

MFS MUNICIPAL INCOME TRUST
Form N-CSRS
June 27, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-04841

MFS MUNICIPAL INCOME TRUST

(Exact name of registrant as specified in charter)

111 Huntington Avenue, Boston, Massachusetts 02199

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

111 Huntington Avenue

Boston, Massachusetts 02199

(Name and address of agents for service)

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

Date of fiscal year end: October 31

Date of reporting period: April 30, 2013

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ITEM 1. REPORTS TO STOCKHOLDERS.

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SEMIANNUAL REPORT

April 30, 2013

MFS® MUNICIPAL INCOME TRUST

MFM-SEM

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MFS® MUNICIPAL INCOME TRUST

New York Stock Exchange Symbol: **MFM**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

As 2013 has unfolded, we have seen global growth prospects decline, while U.S. and global equities march forward. Meanwhile, historically very low yields and a broadly

sideways market have produced slim bond market returns. The big stories thus far this year are Japan's aggressive stimulus, which appears to be eliciting its desired response among consumers and businesses, and the eurozone's debt-driven doldrums. Meanwhile, the two economic giants, China and the United States, keep chugging along deliberately, albeit at historically moderate rates of growth.

The U.S. housing recovery has coincided with a pickup in auto sales and a lift in job creation, but the U.S. sequestration's cuts are having the effect of a driver applying the brakes at the same time as the accelerator. The result is slower than desirable

growth. China, similarly, keeps moving forward, but at a slower than normal pace, held back by the eurozone recession, slower global growth, and by the new government's efforts to shift its enormous economy to more of a consumer focus. The eurozone continues to struggle with persistent record-high unemployment and 21 straight months of manufacturing contraction. The European Central Bank's recent interest rate cut could help, but this region will require much needed, though politically difficult, structural reforms to climb out of its deep funk.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process employs integrated, global research and active risk management. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes—all with a goal of building better insights, and ultimately better results, for our clients.

We are mindful of the many economic challenges investors face, and believe it is more important than ever to maintain a long-term view and employ time-tested principles, such as asset allocation and diversification. We remain confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

June 17, 2013

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

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Healthcare Revenue - Hospitals	28.5%
Universities - Colleges	14.5%
Healthcare Revenue - Long Term Care	13.8%
Water & Sewer Utility Revenue	9.2%
Industrial Revenue - Airlines	7.6%

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

AAA	11.8%
AA	16.7%
A	24.2%
BBB	38.8%
BB	9.0%
B	9.9%
C	0.3%
Not Rated	23.3%
Cash & Other	(34.0)%

Portfolio facts (i)

Average Duration (d)	12.0
Average Effective Maturity (m)	20.1 yrs.

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

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Portfolio Composition continued

- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.
- (o) Less than 0.1%.

From time to time Cash & Other Net Assets may be negative due to the aggregate liquidation value of variable rate municipal term preferred shares, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets, including the value of auction rate preferred shares, as of 4/30/13.

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

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PORTFOLIO MANAGERS PROFILES

Gary Lasman	Investment Officer of MFS; employed in the investment management area of MFS since 2002. Portfolio Manager of the Fund since April 2006.
Geoffrey Schechter	Investment Officer of MFS; employed in the investment management area of MFS since 1993. Portfolio Manager of the Fund since July 2004.

OTHER NOTES

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

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

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

Table of Contents**PORTFOLIO OF INVESTMENTS**

4/30/13 (unaudited)

