

MFS MULTIMARKET INCOME TRUST
Form N-30D
December 27, 2002

MFS (R)
INVESTMENT MANAGEMENT

MFS (R) MULTIMARKET
INCOME TRUST

ANNUAL REPORT o OCTOBER 31, 2002

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MFS (R) PRIVACY POLICY

At MFS (R), we are committed to protecting your privacy.

On behalf of the MFS Family of Funds (R), the MFS (R) Institutional Trusts, the Vertex (SM) Funds, Massachusetts Financial Services Company, and certain affiliates (1) (collectively, "MFS," "we," "us" or "our"), this privacy policy outlines certain of our policies designed to maintain the privacy of your nonpublic personal information.

Nonpublic personal information includes much of the information you provide to us and the related information about you and your transactions involving your MFS investment product or service. Examples of nonpublic personal information include the information you provide on new account applications for MFS investment products or services, your share balance or transactional history, and the fact that you are a customer of MFS.

We may collect nonpublic personal information about you from the following sources:

- o information we receive from you on applications or other forms
- o information about your transactions with us, our affiliates, or others, and
- o information we receive from a consumer reporting agency

We do not disclose any nonpublic personal information about our customers or former customers to anyone except as permitted by law. We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing arrangements.

We restrict access to nonpublic personal information about you to personnel who are necessary or appropriate to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

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Our privacy policy applies only to individual MFS investors who have a direct relationship with us. If you own MFS products or receive MFS investment services in the name of a third-party broker-dealer, bank, investment adviser or other financial service provider, that third-party's privacy policies may apply to you and our privacy policy may not.

If you have any questions with respect to MFS' privacy policy, please call 1-800-225-2606 any business day between 8 a.m. and 8 p.m. Eastern time.

- (1) MFS Institutional Advisors, Inc., Vertex Investment Management, Inc., MFS Original Research Advisors, LLC, MFS Original Research Partners, LLC, MFS(R) Heritage Trust Company(SM), and MFS Fund Distributors, Inc.

NOT FDIC INSURED
NOT A DEPOSIT

MAY LOSE VALUE
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

NO BANK GUARANTEE

LETTER FROM THE CHAIRMAN

[Photo of Jeffrey L. Shames]

Jeffrey L. Shames

Dear Shareholders,

As I write this in mid-November, the Dow Jones Industrial Average has just recorded its second-best October ever(1) -- a hopeful sign in what has been a bad year for investors in stocks and corporate bonds. Other types of bonds that have had a great run so far in 2002 have demonstrated the value of diversification. In our view, signals on the future direction of the economy and the market remain decidedly mixed.

A RELAY RACE

In mid-November, we could describe the state of the U.S. economy as a relay race against time involving two runners: the consumer, whose spending has fueled the beginning of a recovery, and corporate spending, which has yet to contribute much to the recovery. The hope is that corporate spending kicks in so that the consumer can pass the baton before running out of steam. But at this point, the near-term direction of consumer spending or corporate spending and profits is difficult to predict. The result is that the economy seems to us to be in a holding pattern as we wait for clear signs that things are improving.

REASONS FOR OPTIMISM

Optimists would point out that wages, according to the U.S. Labor Department, have been rising over the past year. This, in combination with historically low interest rates and inflation, may enable the consumer to keep spending. Perhaps the next good signal of consumer sentiment will be the level of retail sales over the holiday season -- which should become clear about the time this letter reaches your mailbox.

In the corporate arena, our research indicates that business spending overall has at least stopped falling and that corporate earnings and spending could trend upward in 2003. A hopeful sign is that business spending in the third quarter of 2002 eked out its first increase in two years, according to a preliminary report from the U.S. Commerce Department.

Pessimists, however, would counter that the outlook for corporate profits remains very murky, that corporations could resort to further layoffs if profits languish, and that the situation with Iraq adds to market uncertainty. They would also point out that consumer confidence dropped to a nine-year low in October, according to the Conference Board. (Optimists, however, would

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question the value of confidence readings that have dropped while consumer spending has remained strong.)

STAYING THE COURSE

With the economy in a holding pattern and markets extremely volatile, we think it's important to remember the familiar investment strategies that we believe apply in any market: Think long term. Be diversified. See crises as opportunities. That's how we'd describe our approach to this volatile environment -- which we think plays to our strength as research-based, bottom-up, long-term investors. We would also point out that history has shown that the market and the economy have been cyclical; downturns have usually been followed by upturns.

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

Respectfully,

/s/ Jeffrey L. Shames
Jeffrey L. Shames
Chairman
MFS Investment Management (R)

November 15, 2002

- (1) Source: The Wall St. Journal, November 1, 2002. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It is not possible to invest directly in an index.

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

MANAGEMENT REVIEW AND OUTLOOK

[Photo of Peter C. Vaream]

Peter C. Vaream

Dear Shareholders,

For the 12 months ended October 31, 2002, the trust provided a total return of 0.90% based on its beginning and ending stock market prices and assuming the reinvestment of any distributions paid during the period. The trust's total return based on its net asset value (NAV) was 2.33%. The trust's results compare with returns over the same period for the following benchmarks: 10.18% for the J.P. Morgan Non-Dollar Government Bond Index (the Morgan Index), 6.41% for the Lehman Brothers Government Bond Index, and -5.49% for the Lehman Brothers High Yield Bond Index. The Morgan Index is an unmanaged aggregate of actively traded government bonds issued from 12 countries (excluding the United States) with remaining maturities of at least one year. The Lehman Brothers Government Bond Index is unmanaged and is comprised of all publicly issued debt obligations of the U.S. Treasury, U.S. government agencies, quasi-federal corporations, and corporate debt guaranteed by the U.S. government. The Lehman Brothers High Yield Bond Index includes all fixed-income securities having a maximum quality rating from Moody's Investors Service of "Ba1," a minimum amount outstanding of \$150 million, and at least one year to maturity. Defaulted bonds are excluded from this index.

During the past 12 months, the U.S. Federal Reserve Board (the Fed) cut short-term interest rates to 1.25% in an effort to stimulate a sagging economy. At the same time, accounting scandals and fraud in some of this country's largest companies were front-page news. Stocks plunged across all industries, and

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corporate bonds mirrored stock performance. Investment-grade bonds, even those issued by companies with clean balance sheets, became much less attractive to potential buyers. In July of 2002, the high-yield market declined severely when the number of companies that were unable to make timely principal and/or interest payments rose to new levels. There was a flight to quality as investors sold their corporate bonds in favor of the safety offered by U.S. government securities. International bond markets performed much better than their U.S. counterparts because they were not as severely affected by accounting scandals. Also, technology and telecommunications, two of the worst performing industries for the period, represented a much smaller proportion of the international market and consequently had much less impact on overall market performance.

BRIGHT SPOTS IN QUALITY, INTERNATIONAL, AND BANKING

Generally, the fund's focus on high-quality bonds helped its performance throughout the past 12 months. For example, our holdings in U.S. Treasury and government agency bonds generated positive returns for the fund even though we were underweighted in those areas relative to the Lehman Government Bond Index. U.S. Treasury bills and U.S. government bonds fluctuate in value, but they are guaranteed as to the timely payment of interest and, if held to maturity, provide a guaranteed return of principal.

International investments in Germany, the United Kingdom, and "dollar bloc" countries such as Canada also performed well for the fund. These issues offered higher yields than U.S. Treasury securities and boosted fund performance because of currency gains made when the value of many international currencies rose in comparison to the U.S. dollar.

The fund had a relatively large portion of its portfolio invested in U.S. banks, one of the few groups in the corporate sector that did well. A hot housing market translated into increased mortgage lending that improved business profitability for banks. The banks we held were well-capitalized, had a strong consumer base, and fewer credit problems than many investors expected.

WEAKNESS IN HIGH-YIELD SECTOR AND SELECTED CORPORATE BONDS

Although the fund avoided most of the bonds with significant accounting and corporate governance problems such as Enron and Tyco, it did not escape from the general declines experienced in the high-yield market. Throughout the period, the fund's position in high-yield bonds ranged from 17.5% to 20%. Our high-yield holdings dampened performance when corporate issuers were unable to fulfill their obligations. As the year progressed, our high-yield strategy was to try and increase the fund's diversification across industries, to focus on more liquid issues where there was a ready market for buyers, and to improve the credit quality of our holdings.

OPPORTUNITIES IN MORTGAGE HOLDINGS AND INTERNATIONAL BONDS

The fund's mortgage-backed bonds have done well towards the end of the period, and we think they could continue to be attractive assets to us. We're interested in 15-year mortgage issues for two reasons. First, if the Fed makes further interest rate cuts, as many believe it will, there may be another wave of refinancing, but we think that wave would be the last for the near future. Second, if the Fed does not take action or were to raise interest rates, we believe that maturity range has tended to be less volatile in a potentially rising interest rate market.

