

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSR

February 05, 2015

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF**  
**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-05567

**MFS INTERMEDIATE HIGH INCOME FUND**

(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: November 30

Date of reporting period: November 30, 2014

**Table of Contents**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

**Table of Contents**

**ANNUAL REPORT**

November 30, 2014

**MFS® INTERMEDIATE HIGH INCOME FUND**

CIH-ANN

**Table of Contents**

**MFS® INTERMEDIATE HIGH INCOME FUND**

New York Stock Exchange Symbol: **CIF**

<u>Letter from the Chairman</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	6
<u>Portfolio managers profiles</u>	8
<u>Dividend reinvestment and cash purchase plan</u>	9
<u>Portfolio of investments</u>	10
<u>Statement of assets and liabilities</u>	26
<u>Statement of operations</u>	27
<u>Statements of changes in net assets</u>	28
<u>Statement of cash flows</u>	29
<u>Financial highlights</u>	30
<u>Notes to financial statements</u>	32
<u>Report of independent registered public accounting firm</u>	46
<u>Results of shareholder meeting</u>	47
<u>Trustees and officers</u>	48
<u>Board review of investment advisory agreement</u>	54
<u>Proxy voting policies and information</u>	58
<u>Quarterly portfolio disclosure</u>	58
<u>Further information</u>	58
<u>Federal tax information</u>	58
<u>MFS® privacy notice</u>	59
<u>Contact information</u> back cover	

**NOT FDIC INSURED   MAY LOSE VALUE   NO BANK GUARANTEE**

**Table of Contents**

**LETTER FROM THE CHAIRMAN**

Dear Shareholders:

The U.S. economy stands on firmer ground than the rest of the world, expanding at an annualized pace of more than 3%. The labor market has regained momentum,

consumer confidence has improved and gasoline prices have fallen sharply. Accordingly, expectations are strong for continued economic recovery into 2015.

In contrast, all other major economic regions are struggling. The eurozone economy is barely expanding, and deflation is a growing concern. The European Central Bank (ECB) has attempted to stimulate the region's economy, and many market participants believe the ECB will introduce large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a technical recession,

leading to additional monetary stimulus from the Bank of Japan. The Chinese economy is slowing down, and its growth rate will likely continue to fall as it transitions to a more sustainable basis.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplinary, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

**Robert J. Manning**

Chairman

MFS Investment Management

January 15, 2015

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

**Table of Contents****PORTFOLIO COMPOSITION****Portfolio structure (i)**

<b>Top five industries (i)</b>	
Energy-Independent	9.8%
Midstream	7.8%
Cable TV	7.7%
Medical & Health Technology & Services	7.1%
Telecommunications-Wireless	5.8%
<b>Composition including fixed income credit quality (a)(i)</b>	
BBB	3.3%
BB	50.6%
B	61.5%
CCC	16.7%
C	0.1%
Not Rated	(0.7)%
Non-Fixed Income (o)	0.0%
Cash & Other	(31.5)%
<b>Portfolio facts (i)</b>	
Average Duration (d)	5.8
Average Effective Maturity (m)	6.8 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. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. 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.

**Table of Contents**

*Portfolio Composition continued*

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

From time to time Cash & Other may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.

Percentages are based on net assets as of 11/30/14.

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

**Table of Contents**

**MANAGEMENT REVIEW**

**Summary of Results**

MFS Intermediate High Income Fund ( fund ) is a closed-end fund. The fund s investment objective is to seek high current income but may also consider capital appreciation. MFS normally invests at least 80% of the fund s net assets, including borrowings for investment purposes, in high income debt instruments.

For the twelve months ended November 30, 2014, shares of the MFS Intermediate High Income Fund provided a total return of 5.77%, at net asset value and a total return of 5.46%, at market value. This compares with a return of 4.52% for the fund s benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

The performance commentary below is based on the net asset value performance of the fund which reflects the performance of the underlying pool of assets held by the fund. The total return at market value represents the return earned by owners of the shares of the fund which are traded publicly on the exchange.

