trust as of November 30, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 18, 2007

RESULTS OF SHAREHOLDER MEETING 11/30/06 (unaudited)

At the annual meeting of shareholders of MFS Government Markets Income Trust, which was held on October 6, 2006, the following actions were taken:

ITEM 1. To elect the following individuals as Trustees:

NOMINEE	NUMBER OF SHARES	
	AFFIRMATIVE	WITHHOLD AUTHORITY
Robert E. Butler	39,200,733.46	6,454,448.91
David H. Gunning	39,199,561.13	6,455,621.24
Robert C. Pozen	39,192,243.86	6,462,938.51
J. Dale Sherratt	39,176,882.47	6,478,299.90

TRUSTEES AND OFFICERS --

IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of January 1, 2007, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

NAME, DATE OF BIRTH	POSITION(S) HELD WITH FUND	TRUSTEE/OFFICER SINCE (h)	PRINCIPAL OCCUPATION THE PAST FIVE YEARS OTHER DIRECTORSHIPS

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INTERESTED TRUSTEES

Robert J. Manning(k) (born 10/20/63)	Trustee	February 2004	Massachusetts Financial Company, Chief Executive President, Chief Investment Officer and Director
Robert C. Pozen(k) (born 8/08/46)	Trustee	February 2004	Massachusetts Financial Company, Chairman (since 2004); Secretary of Economic Affairs, The Commonwealth of Massachusetts (January 2002 to December 2002); Fidelity Investments, Vice Chairman (2000 to December 2001); Management & Research Company (investment adviser), President (March 1997 to July 2000); Canada Enterprises (telecommunications), Director; Medtronic, Inc. (medical technology), Director; (satellite communication) Director

INDEPENDENT TRUSTEES

J. Atwood Ives (born 5/01/36)	Trustee and Chair of Trustees	February 1992	Private investor; Eastern Enterprises (diversified company), Chairman, Trustee; Chief Executive Officer (November 2000)
Robert E. Butler(n) (born 11/29/41)	Trustee	January 2006	Consultant - regulatory compliance matters (since 2002); PricewaterhouseCoopers (professional services Partner (November 2000 to 2002)
Lawrence H. Cohn, M.D. (born 3/11/37)	Trustee	August 1993	Brigham and Women's Hospital, Senior Cardiac Surgeon, Cardiac Surgery (until 1993); Harvard Medical School, Professor of Surgery; Brigham and Women's Hospital Physicians' Organization, Chairman (2000 to 2004)
David H. Gunning (born 5/30/42)	Trustee	January 2004	Cleveland-Cliffs Inc. (steel products and service products), Vice Chairman/Director (since April 2001); Encinitos Capital (private investment company), Principal (1997 to April 2001); Lincoln Electric Holdings (welding equipment manufacturer), Director
William R. Gutow (born 9/27/41)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman
Michael Hegarty	Trustee	December 2004	Retired; AXA Financial

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(born 12/21/44)			services and insurance) Chairman and Chief Oper Officer (until May 2001 Equitable Life Assuranc (insurance), President Operating Officer (unti
Lawrence T. Perera (born 6/23/35)	Trustee	July 1981	Hemenway & Barnes (atto Partner
J. Dale Sherratt (born 9/23/38)	Trustee	August 1993	Insight Resources, Inc. (acquisition planning specialists), President Investments (investor i care companies), Managi Partner (since 1993); C Nutraceuticals (profess nutritional products), Executive Officer (unti
Laurie J. Thomsen (born 8/05/57)	Trustee	March 2005	Private investor; Prism Partners (venture capit founder and General Par June 2004); St. Paul Tr Companies (commercial p liability insurance), D
Robert W. Uek (born 5/18/41)	Trustee	January 2006	Retired (since 1999); PricewaterhouseCoopers (professional services Partner (until 1999); C to investment company i (since 2000); TT Intern Funds (mutual fund comp Trustee (2000 until 200 Hillview Investment Tru (mutual fund complex), (2000 until 2005)
OFFICERS			
Maria F. Dwyer(k) (born 12/01/58)	President	November 2005	Massachusetts Financial Company, Executive Vice and Chief Regulatory Of (since March 2004); Fid Management & Research C Vice President (prior t 2004); Fidelity Group o President and Treasurer March 2004)
Tracy Atkinson(k) (born 12/30/64)	Treasurer	September 2005	Massachusetts Financial Company, Senior Vice Pr (since September 2004); PricewaterhouseCoopers Partner (prior to Septe
Christopher R. Bohane(k) (born 1/18/74)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Vice President Counsel (since April 20 Kirkpatrick & Lockhart firm), Associate (prior 2003)