We gradually increased the fund's holdings in international bonds over the period. A year ago, the fund held 13.5% of its assets in international issues. At the end of the period, that position was more than 26%. Yields on international bonds such as those from Germany, France, Denmark, and Sweden were higher than the yields on U.S. Treasury securities. We believe that these non-U.S. bonds may offer investors solid income opportunities as well as

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appreciation potential.

The fund's holdings in emerging market bonds stand at nearly 8% of the portfolio, as of October 31, 2002. We have invested in what we believe is a well diversified group that includes Mexico, Russia, and Bulgaria. All three countries have made solid progress in reforming social, political, and economic policies. As a result, their credit quality has improved and we feel all are much better able to possibly attract investment capital. We believe that Mexico and Russia have been highly successful at reform and see Bulgaria moving in the right direction.

POTENTIAL FOR CHANGE IN CORPORATE BOND MARKETS

Going forward, we expect to see companies continue to clean up and strengthen their balance sheets to improve their credit quality. We would also anticipate less volatility in the bond markets as investors' faith in the corporate bond market is restored. That may have been already happening. In our view, the corporate bond investor's aversion to risk, real or perceived, has begun to shift over the last quarter. Buyers have been starting to come back. If business spending were also to pick up, in our view long-term investors may be well-positioned to see both income and capital appreciation potential.

Respectfully,

/s/ Peter C. Vaream

Peter C. Vaream
Portfolio Manager

Note to Shareholders: Effective March 18, 2002, Peter C. Vaream became portfolio manager of the trust.

The opinions expressed in this report are those of the portfolio manager and are current only through the end of the period of the report as stated on the cover. These views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed.

It is not possible to invest directly in an index.

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

PORTFOLIO MANAGER'S PROFILE

PETER C. VAREAM IS VICE PRESIDENT OF MFS INVESTMENT MANAGEMENT (R) (MFS (R)) AND MANAGES THE INVESTMENT-GRADE BOND, GOVERNMENT SECURITIES AND GLOBAL GOVERNMENTS PORTFOLIOS OF OUR MUTUAL FUNDS, VARIABLE ANNUITIES AND INSTITUTIONAL ACCOUNTS. HE IS A MEMBER OF THE MFS FIXED INCOME STRATEGY GROUP.

PETER JOINED MFS IN 1992 AND BECAME A PORTFOLIO MANAGER IN 1993. PREVIOUSLY, HE WAS VICE PRESIDENT OF THE FIXED INCOME DEPARTMENT AT THE FIRST BOSTON CORP. FROM 1986 TO 1992. PRIOR TO THAT, HE SERVED AS A CORPORATE FINANCIAL ANALYST.

PETER EARNED A BACHELOR'S DEGREE IN FINANCE FROM NEW YORK UNIVERSITY. HE IS A MEMBER OF THE LEHMAN BROTHERS INDEX ADVISORY COUNCIL.

ALL PORTFOLIO MANAGERS AT MFS ARE SUPPORTED BY AN INVESTMENT STAFF OF OVER 160 PROFESSIONALS UTILIZING MFS ORIGINAL RESEARCH (R), A GLOBAL, COMPANY-ORIENTED, BOTTOM-UP PROCESS OF SELECTING SECURITIES.

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ADDRESS CHANGE

Please use our new mailing address, effective immediately.

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

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.

OBJECTIVE: To provide a high level of current income through investments in fixed-income securities.

NEW YORK STOCK EXCHANGE SYMBOL: MMT

PERFORMANCE SUMMARY

(For the year ended October 31, 2002)

NET ASSET VALUE PER SHARE

| | |
|------------------|--------|
| October 31, 2001 | \$6.60 |
| October 31, 2002 | \$6.32 |

NEW YORK STOCK EXCHANGE PRICE

| | |
|-------------------------|--------|
| October 31, 2001 | \$6.06 |
| June 6, 2002 (high)* | \$6.23 |
| October 23, 2002 (low)* | \$5.53 |
| October 31, 2002 | \$5.69 |

*For the period November 1, 2001, through October 31, 2002.

RISK CONSIDERATIONS

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

As a nondiversified portfolio, the portfolio invests in a limited number of companies and may have more risk because a change in one security's value may have a more significant effect on the portfolio's net asset value. An investment in the portfolio is not a complete investment program.

Investments in foreign and/or emerging market securities may be unfavorably affected by interest-rate and currency-exchange-rate changes, as well as by market, economic, and political conditions of the countries where investments are made. There may be greater returns but also greater risk than with U.S. investments.

Investments in lower-rated securities may provide greater returns but may have greater-than-average risk.

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

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These risks may increase share price volatility. Please see the prospectus for details.

NUMBER OF SHAREHOLDERS

As of October 31, 2002, our records indicate that there are 10,084 registered shareholders and approximately 41,000 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 reports, which contain important information about the trust, please write or call:

State Street Bank and Trust Company
P.O. Box 8200
Boston, MA 02266-8200
1-800-637-2304

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

MFS 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 over \$100 can be made 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, 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.

RESULTS OF SHAREHOLDER MEETINGS (Unaudited)

At the annual meeting of shareholders of MFS Multimarket Income Trust, which was held on October 1, 2002, the following actions were taken:

ITEM 1. Trustees of the trust were elected as follows:

| | NUMBER OF SHARES | |
|---------|------------------|-----------------------|
| NOMINEE | FOR | WITHHOLD AUTHORITY |

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| | | |
|-------------------|----------------|---------------|
| William R. Gutow | 75,155,336.035 | 1,816,252.449 |
| J. Atwood Ives | 75,223,214.831 | 1,748,373.653 |
| Abby M. O'Neill | 75,060,585.252 | 1,911,033.232 |
| Jeffrey L. Shames | 75,135,124.123 | 1,836,464.361 |

ITEM 2. The ratification of the election of Ernst & Young LLP as the independent public accountants to be employed by the trust for the fiscal year ending October 31, 2002.

NUMBER OF SHARES

| | |
|-------------|----------------|
| Affirmative | 75,617,177.463 |
| Against | 642,594.563 |
| Abstain | 711,816.458 |

PORTFOLIO OF INVESTMENTS -- October 31, 2002

Bonds - 97.7%

| ISSUER | PRINCIPAL AMOUNT (000 OMITTED) |
|---|-----------------------------------|
| U.S. Bonds - 71.2% | |
| Advertising & Broadcasting - 4.5% | |
| Allbritton Communications Co., 9.75s, 2007 | \$ 1,005 |
| Chancellor Media Corp., 8.125s, 2007 | 1,375 |
| Chancellor Media Corp., 8.75s, 2007 | 1,000 |
| Clear Channel Commerce, 6.5s, 2005 | 275 |
| Cox Communications Inc., 7.125s, 2012 | 3,805 |
| Echostar DBS Corp., 9.375s, 2009 | 2,425 |
| Granite Broadcasting Corp., 10.375s, 2005 | 1,221 |
| LIN Holdings Corp., 0s to 2003, 10s, 2008 | 1,500 |
| LIN Television Corp., 8s, 2008 | 1,000 |
| Panamsat Corp., 8.5s, 2012## | 2,315 |
| Paxson Communications Corp., 0s to 2006, 12.25s, 2009 | 2,275 |
| Radio One, Inc., 8.875s, 2011 | 1,425 |
| Reed Elsevier Capital Inc., 6.125s, 2006 | 230 |
| Spanish Broadcasting Systems, Inc., 9.625s, 2009 | 1,400 |
| Tele Communications, Inc., 9.8s, 2012 | 1,075 |
| Young Broadcasting, Inc., 8.5s, 2008 | 2,750 |
| | |
| Aerospace - 0.1% | |
| Argo-Tech Corp., 8.625s, 2007 | \$ 165 |
| K & F Industries, Inc., 9.25s, 2007 | 200 |
| | |
| Airlines | |
| Airplane Pass-Through Trust, 10.875s, 2019 | \$ 247 |
| | |
| Apparel & Textiles | |
| Westpoint Stevens, Inc., 7.875s, 2008 | \$ 1,225 |
| | |
| Banks & Credit Cos. - 1.2% | |
| Bank America Corp., 7.4s, 2011 | \$ 2,355 |
| Beaver Valley Funding Corp. II, 9s, 2017 | 1,491 |