**Market Environment**

Prior to the reporting period, the decision by the US Federal Reserve ( Fed ) to postpone the tapering of its quantitative easing ( QE ) program surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government (from October 1 through October 16, 2013) and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank ( ECB ) to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014 and that tapering would have no major impact on the trajectory.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived, as improving economic growth in the US coupled with prospects for easier monetary policy in regions with slowing growth such as Japan, Europe and China, supported risk assets. For example, the ECB cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading at all-time highs. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

**Contributors to Performance**

The portion of the fund s return derived from yield, which was greater than that of the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index, was a major driver



---

**Table of Contents**

*Management Review continued*

of positive relative performance. A greater exposure to corporate bonds in the *industrial* sector was another positive factor contributing to relative returns as this market sector performed well over the reporting period. Yield curve<sup>(y)</sup> positioning in the U.S., particularly the fund's greater exposure to shifts in the long portion of the yield curve (centered around maturities of 10 years), also boosted relative performance.

Security selection further supported relative returns. Individual securities that were among the fund's top relative contributors included the debt of oil and natural gas company El Paso Energy, financial services companies Barclays<sup>(h)</sup>, Royal Bank of Scotland and JP Morgan Chase, and vehicle components manufacturer Accuride.

The fund employs leverage which has been created through the use of loan agreements with a bank. To the extent that investments are purchased through the use of leverage, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. During the reporting period, the fund's use of leverage enhanced its absolute positive returns.

**Detractors from Performance**

A greater exposure to B and BB<sup>(h)</sup> ~~rated~~ bonds, which underperformed higher-rated securities during the reporting period, detracted from relative returns. Additionally, yield curve<sup>(y)</sup> positioning in the U.S., particularly the fund's lesser exposure to shifts in the middle (centered around 7 to 10 years) of the yield curve was also an area of relative weakness.

Individual bond holdings that were among the fund's top relative detractors for the reporting period included the debt of coal producer Walter Energy, diversified holdings company Icahn Enterprises and offshore drilling company Pacific Drilling.

Respectfully,

William Adams  
Portfolio Manager

David Cole  
Portfolio Manager

(h) Security was not held in the portfolio at period end.

(r) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

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

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

**Table of Contents**

**PERFORMANCE SUMMARY THROUGH 11/30/14**

The following chart represents the fund's historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares. Performance data shown represents past performance and is no guarantee of future results.

**Price Summary for MFS Intermediate High Income Fund**

		Date	Price
	Net Asset Value	11/30/14	\$3.09
		11/30/13	\$3.16
	New York Stock Exchange Price	11/30/14	\$2.73
Year		5/08/14 (high) (t)	\$2.98
Ended		10/15/14 (low) (t)	\$2.63
11/30/14		11/30/13	\$2.80

**Total Returns vs Benchmark**

	MFS Intermediate High Income Fund at	
	New York Stock Exchange Price (r)	5.46%
	Net Asset Value (r)	5.77%
Year Ended	Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)	
11/30/14		4.52%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2013 through November 30, 2014.

**Benchmark Definition**

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index a component of the Barclays U.S. High-Yield Corporate Bond Index, which measures performance of non-investment grade, fixed rate debt. The index limits the maximum exposure to any one issuer to 2%.

It is not possible to invest directly in an index.

**Notes to Performance Summary**

The fund's shares may trade at a discount or premium to net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation.

**Table of Contents**

*Performance Summary continued*

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.

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

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

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

**Table of Contents**

**PORTFOLIO MANAGERS PROFILES**

<b>Portfolio Manager</b>	<b>Primary Role</b>	<b>Since</b>	<b>Title and Five Year History</b>
William Adams	Portfolio Manager	2011	Investment Officer of MFS; employed in the investment management area of MFS since 2009; Credit Analyst at MFS from 1997 to 2005.
David Cole	Portfolio Manager	2007	Investment Officer of MFS; employed in the investment management area of MFS since 2004.