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

Municipal Bonds - 138.6%

Issuer	Shares/Par	Value (\$)
Airport Revenue - 3.6%		
Burlington, VT, Airport Rev., A, 4%, 2028	\$ 235,000	\$ 229,994
Chicago, IL, O Hare International Airport Rev. (Third Lien Passenger Facility), B, AGM, 5.75%, 2022	3,000,000	3,098,490
Dallas Fort Worth, TX, International Airport Rev., D, 5%, 2038	1,560,000	1,657,547
Denver, CO, City & County Airport Systems Rev., A, 5%, 2027	270,000	311,337
Denver, CO, City & County Airport Systems Rev., A, 5%, 2028	260,000	297,960
Denver, CO, City & County Airport Systems Rev., B, 5%, 2032	525,000	603,509
Houston, TX, Airport System Rev., B, 5%, 2026	265,000	311,274
Houston, TX, Airport System Rev., Subordinate Lien, A, 5%, 2031	255,000	283,478
Massachusetts Port Authority Rev., A, 5%, 2037	65,000	73,016
Miami-Dade County, FL, Aviation Rev., A, 5%, 2031	285,000	316,604
Miami-Dade County, FL, Aviation Rev., B, AGM, 5%, 2035	1,365,000	1,539,365
Port Authority of NY & NJ, Special Obligation Rev. (JFK International Air Terminal LLC), 6%, 2036	485,000	575,724
Port Authority of NY & NJ, Special Obligation Rev. (JFK International Air Terminal LLC), 6%, 2042	550,000	646,008
San Jose, CA, Airport Rev., A-2, 5.25%, 2034	1,215,000	1,343,656
		\$ 11,287,962
General Obligations - General Purpose - 3.4%		
Allegheny County, PA, C-70, 5%, 2037	\$ 435,000	\$ 480,244
Bellwood, IL, 5.875%, 2027	300,000	298,968
Bellwood, IL, 6.15%, 2032	700,000	695,233
Chicago, IL, Metropolitan Water Reclamation District-Greater Chicago, C, 5%, 2030	1,260,000	1,478,446
Commonwealth of Puerto Rico, Public Improvement, A, 5%, 2029	445,000	435,797
Commonwealth of Puerto Rico, Public Improvement, B, 6.5%, 2037	495,000	524,497
Guam Government, A, 7%, 2039	170,000	193,720
Luzerne County, PA, AGM, 6.75%, 2023	860,000	1,010,741
New Orleans, LA, 5%, 2030	85,000	96,408
New Orleans, LA, 5%, 2031	155,000	173,510
State of California, 5.25%, 2028	660,000	787,505
State of California, 5.25%, 2030	1,560,000	1,847,180
State of California, 5.25%, 2035	1,285,000	1,491,050
State of California, 5%, 2041	455,000	505,746
State of Hawaii, DZ, 5%, 2031	335,000	398,724
		\$ 10,417,769

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
General Obligations - Schools - 0.6%		
Beverly Hills, CA, Unified School District (Election of 2008), Capital Appreciation, 0%, 2031	\$ 525,000	\$ 277,268
Frisco, TX, Independent School District, School Building, B, PSF, 3%, 2042	350,000	332,903
Los Angeles, CA, Unified School District, D, 5%, 2034	180,000	207,205
Merced, CA, Union High School District, Capital Appreciation, A, ASSD GTY, 0%, 2030	145,000	66,635
Royse City, TX, Independent School District, School Building, Capital Appreciation, PSF, 0%, 2027	955,000	498,835
Royse City, TX, Independent School District, School Building, Capital Appreciation, PSF, 0%, 2029	965,000	451,302
		\$ 1,834,148
Healthcare Revenue - Hospitals - 28.7%		
Alexander City, AL, Special Care Facilities Financing Authority Medical Facilities Rev., A (Russell Hospital Corp.), 5.75%, 2036	\$ 600,000	\$ 618,708
Athens County, OH, Hospital Facilities Rev. (O Bleness Memorial Hospital), A, 7.125%, 2033	1,500,000	1,510,080
Butler County, OH, Hospital Facilities Rev. (UC Health), 5.75%, 2040	260,000	292,796
California Health Facilities Financing Authority Rev. (St. Joseph Health System), A, 5.75%, 2039	650,000	761,807
California Health Facilities Financing Authority Rev. (Sutter Health), B, 5.875%, 2031	1,295,000	1,555,658
Chautauqua County, NY, Capital Resource Corp. Rev. (Women s Christian Assn.), A, 8%, 2030	1,060,000	1,146,485
Citrus County, FL, Hospital Rev. (Citrus Memorial Hospital), 6.25%, 2023	700,000	701,421
Cullman County, AL, Health Care Authority (Cullman Regional Medical Center), A, 6.75%, 2029	865,000	941,042
Dauphin County, PA, General Authority Health System Rev. (Pinnacle Health System), A, 5%, 2042	670,000	724,806
DeKalb County, GA, Hospital Authority Rev. (DeKalb Medical Center, Inc.), 6.125%, 2040	1,150,000	1,345,190
Duluth, MN, Economic Development Authority Health Care Facilities Rev. (St. Luke s Hospital Authority Obligated Group), 5.75%, 2027	365,000	390,211
Duluth, MN, Economic Development Authority Health Care Facilities Rev. (St. Luke s Hospital Authority Obligated Group), 5.75%, 2032	795,000	853,226
Duluth, MN, Economic Development Authority Health Care Facilities Rev. (St. Luke s Hospital Authority Obligated Group), 6%, 2039	910,000	987,013
Escambia County, FL, Health Facilities Authority (Baptist Hospital, Inc.), A, 6%, 2036	615,000	710,915
Fruita, CO, Rev. (Family Health West Project), 7%, 2018	210,000	241,053
Fruita, CO, Rev. (Family Health West Project), 8%, 2043	1,310,000	1,516,377