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| | | | |
|---|----------|--|----|
| Credit Suisse First Boston USA, 6.5s, 2012 | 1,882 | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Building - 1.0% | | | |
| American Standard, Inc., 7.375s, 2008 | \$ 2,415 | | \$ |
| CRH America Inc., 6.95s, 2012 | 1,208 | | |
| Nortek, Inc., 9.25s, 2007 | 125 | | |
| Nortek, Inc., 8.875s, 2008 | 1,215 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Business Services - 0.9% | | | |
| Iron Mountain, Inc., 8.625s, 2013 | \$ 985 | | \$ |
| Iron Mountain, Inc., 8.75s, 2009 | 1,600 | | |
| Williams Scotsman, Inc., 9.875s, 2007 | 2,725 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Chemicals - 0.4% | | | |
| Huntsman ICI Holdings, 10.125s, 2009 | \$ 1,550 | | \$ |
| Lyondell Chemical Co., 9.875s, 2007 | 1,060 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Construction Services - 0.5% | | | |
| D.R. Horton, Inc., 8s, 2009 | \$ 2,665 | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Consumer Goods & Services - 0.2% | | | |
| Kindercare Learning Centers, Inc., 9.5s, 2009 | \$ 350 | | \$ |
| Samsonite Corp., 10.75s, 2008 | 740 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Containers - 0.8% | | | |
| Ball Corp., 7.75s, 2006 | \$ 500 | | \$ |
| Owens-Brockway, 8.875s, 2009 | 2,000 | | |
| Silgan Holdings, Inc., 9s, 2009 | 1,500 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Corporate Asset-Backed - 9.5% | | | |
| Amresco Commercial Mortgage Funding I Corp., 7s, 2029 | \$ 3,570 | | \$ |
| Commercial Mortgage Acceptance Corp., 5.44s, 2030 | 8,000 | | |
| Continental Airlines Pass-Through Trust, Inc., 6.545s, 2020 | 2,466 | | |
| DLJ Mortgage Acceptance Corp., 8s, 2003 | 5,097 | | |
| First Union Lehman Brothers Bank, 0s, 2028 | 87,875 | | |
| GMAC Commercial Mortgage Security, Inc., 6.02s, 2033 | 5,800 | | |
| Morgan Stanley Capital I, Inc., 7.723s, 2039 | 5,560 | | |
| Mortgage Capital Funding, Inc., 7.214s, 2007 | 2,250 | | |
| Nationslink Funding Corp., 5s, 2009 | 5,460 | | |
| Nationslink Funding Corp., 6.476s, 2030 | 4,000 | | |
| Residential Accredit Loans Inc., 7.75s, 2027 | 2,215 | | |
| TIAA Retail Commercial Mortgage Trust, 7.17s, 2032## | 6,159 | | |
| | | | - |
| | | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Defense Electronics - 0.3% | | | |
| L3 Communications Corp., 7.625s, 2012 | \$ 1,455 | | \$ |
| <hr style="border-top: 1px dashed #000;"/> | | | |
| Energy - 1.2% | | | |
| Ocean Energy Inc., 4.375s, 2007 | \$ 908 | | \$ |

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| | | | |
|--|----|-------|----|
| P&L Coal Holdings Corp., 9.625s, 2008 | | 1,411 | |
| Triton Energy Ltd., 9.25s, 2005 | | 3,500 | |
| ----- | | | |
| Energy - Independent - 1.0% | | | |
| Chesapeake Energy Corp., 8.125s, 2011## | \$ | 2,520 | \$ |
| Devon Financing Corp., 6.875s, 2011 | | 2,504 | |
| ----- | | | |
| Entertainment - 0.6% | | | |
| Regal Cinemas Corp., 9.375s, 2012 | \$ | 2,425 | \$ |
| Time Warner Entertainment Co. LP, 8.875s, 2012 | | 419 | |
| ----- | | | |
| Financial Institutions - 1.7% | | | |
| Boeing Capital Corp., 5.75s, 2007 | \$ | 1,153 | \$ |
| Ford Motor Credit Co., 5.625s, 2004 | | 255 | |
| Ford Motor Credit Co., 7.375s, 2011 | | 2,431 | |
| General Electric Capital Corp., 6s, 2012 | | 2,422 | |
| GMAC, 6s, 2006 | | 375 | |
| GMAC, 7s, 2012 | | 2,610 | |
| ----- | | | |
| Financial Services - 0.2% | | | |
| Sprint Capital Corp., 6.875s, 2028 | \$ | 1,501 | \$ |
| ----- | | | |
| Food & Beverage Products - 0.6% | | | |
| Burns Philp Capital Property Ltd., 9.75s, 2012## | \$ | 3,480 | \$ |
| ----- | | | |
| Forest & Paper Products - 1.0% | | | |
| Buckeye Cellulose Corp., 9.25s, 2008 | \$ | 2,150 | \$ |
| MDP Acquisitions PLC, 9.625s, 2012## | | 940 | |
| Meadwestvaco Corp., 6.85s, 2012 | | 1,000 | |
| Weyerhaeuser Company, 6.75s, 2012 | | 1,456 | |
| ----- | | | |
| Gaming - 1.3% | | | |
| Coast Hotels & Casinos, Inc., 9.5s, 2009 | \$ | 1,295 | \$ |
| MGM Mirage, Inc., 8.375s, 2011 | | 2,700 | |
| Park Place Entertainment Corp., 8.875s, 2008 | | 2,540 | |
| ----- | | | |
| Insurance - 0.4% | | | |
| Americo Life, Inc., 9.25s, 2005 | \$ | 2,225 | \$ |
| ----- | | | |
| Insurance - Property & Casualty - 0.5% | | | |
| Allstate Corp., 7.2s, 2009 | \$ | 1,703 | \$ |
| Willis Corroon Corp., 9s, 2009 | | 685 | |
| ----- | | | |
| Lodging - 0.5% | | | |
| HMH Properties, Inc., 8.45s, 2008 | \$ | 2,635 | \$ |
| ----- | | | |
| Machinery - 0.8% | | | |
| Agco Corp., 9.5s, 2008 | \$ | 2,000 | \$ |

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| | | | |
|--|----|-------|----|
| New Terex Corp., 8.875s, 2008 | | 960 | |
| Terex Corp., 9.25s, 2011 | | 1,380 | |
| Thermadyne Manufacturing/Capital Corp., 9.875s, 2008 (In default) | | 230 | |
| ----- | | | |
| Media - 0.8% | | | |
| CSC Holdings, Inc., 8.125s, 2009 | \$ | 3,469 | \$ |
| Jones Intercable, Inc., 8.875s, 2007 | | 1,500 | |
| ----- | | | |
| Media - Cable - 0.5% | | | |
| Lenfest Communications, Inc., 10.5s, 2006 | \$ | 500 | \$ |
| Mediacom Broadband LLC, 11s, 2013 | | 2,600 | |
| NTL Communications Corp., 0s to 2003, 12.375s, 2008 (In default) | | 1,025 | |
| NTL, Inc., 0s to 2003, 9.75s, 2008 (In default)## | | 1,860 | |
| ----- | | | |
| Media Satellite - 1.5% | | | |
| Grupo Elektra S.A. de C.V., 12s, 2008 | \$ | 45 | \$ |
| GS Escrow Corp., 7s, 2003 | | 5,210 | |
| Kinder Morgan Energy Partners, 7.4s, 2031 | | 2,282 | |
| ----- | | | |
| Medical & Health Technology Services - 0.5% | | | |
| Fisher Scientific International Inc., 8.125s, 2012 | \$ | 1,305 | \$ |
| Tenet Healthcare Corp., 6.375s, 2011 | | 1,212 | |
| ----- | | | |
| Metals & Minerals | | | |
| Kaiser Aluminum & Chemical Corp., 10.875s, 2006 | \$ | 175 | \$ |
| ----- | | | |
| Municipals - 1.1% | | | |
| New Jersey Economic Development Authority, 5.5s, 2012 | \$ | 1,500 | \$ |
| State of Massachusetts, 5.5s, 2013 | | 3,620 | |
| ----- | | | |
| Oil Services - 0.1% | | | |
| AmeriGas Partners LP, 10.125s, 2007 | \$ | 510 | \$ |
| ----- | | | |
| Oils - 0.2% | | | |
| Valero Energy Corp., 6.875s, 2012 | \$ | 1,331 | \$ |
| ----- | | | |
| Pollution Control - 0.4% | | | |
| Allied Waste North America, Inc., 10s, 2009 | \$ | 2,375 | \$ |
| ----- | | | |
| Printing & Publishing - 0.2% | | | |
| Hollinger International Publishing, 9.25s, 2007 | \$ | 1,250 | \$ |
| ----- | | | |
| Real Estate - 0.2% | | | |
| Vornado Reality Trust, 5.625s, 2007 | \$ | 1,266 | \$ |
| ----- | | | |
| Real Estate Investment Trusts - 0.5% | | | |
| Starwood Hotels & Resorts, 7.875s, 2012## | \$ | 2,600 | \$ |
| ----- | | | |