**Table of Contents**

**DIVIDEND REINVESTMENT AND CASH**

**PURCHASE PLAN**

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Generally, purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a price of either the net asset value or 95% of the market price, whichever is greater. You can also buy shares on a quarterly basis in any amount \$100 and over. The Plan Agent will purchase shares under the Cash Purchase Plan on the 15th of January, April, July, and October or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. Dividends and capital gains distributions are taxable whether received in cash or reinvested in additional shares the automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent's website at [www.computershare.com](http://www.computershare.com), by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078. Please have available the name of the fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account, the Plan Agent will sell your shares and send the proceeds to you, or you may transfer your full shares to your investment professional who can hold or sell them. Additionally, the Plan Agent will sell your fractional shares and send the proceeds to you.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at [www.computershare.com](http://www.computershare.com), or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078.

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

11/30/14

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

<b>Bonds - 125.1%</b>		
<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Aerospace - 3.1%</b>		
Bombardier, Inc., 7.5%, 3/15/18 (n)	\$ 235,000	\$ 259,851
Bombardier, Inc., 7.75%, 3/15/20 (n)	135,000	148,500
Bombardier, Inc., 6.125%, 1/15/23 (n)	255,000	262,013
CPI International, Inc., 8.75%, 2/15/18	360,000	370,800
Gencorp, Inc., 7.125%, 3/15/21	325,000	342,469
Huntington Ingalls Industries, Inc., 7.125%, 3/15/21	405,000	439,931
Huntington Ingalls Industries, Inc., 5%, 12/15/21 (n)	35,000	35,569
TransDigm, Inc., 6%, 7/15/22	55,000	55,550
TransDigm, Inc., 6.5%, 7/15/24	130,000	132,600
		\$ 2,047,283
<b>Apparel Manufacturers - 0.8%</b>		
Hanesbrands, Inc., 6.375%, 12/15/20	\$ 225,000	\$ 239,513
PVH Corp., 4.5%, 12/15/22	260,000	258,700
		\$ 498,213
<b>Asset-Backed &amp; Securitized - 0.1%</b>		
Citigroup Commercial Mortgage Trust, FRN, 5.899%, 12/10/49	\$ 275,000	\$ 36,471
<b>Automotive - 4.4%</b>		
Accuride Corp., 9.5%, 8/01/18	\$ 425,000	\$ 442,000
Allison Transmission, Inc., 7.125%, 5/15/19 (n)	585,000	614,250
Goodyear Tire & Rubber Co., 6.5%, 3/01/21	385,000	409,063
Goodyear Tire & Rubber Co., 7%, 5/15/22	85,000	92,013
Jaguar Land Rover PLC, 8.125%, 5/15/21 (n)	345,000	379,931
Lear Corp., 8.125%, 3/15/20	133,000	139,650
Lear Corp., 4.75%, 1/15/23	230,000	228,850
Lear Corp., 5.25%, 1/15/25	140,000	140,000
Schaeffler Finance B.V., 4.75%, 5/15/21 (n)	200,000	199,500
Schaeffler Holding Finance B.V., 6.25%, 11/15/19 (p)(z)	200,000	209,250
		\$ 2,854,507
<b>Broadcasting - 3.2%</b>		
AMC Networks, Inc., 7.75%, 7/15/21	\$ 271,000	\$ 294,710
Clear Channel Communications, Inc., 9%, 3/01/21	208,000	202,800
Clear Channel Worldwide Holdings, Inc., A, 6.5%, 11/15/22	45,000	46,679
Clear Channel Worldwide Holdings, Inc., B, 6.5%, 11/15/22	205,000	213,713
Liberty Media Corp., 8.5%, 7/15/29	250,000	275,625
Liberty Media Corp., 8.25%, 2/01/30	10,000	11,025
Netflix, Inc., 5.375%, 2/01/21	250,000	261,250