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Ethan D. Corey(k) (born 11/21/63)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Special Counse December 2004); Dechert firm), Counsel (prior t 2004)
David L. DiLorenzo(k) (born 8/10/68)	Assistant Treasurer	July 2005	Massachusetts Financial Company, Vice President June 2005); JP Morgan I Services, Vice Presiden June 2005)
Timothy M. Fagan(k) (born 7/10/68)	Assistant Secretary and Assistant Clerk	September 2005	Massachusetts Financial Company, Vice President Counsel (since Septembe John Hancock Advisers, President and Chief Com Officer (September 2004 2005), Senior Attorney September 2004); John H Group of Funds, Vice Pr Chief Compliance Office (September 2004 to Dece
Mark D. Fischer(k) (born 10/27/70)	Assistant Treasurer	July 2005	Massachusetts Financial Company, Vice President 2005); JP Morgan Invest Management Company, Vic (prior to May 2005)
Brian E. Langenfeld(k) (born 3/07/73)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Company, Assistant Vice and Counsel (since May Hancock Advisers, LLC, Vice President and Coun 2005 to April 2006); Jo Advisers, LLC, Attorney Assistant Secretary (pr 2005)
Ellen Moynihan(k) (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Financial Company, Senior Vice Pr
Susan S. Newton(k) (born 3/07/50)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Company, Senior Vice Pr Associate General Couns April 2005); John Hanco Advisers, LLC, Senior V President, Secretary an Legal Officer (prior to 2005); John Hancock Gro Funds, Senior Vice Pres Secretary and Chief Leg (prior to April 2005)
Susan A. Pereira(k) (born 11/05/70)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Vice President Counsel (since June 200 McCutchen LLP (law firm Associate (prior to Jun

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Mark N. Polebaum(k)
(born 5/01/52)

Secretary and Clerk January 2006

Massachusetts Financial
Company, Executive Vice
General Counsel and Sec
(since January 2006); W
Cutler Pickering Hale a
(law firm), Partner (pr
January 2006)

Frank L. Tarantino
(born 3/07/44)

Independent Chief June 2004
Compliance Officer

Tarantino LLC (provider
compliance services), P
(since June 2004); CRA
Strategies Group (consu
services), Executive Vi
President (April 2003 t
2004); David L. Babson
(investment adviser), M
Director, Chief Adminis
Officer and Director (p
March 2003)

James O. Yost(k)
(born 6/12/60)

Assistant Treasurer September 1990

Massachusetts Financial
Company, Senior Vice Pr

- (h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise.
- (j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").
- (k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the Trust, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.
- (n) In 2004 and 2005, Mr. Butler provided consulting services to the independent compliance consultant retained by MFS pursuant to its settlement with the SEC concerning market timing and related matters. The terms of that settlement required that compensation and expenses related to the independent compliance consultant be borne exclusively by MFS and, therefore, MFS paid Mr. Butler for the services he rendered to the independent compliance consultant. In 2004 and 2005, MFS paid Mr. Butler a total of \$351,119.29.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years.

Each year the term of one class expires. Each Trustee's term of office expires on the date of the annual meeting following the election to office of the Trustee's class. Each Trustee and officer serves until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Gutow, Sherratt and Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Trust's Trustees and officers holds comparable positions with certain other funds of MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2006, the Trustees served as board members of 98 funds within the MFS Family of Funds.

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

On October 9, 2006, Maria F. Dwyer, as Chief Executive Officer of the Trust, certified to the New York Stock Exchange that as of the date of her certification she was not aware of any violation by the Trust of the corporate governance listing standards of the New York Stock Exchange.

The Trust filed with the Securities and Exchange Commission the certifications of its principal

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executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of an exhibit to the Trust's Form N-CSR for the period covered by this report.

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 L. Schechter

INDEPENDENT REGISTERED PUBLIC ACCOUNTING
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2006 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

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

In connection with their contract review meetings, the Trustees received and relied upon materials which included, among other items: (i) information provided by Lipper Inc. on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2005 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), as well as the investment performance (based on net asset value) of a group of funds identified by objective criteria suggested by MFS ("MFS peer funds"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper (the "Lipper expense group"), as well as the advisory fees and other expenses of MFS peer funds, (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers,

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reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2005, which the Trustees believed was a long enough period to reflect differing market conditions. The Fund ranked 2nd out of a total of 2 funds in the Lipper performance universe for this three-year period (a ranking of 1st place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 3rd out of a total of 3 funds for the one-year period and 1st out of a total of 2 funds for the five-year period ended December 31, 2005. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom benchmark developed by MFS. The Fund had the same performance as its custom benchmark for the one-year period ended December 31, 2005 and out-performed its custom benchmark for each of the three- and five-year periods ended December 31, 2005. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total

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expense ratio of the Fund's common shares as a percentage of average net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. and MFS. The Trustees considered that, according to the Lipper data, the Fund's effective advisory fee rate and total expense ratio were each approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

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

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

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

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the entry into the industry of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the