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| | | | |
|---|----|--------|----|
| Small Business Administration - 0.4% | | | |
| Small Business Administration, 5.34s, 2021 | \$ | 1,968 | \$ |
| <hr/> | | | |
| Steel - 0.1% | | | |
| Kaiser Aluminum & Chemical Corp., 9.875s, 2049 (In default) | \$ | 1,015 | \$ |
| WCI Steel, Inc., 10s, 2004 | | 565 | |
| <hr/> | | | |
| Stores - 0.3% | | | |
| Gap, Inc., 10.55s, 2008 | \$ | 1,330 | \$ |
| <hr/> | | | |
| Supermarkets - 0.3% | | | |
| Fleming Cos., Inc., 9.25s, 2010 | \$ | 1,695 | \$ |
| <hr/> | | | |
| Technology - 0.6% | | | |
| Unisystem Corp., 7.875s, 2008 | \$ | 3,250 | \$ |
| <hr/> | | | |
| Telecommunications - 2.6% | | | |
| Continental Cablevision, Inc., 9.5s, 2013 | \$ | 5,000 | \$ |
| TCI Communications Financing III, 9.65s, 2027 | | 5,000 | |
| Time Warner Inc., 6.95s, 2028 | | 1,342 | |
| Triton PCS, Inc., 0s to 2003, 11s, 2008 | | 1,460 | |
| Turner Broadcasting Systems, Inc., 8.4s, 2024 | | 3,000 | |
| <hr/> | | | |
| Telecommunications - Wireless - 0.4% | | | |
| Centennial Cellular Operating Co., 10.75s, 2008 | \$ | 500 | \$ |
| Rural Cellular Corp., 9.75s, 2010 | | 1,125 | |
| Verizon Wireless Capital LLC, 5.375s, 2006## | | 1,221 | |
| <hr/> | | | |
| Telecommunications - Wireline | | | |
| ICG Holdings, Inc., 0s to 2001, 12.5s, 2006 (In default) | \$ | 460 | \$ |
| Worldwide Fiber, Inc., 12s, 2009 (In default) | | 500 | |
| <hr/> | | | |
| Tire & Rubber | | | |
| Day International Group, Inc., 11.125s, 2005 | \$ | 105 | |
| <hr/> | | | |
| U.S. Government Agencies - 15.0% | | | |
| Financing Corp., 9.4s, 2018 | \$ | 12,000 | \$ |
| FNMA, 6s, 2016 | | 9,100 | |
| FNMA, 5.5s, 2017 | | 8,549 | |
| FNMA, 6.5s, 2031 | | 17,003 | |
| GNMA, 6.5s, 2028 | | 12,585 | |
| GNMA, 7s, 2031 | | 12,185 | |
| <hr/> | | | |
| U.S. Treasury Obligations - 11.5% | | | |
| U.S. Treasury Bonds, 0s, 2023 | \$ | 3,867 | \$ |
| U.S. Treasury Bonds, 6.875s, 2025 | | 8,000 | |
| U.S. Treasury Bonds, 6.25s, 2030 | | 2,276 | |
| U.S. Treasury Notes, 4.625s, 2006 | | 13,202 | |
| U.S. Treasury Notes, 3.25s, 2007 | | 15,000 | |
| U.S. Treasury Notes, 3.375s, 2007 | | 2,409 | |
| U.S. Treasury Notes, 5s, 2011 | | 6,220 | |
| U.S. Treasury Notes, 4.375s, 2012 | | 7,828 | |

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| | | | | |
|--|-----|-------|----|-----|
| | | | \$ | |
| ----- | | | | |
| Utilities - Electric - 3.4% | | | | |
| BVPS II Funding Corp., 8.68s, 2017 | \$ | 928 | | \$ |
| Firstenergy Corp., 5.5s, 2006 | | 2,278 | | |
| Midamerican Energy Holdings Co., 5.875s, 2012 | | 3,973 | | |
| Niagara Mohawk Power Corp., 8.77s, 2018 | | 2,354 | | |
| Northwestern Corp., 7.875s, 2007## | | 1,388 | | |
| Progress Energy Inc., 5.85s, 2008 | | 2,501 | | |
| PSEG Power LLC, 7.75s, 2011 | | 2,511 | | |
| Waterford 3 Funding Entergy Corp., 8.09s, 2017 | | 2,511 | | |
| | | | | \$ |
| ----- | | | | |
| Utilities - Telephone - 1.4% | | | | |
| AT&T Corp., 6.5s, 2029 | \$ | 2,000 | | \$ |
| Verizon Global Funding Corp., 7.375s, 2012 | | 4,953 | | |
| | | | | \$ |
| ----- | | | | |
| Total U.S. Bonds | | | | \$3 |
| ----- | | | | |
| Foreign Bonds - 26.5% | | | | |
| Algeria - 0.1% | | | | |
| Republic of Algeria, 2.875s, 2004 | \$ | 93 | | \$ |
| Republic of Algeria, 2.625s, 2010 | | 484 | | |
| | | | | \$ |
| ----- | | | | |
| Austria - 0.2% | | | | |
| Republic of Austria, 5.5s, 2007 | EUR | 1,208 | | \$ |
| ----- | | | | |
| Brazil - 0.3% | | | | |
| Federal Republic of Brazil, 8s, 2014 | \$ | 581 | | \$ |
| Federal Republic of Brazil, 8.875s, 2024 | | 882 | | |
| Federal Republic of Brazil, 10.125s, 2027 | | 875 | | |
| Federal Republic of Brazil, 12.25s, 2030 | | 302 | | |
| Federal Republic of Brazil, 11s, 2040 | | 30 | | |
| | | | | \$ |
| ----- | | | | |
| Bulgaria - 1.1% | | | | |
| Republic of Bulgaria, 7.5s, 2013## | EUR | 4,341 | | \$ |
| Republic of Bulgaria, 8.25s, 2015 | \$ | 66 | | |
| Republic of Bulgaria, 8.25s, 2015## | | 1,278 | | |
| | | | | \$ |
| ----- | | | | |
| Canada - 3.0% | | | | |
| Abitibi Consolidated Inc., 8.55s, 2010 (Forest & Paper Products) | \$ | 1,384 | | \$ |
| Abitibi Consolidated Inc., 8.85s, 2030 (Forest & Paper Products) | | 1,425 | | |
| Government of Canada, 5.75s, 2006 | CAD | 2,591 | | |
| Government of Canada, 5.5s, 2009 | | 8,702 | | |
| Government of Canada, 5.25s, 2012 | | 8,683 | | |
| | | | | \$ |
| ----- | | | | |
| Colombia | | | | |
| Republic of Colombia, 10s, 2012 | \$ | 217 | | \$ |

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| | | | |
|---|-----|--------|----|
| Republic of Colombia, 11.75s, 2020 | | 35 | |
| <hr/> | | | |
| Denmark - 0.6% | | | |
| Kingdom of Denmark, 7s, 2007 | DKK | 20,088 | \$ |
| <hr/> | | | |
| Dominican Republic - 0.2% | | | |
| Dominican Republic, 9.5s, 2006## | \$ | 987 | \$ |
| <hr/> | | | |
| Ecuador | | | |
| Republic of Ecuador, 12s, 2012 | \$ | 150 | \$ |
| <hr/> | | | |
| France - 1.1% | | | |
| Danone Groupe, 5.625s, 2003 (Food & Beverage) | EUR | 50 | \$ |
| France Telecom S.A., 8.7s, 2006 (Telecommunications - Wireline) | \$ | 105 | |
| Republic of France, 4.75s, 2012 | EUR | 3,882 | |
| Republic of France, 5s, 2012 | | 400 | |
| SNCF, 7.5s, 2008 (Railroad & Shipping) | | 750 | |
| Vivendi Enviroment, 5.875s, 2008 (Pollution Control) | | 250 | |
| <hr/> | | | |
| Germany - 7.3% | | | |
| Coca Cola Erfrischungsgetranke AG, 5.875s, 2005 (Beverages) | \$ | 600 | \$ |
| Depfa Deutsche Pfandbriefbk, 5.5s, 2010 | EUR | 960 | |
| Europa Two Ltd, 3.635s, 2027 | | 392 | |
| Federal Republic of Germany, 4s, 2009 | | 5,360 | |
| Federal Republic of Germany, 4.5s, 2009 | | 30,188 | |
| Kreditanstalt Fur Wiederaufbau, 4.75s, 2006 (Banks & Credit Cos.) | | 750 | |
| Societe Generale Capital Trust I, 7.875s, 2049 (Banks & Credit Cos.) | | 300 | |
| <hr/> | | | |
| Grand Cayman Islands - 0.2% | | | |
| Pemex Finance Ltd., 9.69s, 2009 (Finance) | \$ | 905 | \$ |
| <hr/> | | | |
| Greece - 0.5% | | | |
| Fage Dairy Industries S.A., 9s, 2007 (Food & Beverage Products) | \$ | 2,770 | \$ |
| <hr/> | | | |
| Hungary | | | |
| Government of Hungary, 10s, 2003 | HUF | 55,000 | \$ |
| <hr/> | | | |
| Ireland - 0.6% | | | |
| Bank Of Ireland UK Holdings, 1s, 2049 | EUR | 500 | \$ |
| Republic of Ireland, 5s, 2013 | | 2,479 | |
| <hr/> | | | |
| Italy - 0.9% | | | |
| Republic of Italy, 4.5s, 2005 | EUR | 4,745 | \$ |
| <hr/> | | | |
| Kazakhstan - 0.2% | | | |
| Hurricane Hydrocarbons Ltd. (Oils), 12s, 2006 | \$ | 30 | \$ |
| Kazkommerts International B.V., 10.125s, 2007 (Banks & Credit Cos.)## | | 50 | |
| Kaztransoil Co., 8.5s, 2006 (Oil Services)## | | 1,127 | |
| <hr/> | | | |