10

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Broadcasting - continued</b>		
Nexstar Broadcasting, Inc., 6.875%, 11/15/20	\$ 290,000	\$ 301,600
Univision Communications, Inc., 6.875%, 5/15/19 (n)	280,000	294,000
Univision Communications, Inc., 7.875%, 11/01/20 (n)	195,000	210,356
		\$ 2,111,758
<b>Brokerage &amp; Asset Managers - 0.7%</b>		
E*TRADE Financial Corp., 6.375%, 11/15/19	\$ 430,000	\$ 460,100
<b>Building - 3.8%</b>		
Allegion U.S. Holding Co., Inc., 5.75%, 10/01/21	\$ 355,000	\$ 372,750
Building Materials Corp. of America, 5.375%, 11/15/24 (n)	215,000	215,000
Building Materials Holding Corp., 6.75%, 5/01/21 (n)	160,000	172,200
CEMEX S.A.B. de C.V., 5.7%, 1/11/25 (n)	210,000	202,650
Gibraltar Industries, Inc., 6.25%, 2/01/21	140,000	143,850
HD Supply, Inc., 8.125%, 4/15/19	125,000	135,813
HD Supply, Inc., 7.5%, 7/15/20	280,000	295,400
Headwaters, Inc., 7.25%, 1/15/19	110,000	114,675
Headwaters, Inc., 7.625%, 4/01/19	75,000	78,563
Nortek, Inc., 8.5%, 4/15/21	310,000	333,250
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 6/01/20 (n)	222,000	228,660
USG Corp., 7.875%, 3/30/20 (n)	110,000	118,931
USG Corp., 5.875%, 11/01/21 (n)	60,000	61,802
		\$ 2,473,544
<b>Business Services - 1.5%</b>		
Equinix, Inc., 4.875%, 4/01/20	\$ 190,000	\$ 190,475
Equinix, Inc., 5.375%, 1/01/22	70,000	70,350
Equinix, Inc., 5.375%, 4/01/23	110,000	110,413
Iron Mountain, Inc., 8.375%, 8/15/21	149,000	154,960
Iron Mountain, Inc., 6%, 8/15/23	170,000	178,075
NeuStar, Inc., 4.5%, 1/15/23	280,000	245,700
		\$ 949,973
<b>Cable TV - 7.4%</b>		
CCO Holdings LLC/CCO Holdings Capital Corp., 8.125%, 4/30/20	\$ 445,000	\$ 471,700
CCO Holdings LLC/CCO Holdings Capital Corp., 7.375%, 6/01/20	75,000	80,344
CCO Holdings LLC/CCO Holdings Capital Corp., 6.5%, 4/30/21	420,000	442,050
CCO Holdings LLC/CCO Holdings Capital Corp., 5.75%, 1/15/24	220,000	221,375
Cequel Communications Holdings, 6.375%, 9/15/20 (n)	235,000	243,813
DISH DBS Corp., 7.875%, 9/01/19	70,000	79,975
DISH DBS Corp., 6.75%, 6/01/21	175,000	190,094
DISH DBS Corp., 5%, 3/15/23	190,000	184,419
DISH DBS Corp., 5.875%, 11/15/24 (n)	90,000	90,675