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
Gallia County, OH, Hospital Facilities Rev. (Holzer Health Systems), A, 8%, 2042	\$ 1,860,000	\$ 2,157,470
Glasgow, KY, Healthcare Rev. (TJ Samson Community Hospital), 6.375%, 2035	570,000	661,194
Harris County, TX, Cultural Education Facilities Finance Corp. Medical Facilities Rev. (Baylor College of Medicine), A, 5%, 2037	925,000	1,032,661
Harris County, TX, Cultural Education Facilities Finance Corp. Medical Facilities Rev. (Baylor College of Medicine), D, 5.625%, 2032	510,000	586,194
Harris County, TX, Health Facilities Development Corp., Hospital Rev. (Memorial Hermann Healthcare Systems), B, 7.25%, 2018 (c)	610,000	816,717
Illinois Finance Authority Rev. (Advocate Healthcare), 4%, 2047	495,000	491,342
Illinois Finance Authority Rev. (Ascension Healthcare), A, 5%, 2042	230,000	257,057
Illinois Finance Authority Rev. (Centegra Health System), 5%, 2038	665,000	715,773
Illinois Finance Authority Rev. (Kewanee Hospital), 5.1%, 2031	630,000	664,984
Illinois Finance Authority Rev. (Provena Health), A, 7.75%, 2034	945,000	1,187,307
Illinois Finance Authority Rev. (Silver Cross Hospital & Medical Centers), 6.875%, 2038	940,000	1,122,755
Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Clarian Health), A, 5%, 2039	1,000,000	1,074,880
Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Community Foundation of Northwest Indiana), 5.5%, 2037	1,860,000	2,028,293
Jefferson Parish, LA, Hospital Service District No. 2 (East Jefferson General Hospital), 6.25%, 2031	595,000	693,705
Jefferson Parish, LA, Hospital Service District No. 2 (East Jefferson General Hospital), 6.375%, 2041	375,000	438,746
Johnson City, TN, Health & Educational Facilities Board, Hospital Rev. (Mountain States Health Alliance), 6%, 2038	365,000	427,127
Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Owensboro Medical Health System), A, 6.375%, 2040	1,095,000	1,311,306
Knox County, IN, Economic Development Rev. (Good Samaritan Hospital), A, 5%, 2037	85,000	93,118
Knox County, IN, Economic Development Rev. (Good Samaritan Hospital), A, 5%, 2042	170,000	185,025
Laramie County, WY, Hospital Rev. (Cheyenne Regional Medical Center Project), 5%, 2032	65,000	72,467
Laramie County, WY, Hospital Rev. (Cheyenne Regional Medical Center Project), 5%, 2037	210,000	229,352
Laramie County, WY, Hospital Rev. (Cheyenne Regional Medical Center Project), 5%, 2042	325,000	351,670
Louisiana Public Facilities Authority Hospital Rev. (Lake Charles Memorial Hospital), 6.375%, 2034	1,615,000	1,756,684
Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2037	110,000	114,128

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
Macomb County, MI, Hospital Finance Authority Rev. (Mount Clemens General Hospital), 5.875%, 2013 (c)	\$ 435,000	\$ 448,011
Martin County, FL, Health Facilities Authority Rev. (Martin Memorial Medical Center), 5.5%, 2042	495,000	553,920
Miami Beach, FL, Health Facilities Authority Rev. (Mount Sinai Medical Center), 6.75%, 2014 (c)	110,000	120,792
Miami Beach, FL, Health Facilities Authority Rev. (Mount Sinai Medical Center), 6.75%, 2029	700,000	750,176
Michigan Hospital Finance Authority Rev. (Henry Ford Health System), 5.75%, 2039	2,000,000	2,278,280
Monroe County, MI, Hospital Finance Authority, Hospital Rev. (Mercy Memorial Hospital Corp.), 5.5%, 2035	1,020,000	1,088,524
Monroe County, PA, Hospital Authority Rev. (Pocono Medical Center), A, 5%, 2032	85,000	93,055
Monroe County, PA, Hospital Authority Rev. (Pocono Medical Center), A, 5%, 2041		