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| | | | |
|---|-----|--------|-----|
| Malaysia - 0.2% | | | |
| Petroliam Nasional Berhad, 7.75s, 2015 (Oils) | \$ | 999 | \$ |
| Petronas Capital Ltd., 7.875s, 2022 (Oil Services)## | | 100 | - |
| ----- | | | |
| Mexico - 1.4% | | | |
| BBVA Bancomer, 10.5s, 2011 (Banks & Credit Cos.)## | \$ | 1,280 | \$ |
| Durango Corp., 13.125s, 2006 (Forest & Paper Products) | | 1,315 | |
| Durango Corp. S.A. de C.V., 13.75s, 2009 (Forest & Paper Products)## | | | 25 |
| Pemex Project Funding Master Trust, 9.125s, 2010 (Finance) | | | 83 |
| Pemex Project Funding Master Trust 144A, 8.625s, 2022 (Finance)## | | | 115 |
| Petroleos Mexicanos, 9.5s, 2027 (Oils) | | | 649 |
| TFM S.A. de C.V., 11.75s, 2009 | | | 35 |
| TFM S.A. de C.V., 12.5s, 2012## | | | 30 |
| United Mexican States, 11.375s, 2016 | | | 45 |
| United Mexican States, 8.125s, 2019 | | | 56 |
| United Mexican States, 11.5s, 2026 | | 3,191 | |
| United Mexican States, 8.3s, 2031 | | 72 | |
| ----- | | | |
| Netherlands - 0.4% | | | |
| Kingdom Of Netherlands, 5s, 2012 | EUR | 1,812 | \$ |
| ----- | | | |
| New Zealand - 0.2% | | | |
| Government of New Zealand, 8s, 2006 | NZD | 2,270 | \$ |
| ----- | | | |
| Norway - 0.3% | | | |
| Kingdom of Norway, 5.5s, 2009 | NOK | 11,842 | \$ |
| ----- | | | |
| Panama - 0.5% | | | |
| Republic of Panama, 9.375s, 2012 | \$ | 1,189 | \$ |
| Republic of Panama, 10.75s, 2020 | | 1,101 | |
| ----- | | | |
| Peru | | | |
| Republic of Peru, 4s, 2017 | \$ | 169 | \$ |
| ----- | | | |
| Philippines | | | |
| Philippines Republic, 10.625s, 2025 | \$ | 48 | \$ |
| ----- | | | |
| Poland - 0.1% | | | |
| PTC International Finance B.V., 0s to 2002, 10.75s, 2007 (Telecommunications) | \$ | 532 | \$ |
| ----- | | | |
| Romania | | | |
| Republic of Romania, 8.5s, 2012 | EUR | 27 | \$ |
| ----- | | | |
| Russia - 1.9% | | | |
| Mobile Telesystems Fin S.A., 10.95s, 2004 (Telecommunications - Wireline) | \$ | 2,500 | |
| Russian Federation, 3s, 2006 | | 4,880 | |
| Russian Federation, 12.75s, 2028 | | 1,332 | |
| Russian Federation, 5s, 2030## | | 2,203 | |
| Tyumen Oil, 11s, 2007 (Oil Services)## | | 43 | |
| ----- | | | |
| \$ | | | |

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| | | | |
|---|-----|--------|-----|
| Singapore - 0.9% | | | |
| DBS Capital Funding Corp., 7.657s, 2049 (Banks & Credit Cos.)## | \$ | 2,348 | \$ |
| Flextronics International Ltd., 9.875s, 2010 (Electronics) | | 1,890 | --- |
| \$ | | | |
| ----- | | | |
| South Africa | | | |
| Republic of South Africa, 7.375s, 2012 | \$ | 167 | \$ |
| ----- | | | |
| South Korea - 0.5% | | | |
| Hanvit Bank, 12.75s, 2010 (Banks & Credit Cos.)## | \$ | 2,255 | \$ |
| ----- | | | |
| Spain - 1.8% | | | |
| Kingdom of Spain, 7s, 2005 | \$ | 4,988 | |
| Kingdom of Spain, 5.35s, 2011 | EUR | 3,847 | |
| --- | | | |
| \$ | | | |
| ----- | | | |
| Supra-National - 0.2% | | | |
| European Investment Bank, 5.375s, 2012 | EUR | 750 | \$ |
| ----- | | | |
| Sweden - 0.3% | | | |
| Kingdom of Sweden, 5.5s, 2012 | SEK | 11,745 | \$ |
| ----- | | | |
| Tunisia | | | |
| Banque Centrale De Tunisie, 7.375s, 2012 | \$ | 25 | \$ |
| ----- | | | |
| United Kingdom - 1.5% | | | |
| Barclays Bank PLC, 8.55s, 2049 (Banks & Credit Cos.)## | \$ | 2,259 | \$ |
| Dolphin Telecom PLC, 0s to 2003, 11.50s, 2008 (Telecommunications - Wireless) (In default) | | 2,515 | |
| Global Tele-Systems Ltd., 10.875s, 2008 (Telecommunications - Wireline) | | 165 | |
| Granites Mortgages PLC, 5.15s, 2042 (Real Estate) | EUR | 350 | |
| Hoteloc PLC, 4.386s, 2007 (Commercial Mortgages) | GBP | 450 | |
| National Westminster Bank PLC, 6.625s, 2049 (Banks & Credit Cos.) | EUR | 330 | |
| Ono Finance PLC, 13s, 2009 (Media - Cable) | \$ | 750 | |
| Ono Finance PLC, 14s, 2011 (Media - Cable) | | 1,000 | |
| Rolls Royce PLC, 6.375s, 2007 (Aerospace) | EUR | 300 | |
| Telewest Communications PLC, 9.625s, 2006 (Media - Cable) | \$ | 350 | |
| United Kingdom Treasury, 7.25s, 2007 | GBP | 1,756 | |
| Vodafone Airtouch PLC, 5.75s, 2006 (Telecommunications) | EUR | 140 | |
| --- | | | |
| \$ | | | |
| ----- | | | |
| Venezuela | | | |
| Republic of Venezuela, 9.25s, 2027 | \$ | 49 | \$ |
| ----- | | | |
| Vietnam | | | |
| Republic of Vietnam, 3.5s, 2028 | \$ | 110 | \$ |
| ----- | | | |
| Ukraine | | | |
| Ukraine Republic, 11s, 2007 | \$ | 67 | \$ |
| ----- | | | |
| Total Foreign Bonds | | | \$1 |
| ----- | | | |
| Total Bonds (Identified Cost, \$515,392,531) | | | \$5 |
| ----- | | | |
| Stocks - 0.2% | | | |