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Cable TV - continued</b>		
Intelsat Jackson Holdings S.A., 6.625%, 12/15/22	\$ 330,000	\$ 344,025
Intelsat Jackson Holdings S.A., 5.5%, 8/01/23	360,000	354,600
Intelsat Luxembourg S.A., 8.125%, 6/01/23	210,000	219,450
LGE Holdco VI B.V., 7.125%, 5/15/24 (z)	EUR 135,000	185,198
Lynx I Corp., 5.375%, 4/15/21 (n)	\$ 200,000	206,250
Numericable Group S.A., 6%, 5/15/22 (n)	480,000	487,570
SIRIUS XM Radio, Inc., 4.25%, 5/15/20 (n)	70,000	69,475
SIRIUS XM Radio, Inc., 5.875%, 10/01/20 (n)	30,000	31,725
SIRIUS XM Radio, Inc., 4.625%, 5/15/23 (n)	125,000	119,063
SIRIUS XM Radio, Inc., 6%, 7/15/24 (n)	135,000	139,388
Unitymedia Hessen, 5.5%, 1/15/23 (n)	250,000	260,000
UPCB Finance III Ltd., 6.625%, 7/01/20 (n)	354,000	370,815
		\$ 4,792,004
<b>Chemicals - 4.6%</b>		
Celanese U.S. Holdings LLC, 5.875%, 6/15/21	\$ 252,000	\$ 271,530
Celanese U.S. Holdings LLC, 4.625%, 11/15/22	90,000	90,225
Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 5/01/21 (n)	300,000	324,000
Hexion U.S. Finance Corp., 6.625%, 4/15/20	110,000	106,425
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2/01/18	305,000	288,225
Huntsman International LLC, 8.625%, 3/15/21	285,000	309,225
INEOS Finance PLC, 8.375%, 2/15/19 (n)	400,000	427,000
INEOS Group Holdings S.A., 6.125%, 8/15/18 (n)	200,000	196,770
NOVA Chemicals Corp., 5%, 5/01/25 (n)	108,000	111,645
Taminco Global Chemical Corp., 9.75%, 3/31/20 (n)	275,000	301,469
Tronox Finance LLC, 6.375%, 8/15/20	440,000	451,000
W.R. Grace & Co., 5.125%, 10/01/21 (n)	120,000	124,500
		\$ 3,002,014
<b>Computer Software - 0.6%</b>		
Syniverse Holdings, Inc., 9.125%, 1/15/19	\$ 98,000	\$ 102,410
VeriSign, Inc., 4.625%, 5/01/23	260,000	255,450
		\$ 357,860
<b>Computer Software - Systems - 1.2%</b>		
Audatex North America, Inc., 6%, 6/15/21 (n)	\$ 290,000	\$ 300,875
CDW LLC/CDW Finance Corp., 8.5%, 4/01/19	185,000	196,331
CDW LLC/CDW Finance Corp., 6%, 8/15/22	140,000	146,475
CDW LLC/CDW Finance Corp., 5.5%, 12/01/24	125,000	124,680
		\$ 768,361
<b>Conglomerates - 3.0%</b>		
Amsted Industries Co., 5%, 3/15/22 (n)	\$ 455,000	\$ 448,175
BC Mountain LLC, 7%, 2/01/21 (n)	220,000	199,100



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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
<b>Conglomerates - continued</b>		
Dynacast International LLC, 9.25%, 7/15/19	\$ 200,000	\$ 214,000
EnPro Industries, Inc., 5.875%, 9/15/22 (n)	195,000	200,363
Entegris, Inc., 6%, 4/01/22 (n)	345,000	356,316
Renaissance Acquisition, 6.875%, 8/15/21 (n)	350,000	347,375
Rexel S.A., 6.125%, 12/15/19 (n)	200,000	208,000
		\$ 1,973,329
<b>Construction - 0.2%</b>		
Empresas ICA S.A.B. de C.V., 8.9%, 2/04/21	\$ 135,000	\$ 135,675
<b>Consumer Products - 0.9%</b>		
Elizabeth Arden, Inc., 7.375%, 3/15/21	\$ 115,000	\$ 107,525
Prestige Brands, Inc., 8.125%, 2/01/20	79,000	84,728
Prestige Brands, Inc., 5.375%, 12/15/21 (n)	200,000	197,000
Spectrum Brands, Inc., 6.375%, 11/15/20	215,000	227,363
		\$ 616,616
<b>Consumer Services - 2.3%</b>		
ADT Corp., 6.25%, 10/15/21	\$ 265,000	\$ 277,582
ADT Corp., 4.125%, 6/15/23	85,000	77,135
Garda World Security Corp., 7.25%, 11/15/21 (n)	55,000	55,000
Garda World Security Corp., 7.25%, 11/15/21 (n)	180,000	180,000
Grupo Posadas S.A.B. de C.V., 7.875%, 11/30/17	150,000	145,500
Monitronics International, Inc., 9.125%, 4/01/20	300,000	297,000
Multi-Color Corp., 6.125%, 12/01/22 (n)	95,000	96,663
Service Corp. International, 7%, 6/15/17	255,000	277,313
Service Corp. International, 5.375%, 5/15/24	100,000	103,000
		\$ 1,509,193
<b>Containers - 5.0%</b>		
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)	\$ 400,000	\$ 429,000
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)	200,000	215,500
Ball Corp., 4%, 11/15/23	115,000	110,400
Berry Plastics Group, Inc., 9.75%, 1/15/21	40,000	44,600
Berry Plastics Group, Inc., 5.5%, 5/15/22	265,000	266,325
Crown American LLC, 4.5%, 1/15/23	481,000	461,760
Greif, Inc., 6.75%, 2/01/17	170,000	182,750
Owens-Brockway Glass Container, Inc., 5%, 1/15/22 (n)	85,000	86,063
Reynolds Group, 7.125%, 4/15/19	225,000	233,016
Reynolds Group, 9.875%, 8/15/19	100,000	107,750
Reynolds Group, 5.75%, 10/15/20	130,000	133,738
Reynolds Group, 8.25%, 2/15/21	510,000	532,313
Sealed Air Corp., 4.875%, 12/01/22 (n)	135,000	134,494
Sealed Air Corp., 5.125%, 12/01/24 (n)	35,000	35,088

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Containers - continued</b>		
Signode Industrial Group, 6.375%, 5/01/22 (n)	\$ 280,000	\$ 274,400
		\$ 3,247,197
<b>Defense Electronics - 0.6%</b>		
Ducommun, Inc., 9.75%, 7/15/18	\$ 361,000	\$ 390,783
<b>Electrical Equipment - 0.4%</b>		
Anixter, Inc., 5.125%, 10/01/21	\$ 240,000	\$ 243,000
<b>Electronics - 2.6%</b>		
Advanced Micro Devices, Inc., 6.75%, 3/01/19	\$ 290,000	\$ 268,250
Advanced Micro Devices, Inc., 7.5%, 8/15/22	70,000	62,650
Advanced Micro Devices, Inc., 7%, 7/01/24	70,000	59,850
Micron Technology, Inc., 5.875%, 2/15/22 (n)	155,000	163,913
Micron Technology, Inc., 5.5%, 2/01/25 (n)	105,000	105,525
Nokia Corp., 5.375%, 5/15/19	65,000	70,038
Nokia Corp., 6.625%, 5/15/39	65,000	70,850
NXP B.V., 5.75%, 2/15/21 (n)	200,000	211,500
NXP B.V., 5.75%, 3/15/23 (n)	245,000	260,313
Sensata Technologies B.V., 6.5%, 5/15/19 (n)	305,000	320,250
Sensata Technologies B.V., 5.625%, 11/01/24 (z)	115,000	122,044
		\$ 1,715,183
<b>Energy - Independent - 9.5%</b>		
American Energy-Permian Basin LLC, 7.125%, 11/01/20 (n)	\$ 90,000	\$ 72,900
American Energy-Permian Basin LLC, 7.375%, 11/01/21 (n)	260,000	209,950
Antero Resources Finance Corp., 6%, 12/01/20	180,000	182,925
Antero Resources Finance Corp., 5.375%, 11/01/21	225,000	222,180
Athlon Holdings LP/Athlon Finance Corp., 6%, 5/01/22 (n)	162,000	175,365
Baytex Energy Corp., 5.125%, 6/01/21 (n)	85,000	78,200
Baytex Energy Corp., 5.625%, 6/01/24 (n)	245,000	219,275
BreitBurn Energy Partners LP, 8.625%, 10/15/20	85,000	82,875
BreitBurn Energy Partners LP, 7.875%, 4/15/22	290,000	258,100
Chaparral Energy, Inc., 7.625%, 11/15/22	255,000	233,325
Concho Resources, Inc., 6.5%, 1/15/22	245,000	252,963
Concho Resources, Inc., 5.5%, 4/01/23	250,000	246,250
Energy XXI Gulf Coast, Inc., 6.875%, 3/15/24 (z)	55,000	41,250
EP Energy LLC, 6.875%, 5/01/19	75,000	78,188
EP Energy LLC, 9.375%, 5/01/20	205,000	223,963
EP Energy LLC, 7.75%, 9/01/22	475,000	484,500
Halcon Resources Corp., 8.875%, 5/15/21	280,000	215,600
Harvest Operations Corp., 6.875%, 10/01/17	87,000	86,565
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2/15/20 (n)	105,000	109,200
Hilcorp Energy I/Hilcorp Finance Co., 5%, 12/01/24 (n)	40,000	37,000