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| | SHARES | |
|--|---------|-----------------------------------|
| U.S. Stocks - 0.2% | | |
| Apparel & Textiles - 0.1% | | |
| Sind Holdings, Inc. | 6 | \$ |
| Consumer Goods & Services | | |
| RJ Reynolds Tobacco Holdings, Inc. | 2,302 | \$ |
| Metals & Minerals | | |
| Metal Management, Inc.* | 62,567 | \$ |
| Printing & Publishing | | |
| Golden Books Family Entertainment, Inc.* | 19,975 | \$ |
| Utilities - Telephone | | |
| ITC Deltacom Inc.* | 112,647 | \$ |
| Total U.S. Stocks | | \$ |
| Foreign Stocks | | |
| United Kingdom | | |
| Colt Telecom Group PLC, ADR (Telecommunications - Wireline)* | 1,440 | \$ |
| Total Stocks (Identified Cost, \$1,736,111) | | \$ |
| Convertible Bonds - 0.1% | | |
| | | PRINCIPAL AMOUNT (000 OMITTED) |
| Foreign Bonds - 0.1% | | |
| Italy - 0.1% | | |
| Telecom Italia S.p.A., 6.25s, 2012 (Telecommunications - Wireline) | EUR | 290 \$ |
| United Kingdom | | |
| Fortis Capital Co., 6.25s, 2049 (Banks & Credit Cos.) | EUR | 155 \$ |
| Total Convertible Bonds (Identified Cost, \$387,299) | | \$ |
| Warrants | | |
| ISSUER | SHARES | |
| Ono Finance PLC, Expire 2/15/11 (Media - Cable)* | 1,000 | |
| Loral Orion Network Systems, Inc., (Senior Note), Expire 1/15/07 (Telecommunications - Wireline)* | 1,625 | |
| Loral Orion Network Systems, Inc., (Senior Note with Discount), Expire 1/15/07 (Telecommunications - Wireline)* | 700 | |
| Total Warrants (Identified Cost, \$166,689) | | \$ |
| Rights | | |
| United Mexican States* | 501,000 | \$ |
| Total Rights (Identified Cost, \$0) | | \$ |

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Repurchase Agreement - 1.7%

| | PRINCIPAL AMOUNT | |
|--|------------------|-----|
| | (000 OMITTED) | |
| Goldman Sachs Group, LP dated 10/31/02 due 11/01/02, total to be received \$8,822,466 (secured by various U.S. Treasury and Federal Agency obligations in a jointly traded account), at Cost | \$ 8,822 | \$ |
| Total Investments (Identified Cost, \$526,504,630) | | \$5 |
| Other Assets, Less Liabilities - 0.3% | | |
| Net Assets - 100.0% | | \$5 |

*Non-income producing security.
##SEC Rule 144A restriction.

Abbreviations have been used throughout this report to indicate amounts shown in currencies other than the U.S. Dollar. A list of abbreviations is shown below.

| | |
|------------------------|--------------------------|
| CAD = Canadian Dollars | NOK = Norwegian Krone |
| DKK = Danish Krone | NZD = New Zealand Dollar |
| EUR = Euro | SEK = Swedish Kronor |
| GBP = British Pounds | THB = Thai Baht |
| HUF = Hungarian Forint | TRL = Turkish Lira |
| MXN = Mexican Peso | ZAR = South African Rand |

See notes to financial statements.

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

OCTOBER 31, 2002

Assets:

| | |
|--|---------------|
| Investments, at value (identified cost, \$526,504,630) | \$527,393,162 |
| Cash | 238,794 |
| Receivable for forward foreign currency exchange contracts | 111,701 |
| Receivable for investments sold | 14,981,789 |
| Interest and dividends receivable | 8,604,907 |
| Other assets | 3,434 |
| | \$551,333,787 |

Liabilities:

| | |
|--|------------|
| Distributions payable | \$ 227,782 |
| Payable for forward foreign currency exchange contracts | 67,815 |
| Payable for forward foreign currency exchange contracts subject to master netting agreements | 1,415,702 |
| Payable for investments purchased | 20,174,653 |
| Payable for trust shares reacquired | 84,000 |
| Payable to affiliates - | |
| Management fee | 1,494 |
| Transfer and dividend disbursing agent fee | 5,000 |
| Accrued expenses and other liabilities | 412,826 |

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| | |
|--|---------------|
| Total liabilities | \$ 22,389,272 |
| Net assets | \$528,944,515 |
| Net assets consist of: | |
| Paid-in capital | \$635,050,980 |
| Unrealized depreciation on investments and translation of assets and liabilities in foreign currencies | (466,301) |
| Accumulated net realized loss on investments and foreign currency transactions | (105,105,253) |
| Accumulated net investment loss | (534,911) |
| Total | \$528,944,515 |
| Shares of beneficial interest outstanding (90,140,454 issued, less 6,388,302 treasury shares) | 83,752,152 |
| Net asset value per share (net assets of \$528,944,515 / 83,752,152 shares of beneficial interest outstanding) | \$6.32 |
| See notes to financial statements. | |

FINANCIAL STATEMENTS -- continued

Statement of Operations

YEAR ENDED OCTOBER 31, 2002

| | |
|---|---------------|
| Net investment income: | |
| Income - | |
| Interest | \$ 39,133,781 |
| Dividends | 638,904 |
| Total investment income | \$ 39,772,685 |
| Expenses - | |
| Management fee | \$ 3,970,566 |
| Trustees' compensation | 59,945 |
| Custodian fee | 254,246 |
| Transfer and dividend disbursing agent fee | 191,262 |
| Administrative fee | 50,318 |
| Auditing fees | 30,280 |
| Legal fees | 389 |
| Postage | 50,758 |
| Printing | 38,445 |
| Stock exchange fee | 73,666 |
| Miscellaneous | 417,062 |
| Total expenses | \$ 5,136,937 |
| Fees paid indirectly | (40,587) |
| Net expenses | \$ 5,096,350 |
| Net investment income | \$ 34,676,335 |
| Realized and unrealized gain (loss) on investments: | |
| Realized gain (loss) (identified cost basis) - | |
| Investment transactions | (35,600,323) |
| Written option transactions | 2,762,059 |
| Foreign currency transactions | (1,480,584) |

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| | |
|---|-----------------|
| Net realized loss on investments and foreign currency transactions | \$ (34,318,848) |
| Change in unrealized appreciation (depreciation) - Investments | \$ 14,593,282 |
| Written options | (740,791) |
| Translation of assets and liabilities in foreign currencies | (2,363,847) |
| Net unrealized gain on investments and foreign currency translation | \$ 11,488,644 |
| Net realized and unrealized loss on investments and foreign currency | \$ (22,830,204) |
| Increase in net assets from operations | \$ 11,846,131 |

See notes to financial statements.

FINANCIAL STATEMENTS -- continued

Statement of Changes in Net Assets

YEAR ENDED OCTOBER 31,

2002

Decrease in net assets:

From operations -

| | |
|--|---------------|
| Net investment income | \$ 34,676,335 |
| Net realized loss on investments and foreign currency transactions | (34,318,848) |
| Net unrealized gain on investments and foreign currency translation | 11,488,644 |

Increase in net assets from operations

Distributions declared to shareholders -

| | |
|----------------------------|-----------------|
| From net investment income | \$ (35,951,308) |
| From paid-in capital | -- |

Total distributions declared to shareholders

Trust share (principal) transactions -

| | |
|---------------------------|----------------|
| Cost of shares reacquired | \$ (1,717,045) |
|---------------------------|----------------|

Total decrease in net assets

Net assets:

| | |
|----------------------|-------------|
| At beginning of year | 554,766,737 |
|----------------------|-------------|

| | |
|--|----------------|
| At end of year (including accumulated net investment loss of \$534,911 and \$2,600,974, respectively) | \$ 528,944,515 |
|--|----------------|

See notes to financial statements.

FINANCIAL STATEMENTS -- continued

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Financial Highlights

| YEAR ENDED OCTOBER 31, | 2002 | 2001 | 2000 |
|---|-----------|-----------|-----------|
| Per share data (for a share outstanding throughout each year): | | | |
| Net asset value - beginning of year | \$ 6.60 | \$ 6.69 | \$ 7.03 |
| Income from investment operations#(S) - | | | |
| Net investment income | \$ 0.41 | \$ 0.51 | \$ 0.58 |
| Net realized and unrealized gain (loss) on investments and foreign currency | (0.26) | (0.06) | (0.40) |
| Total from investment operations | \$ 0.15 | \$ 0.45 | \$ 0.18 |
| Less distributions declared to shareholders - | | | |
| From net investment income | \$ (0.43) | \$ (0.49) | \$ (0.41) |
| From paid-in capital | -- | (0.05) | (0.17) |
| Total distributions declared to shareholders | \$ (0.43) | \$ (0.54) | \$ (0.58) |
| Net increase from repurchase of capital shares | \$ 0.00+ | \$ 0.00+ | \$ 0.06 |
| Net asset value - end of year | \$ 6.32 | \$ 6.60 | \$ 6.69 |
| Per share market value - end of year | \$ 5.69 | \$ 6.06 | \$ 6.00 |
| Total return at market value | 0.90% | 9.83% | 8.84% |
| Ratios (to average net assets)/Supplemental data: | | | |
| Total expense | 0.96% | 1.06% | 1.06% |
| Net investment income(S) | 6.49% | 7.65% | 8.23% |
| Portfolio turnover | 152% | 103% | 82% |
| Net assets at end of year (000 Omitted) | \$528,945 | \$554,767 | \$567,191 |

#Per share data are based on average shares outstanding.

##Ratios do not reflect expense reductions from certain expense offset arrangements.

+Per share data was less than \$0.01.

(S)As required, effective November 1, 2001, the trust has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium and accreting market discount on debt securities. The effect of this change for the year ended October 31, 2002 was to increase net investment income per share and decrease net realized and unrealized gains and losses per share. The impact of this change calculates to less than \$0.01 per share. In addition, the ratio of net investment income to average net assets increased by 0.01%. Per share, ratios, and supplemental data for years prior to October 31, 2002 have not been restated to reflect this change in presentation.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

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

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(2) Significant Accounting Policies

General - The preparation of financial statements in conformity with 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. 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.

Investment Valuations - Debt securities (other than short-term obligations which mature in 60 days or less), including listed issues, forward foreign currency exchange contracts, and swap agreements, are valued on the basis of valuations furnished by dealers or by a pricing service with consideration to 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 exchange or over-the-counter prices. Equity securities listed on securities exchanges or reported through the NASDAQ system are reported at market value using last sale prices. Unlisted equity securities or listed equity securities for which last sale prices are not available are reported at market value using last quoted bid prices. Short-term obligations, which mature in 60 days or less, are valued at amortized cost, which approximates market value. Securities for which there are no such quotations or valuations are valued in good faith at the direction of the Trustees.

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.

Foreign Currency Translation - Investment valuations, other assets, and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. 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.

Deferred Trustee Compensation - Under a Deferred Compensation Plan (the Plan) independent Trustees may elect to defer receipt of all or a portion of their annual compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of the trust or other MFS trusts selected by the Trustee. Deferred amounts represent an unsecured obligation of the trust until distributed in accordance with the Plan.

Written Options - The trust may write call or put options in exchange for a

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premium. The premium is initially recorded as a liability, which is subsequently adjusted to the current value of the option contract. When a written option expires, the trust realizes a gain equal to the amount of the premium received. When a written call option is exercised or closed, the premium received is offset against the proceeds to determine the realized gain or loss. When a written put option is exercised, the premium reduces the cost basis of the security purchased by the trust. The trust, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. In general, written call options may serve as a partial hedge against decreases in value in the underlying securities to the extent of the premium received. Written options may also be used as part of an income producing strategy reflecting the view of the trust's management on the direction of interest rates.

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 meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. 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.

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 generally accepted accounting principles. Dividends received in cash are recorded on the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. 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 is shown as a reduction of total expenses on the Statement of Operations.

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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 taxable income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is provided.

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 currency transactions, mortgage-backed securities, derivatives, defaulted bonds, capital losses, and amortization and accretion on debt securities.

The tax character of distributions declared for the years ended October 31, 2002 and October 31, 2001 was as follows:

| | OCTOBER 31, 2002 | OCTOBER 31, 2001 |
|------------------------------|------------------|------------------|
| ----- | | |
| Distributions declared from: | | |
| Ordinary income | \$35,951,308 | \$41,366,841 |
| Long-term capital gain | -- | -- |
| | ----- | ----- |
| Tax return of capital | -- | 4,152,826 |
| | ----- | ----- |
| Total distributions declared | \$35,951,308 | \$45,519,667 |
| | ===== | ===== |

During the year ended October 31, 2002, accumulated net investment loss decreased by \$3,341,036, accumulated net realized loss on investments and foreign currency transactions increased by \$3,341,040, and paid-in capital increased by \$4, primarily due to differences between book and tax accounting for currency transactions, amortization and accretion on debt securities, and capital losses. This change had no effect on the net assets or net asset value per share.

As of October 31, 2002, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

| | |
|--------------------------------------|---------------|
| Undistributed ordinary income | \$ 799,075 |
| Undistributed long-term capital gain | -- |
| Capital loss carryforward | (101,149,308) |
| Unrealized loss | (3,045,499) |
| Other temporary differences | (2,710,733) |

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.

| | |
|------------------|---------------|
| October 31, 2003 | \$ 3,003,441 |
| October 31, 2007 | 18,400,020 |
| October 31, 2008 | 19,415,923 |
| October 31, 2009 | 22,359,865 |
| October 31, 2010 | 37,970,059 |
| | ----- |
| Total | \$101,149,308 |

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(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 0.34% of the trust's average daily net assets and 5.40% of investment income.

The trust pays the compensation of the Independent 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). On January 1, 2002, the Trustees terminated the Independent Trustee unfunded defined benefit plan for active Trustees and converted it to an unfunded retirement benefit deferral plan for active Trustees. Under the new plan, the unfunded pension liability was converted into an equivalent value of notional shares of the trust that will fluctuate with the performance of the trust. Included in Trustees' compensation is a one-time plan transition expense of \$11,375 and a net increase of \$488 as a result of the change in the trust's pension liability under this plan for the year ended October 31, 2002.

Administrator - The trust has an administrative services agreement with MFS to provide the trust with certain financial, legal, shareholder communications, compliance, and other administrative services. As a partial reimbursement for the cost of providing these services, the trust pays MFS an administrative fee at the following annual percentages of the trust's average daily net assets:

| | |
|--------------------------|---------|
| First \$2 billion | 0.0175% |
| Next \$2.5 billion | 0.0130% |
| Next \$2.5 billion | 0.0005% |
| In excess of \$7 billion | 0.0000% |

Transfer Agent - MFSC acts 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 and will reimburse MFSC for reasonable out-of-pocket expenses.

(4) Portfolio Securities

Purchases and sales of investments, other than purchased option transactions and short-term obligations, were as follows:

| | PURCHASES | SALES |
|--|---------------|---------------|
| U.S. government securities | \$262,881,127 | \$301,369,300 |
| Investments (non-U.S. government securities) | \$507,400,701 | \$472,368,250 |

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 | \$530,460,575 |
|----------------|---------------|

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| | |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 19,613,600 |
| Gross unrealized depreciation | (22,681,013) |
| | ----- |
| Net unrealized depreciation | \$ (3,067,413) |
| | ===== |

(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 90,140,454 full and fractional shares of beneficial interest. Transactions in trust shares were as follows:

| | YEAR ENDED OCTOBER 31, 2002 | YEAR ENDED OCTOBER 31, 2001 | | |
|----------------------------|--------------------------------|--------------------------------|-----------|---------------|
| | SHARES | AMOUNT | SHARES | AMOUNT |
| Treasury shares reacquired | (294,300) | \$(1,717,045) | (771,000) | \$(4,785,254) |
| Net decrease | (294,300) | \$(1,717,045) | (771,000) | \$(4,785,254) |
| | ===== | ===== | ===== | ===== |

In accordance with the provisions of the trust's prospectus, 294,300 shares of beneficial interest were purchased by the trust during year ended October 31, 2002 at an average price per share of \$5.83 and a weighted average discount of 9.43% per share. The trust repurchased 771,000 shares of beneficial interest during the year ended October 31, 2001, at an average price per shares of \$6.10 and a weighted average discount of 8.73% per share.

(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. 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 quarter. The commitment fee allocated to the trust for the year ended October 31, 2002, was \$4,320. The trust had no borrowings during the year.

(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 written options and forward foreign currency exchange contracts. 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.

There were no outstanding financial instruments with off-balance-sheet risk at the end of the year.

Written Option Transactions

| | NUMBER OF CONTRACTS | PREMIUMS RECEIVED |
|--------------------------------|------------------------|----------------------|
| Outstanding, beginning of year | 4 | \$2,826,419 |
| Options written | 10 | 59,630 |
| Options exercised | (9) | (1,195,992) |
| Options expired | (5) | (1,690,057) |

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| | | |
|--------------------------|------|-------|
| Outstanding, end of year | ---- | ----- |
| | -- | \$ -- |
| | ==== | ===== |

Forward Foreign Currency Exchange Contracts

| SETTLEMENT DATE | | CONTRACTS TO DELIVER/RECEIVE | IN EXCHANGE FOR | CONTRACTS AT VALUE | U APP (DEPR |
|-------------------|-----|---------------------------------|-----------------|-----------------------|-------------------|
| Sales | | | | | |
| 12/16/02 | DKK | 24,912,080 | \$ 3,289,822 | \$ 3,304,083 | |
| 12/16/02 | EUR | 7,097,764 | 6,968,709 | 6,996,428 | |
| 12/16/02 | GBP | 1,874,819 | 2,902,401 | 2,922,000 | |
| 11/08/02 | MXN | 1,026,100 | 101,796 | 100,978 | |
| 11/12/02 | ZAR | 523,500 | 50,875 | 52,296 | |
| | | | ----- | ----- | |
| | | | \$13,313,603 | \$13,375,785 | |
| | | | ===== | ===== | |
| Purchases | | | | | |
| 12/16/02 | DKK | 954,663 | \$ 126,469 | \$ 126,617 | |
| 12/16/02 | EUR | 3,230,861 | 3,148,959 | 3,184,734 | |
| 12/16/02 | GBP | 413,420 | 638,320 | 644,336 | |
| 11/08/02-11/29/02 | MXN | 3,865,431 | 384,071 | 379,339 | |
| 12/16/02 | NZD | 3,239,875 | 1,506,024 | 1,564,751 | |
| 11/15/02-11/29/02 | THB | 13,104,000 | 299,724 | 302,581 | |
| 11/18/02 | TRL | 433,084,000,000 | 252,941 | 252,858 | |
| 11/12/02-11/29/02 | ZAR | 2,581,788 | 249,879 | 257,239 | |
| | | | ----- | ----- | |
| | | | \$ 6,606,387 | \$ 6,712,455 | |
| | | | ===== | ===== | |

At October 31, 2002, forward foreign currency purchases and sales under master netting agreements excluded above amounted to a net payable of \$100,077 with Merrill Lynch, \$1,275,388 with Deutsche Bank, and \$40,237 with CS First Boston.

At October 31, 2002, the trust had sufficient cash and/or securities to cover any commitments under these contracts.

(8) Change in Accounting Principle

As required, effective November 1, 2001, the fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium and accreting market discount on debt securities. Prior to November 1, 2001, the fund did not amortize premium nor accrete market discount on debt securities. The cumulative effect of this accounting change had no impact on total net assets of the fund, but resulted in a \$3,979,555 reduction in cost of securities and a corresponding \$3,979,555 decrease in net unrealized depreciation, based on securities held by the fund on November 1, 2001.

The effect of this change for the year ended October 31, 2002 was to increase net investment income by \$42,664, increase net unrealized depreciation by \$522,757, and decrease net realized losses by \$565,421. The Statement of Changes in Net Assets and Financial Highlights for prior periods has not been restated to reflect this change in presentation.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Trustees and Shareholders of MFS Multimarket Income Trust:

We have audited the accompanying statement of assets and liabilities of MFS Multimarket Income Trust (the Trust), including the portfolio of investments, as of October 31, 2002, and the related statement of operations for the year then ended, the statement 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of October 31, 2002, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the MFS Multimarket Income Trust at October 31, 2002, 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.

/s/ Ernst & Young LLP

Boston, Massachusetts
December 6, 2002

FEDERAL TAX INFORMATION (Unaudited)

IN JANUARY 2003, SHAREHOLDERS WILL BE MAILED A FORM 1099-DIV REPORTING THE FEDERAL TAX STATUS OF ALL DISTRIBUTIONS PAID DURING THE CALENDAR YEAR 2002.

FOR THE YEAR ENDED OCTOBER 31, 2002, THE AMOUNT OF DISTRIBUTIONS FROM INCOME ELIGIBLE FOR THE 70% DIVIDENDS RECEIVED DEDUCTION FOR CORPORATIONS IS 1.73%.

MFS(R) MULTIMARKET INCOME TRUST

The following tables present certain information regarding the Trustees and officers of the Trust, including their principal occupations, which, unless specific dates are shown, are of more than five years" duration, although the

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titles may not have been the same throughout.

NAME, AGE, POSITION WITH THE TRUST, PRINCIPAL OCCUPATION, AND OTHER DIRECTORSHIPS (1)

TRUSTEES

JEFFREY L. SHAMES* (born 06/02/55) Trustee,
Chairman
Massachusetts Financial Services Company, Chairman

JOHN W. BALLEEN* (born 09/12/59) Trustee and
President
Massachusetts Financial Services Company, Chief
Executive Officer and Director

KEVIN J. PARKE* (born 12/14/59) Trustee
Massachusetts Financial Services Company, Chief
Investment Officer, President and Director

LAWRENCE H. COHN, M.D. (born 03/11/37) Trustee
Brigham and Women's Hospital, Chief of Cardiac
Surgery; Harvard Medical School, Professor of
Surgery

THE HON. SIR J. DAVID GIBBONS, KBE (born 06/15/27)
Trustee
Edmund Gibbons Limited (diversified holding
company), Chief Executive Officer; Colonial
Insurance Company Ltd., Director and Chairman;
Bank of Butterfield, Chairman (until 1997)

WILLIAM R. GUTOW (born 09/27/41) Trustee
Private investor and real estate consultant;
Capitol Entertainment Management Company (video
franchise), Vice Chairman

J. ATWOOD IVES (born 05/01/36) Trustee
Private investor; KeySpan Corporation (energy
related services), Director; Eastern Enterprises
(diversified services company), Chairman, Trustee
and Chief Executive Officer (until November 2000)

(1) Directorships or trusteeships of companies required to report to the Securities and Exchange
(i.e., "public companies").

* "Interested person" of MFS within the meaning of the Investment Company Act of 1940 (referred
Act) which is the principal federal law governing investment companies like the Trust. The ad
500 Boylston Street, Boston, Massachusetts 02116.

ABBY M. O'NEILL (born 04/27/28) Trustee
Private investor; Rockefeller Financial
Inc. (investment advisers), Chairman and
Executive Officer

LAWRENCE T. PERERA (born 06/23/35) Trustee
Hemenway & Barnes (attorneys), Partner

WILLIAM J. POORVU (born 04/10/35) Trustee
Private investor; Harvard University Gra
School of Business Administration, Class
Adjunct Professor in Entrepreneurship Em
CBL & Associates Properties, Inc. (real
investment trust), Director

J. DALE SHERRATT (born 09/23/38) Trustee
Insight Resources, Inc. (acquisition pla
specialists), President; Wellfleet Inves
(investor in health care companies), Man
General Partner (since 1993); Cambridge
Nutraceuticals (professional nutritional
products), Chief Executive Officer (unti
2001); Paragon Trade Brands, Inc. (dispo
consumer products), Director

ELAINE R. SMITH (born 04/25/46) Trustee
Independent health care industry consult

WARD SMITH (born 09/13/30) Trustee
Private investor; Sundstrand Corporation
(manufacturer of highly engineered produ
industrial and aerospace applications),
(until June 1999)

OFFICERS

JEFFREY L. SHAMES (born 06/02/55) Trustee,
Chairman
Massachusetts Financial Services Company, Chairman

JOHN W. BALLEEN (born 9/12/59) Trustee and
President
Massachusetts Financial Services Company, Chief

RICHARD M. HISEY (born 08/29/58) Treasur
Massachusetts Financial Services Company
Vice President (since July 2002); The Ba
York, Senior Vice President (September 2
July 2002); Lexington Global Asset Manag
Executive Vice President and General Man
(prior to September 2000)

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Executive Officer and Director

JAMES R. BORDEWICK, JR. (born 03/06/59) Assistant Secretary and Assistant Clerk
Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel

STEPHEN E. CAVAN (born 11/06/53) Secretary and Clerk
Massachusetts Financial Services Company, Senior Vice President, General Counsel and Secretary

ROBERT R. FLAHERTY (born 09/18/63) Assistant Treasurer
Massachusetts Financial Services Company, Vice President (since August 2000); UAM Fund Services, Senior Vice President (prior to August 2000)

ELLEN MOYNIHAN (born 11/13/57) Assistant
Massachusetts Financial Services Company
President

JAMES O. YOST (born 06/12/60) Assistant
Massachusetts Financial Services Company
Vice President

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

Messrs. Shames, Ives, Perera and Poorvu, and Ms. Smith have served in their capacity as Trustee of the Trust continuously since originally elected or appointed. Messrs. Ballen and Gutow have each served as Trustee of the Trust since August 1, 2001. Messrs. Cohn, Gibbons, Sherratt and Smith, and Ms. O'Neill were elected as Trustee of the Trust since January 1, 2002. Mr. Parke has served as Trustee of the Trust since January 1, 2002.

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 affiliates of MFS. Each Trustee serves as a board member of 117 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.

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

PORTFOLIO MANAGER
Peter C. Vaream+

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

The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, NY 10081

AUDITORS
Ernst & Young LLP

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISTRIBU-
TION AGENT
State Street Bank and Trust Company c/o
Service Center, Inc. P.O. Box 55024 Boston, MA
02205-8016 1-800-637-2304

+ MFS Investment Management

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MFS (R) MULTIMARKET INCOME TRUST

MFS (R)
INVESTMENT MANAGEMENT

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Boston, MA 02116-3741

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