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
Energy - Independent - continued		
Linn Energy LLC/Linn Energy Finance Corp., 8.625%, 4/15/20	\$ 40,000	\$ 36,200
Linn Energy LLC/Linn Energy Finance Corp., 7.75%, 2/01/21	334,000	297,260
Linn Energy LLC/Linn Energy Finance Corp., 6.5%, 9/15/21	120,000	103,800
MEG Energy Corp., 6.5%, 3/15/21 (n)	175,000	161,000
MEG Energy Corp., 7%, 3/31/24 (n)	215,000	195,113
Northern Blizzard Resources, Inc., 7.25%, 2/01/22 (n)	185,000	171,125
Oasis Petroleum, Inc., 6.875%, 3/15/22	340,000	319,600
Range Resources Corp., 5%, 8/15/22	265,000	273,613
Rosetta Resources, Inc., 5.625%, 5/01/21	105,000	100,275
RSP Permian, Inc., 6.625%, 10/01/22 (n)	120,000	116,700
Sanchez Energy Corp., 6.125%, 1/15/23 (n)	325,000	292,500
SandRidge Energy, Inc., 8.125%, 10/15/22	200,000	160,000
SM Energy Co., 6.5%, 11/15/21	270,000	274,725
SM Energy Co., 6.125%, 11/15/22 (n)	140,000	140,700
		\$ 6,153,185
Entertainment - 2.8%		
Activision Blizzard, Inc., 6.125%, 9/15/23 (n)	\$ 220,000	\$ 239,250
Cedar Fair LP, 5.25%, 3/15/21	260,000	261,300
Cedar Fair LP, 5.375%, 6/01/24 (n)	95,000	94,763
Cinemark USA, Inc., 5.125%, 12/15/22	165,000	161,700
Cinemark USA, Inc., 4.875%, 6/01/23	190,000	180,975
NCL Corp. Ltd., 5.25%, 11/15/19 (n)	190,000	191,425
Seven Seas Cruises S. DE R.L., 9.125%, 5/15/19	340,000	368,458
Six Flags Entertainment Corp., 5.25%, 1/15/21 (n)	320,000	320,800
		\$ 1,818,671
Financial Institutions - 6.3%		
AerCap Ireland Capital Ltd., 5%, 10/01/21 (n)	\$ 150,000	\$ 156,000
Aircastle Ltd., 4.625%, 12/15/18	175,000	178,060
Aircastle Ltd., 5.125%, 3/15/21	85,000	85,850
Aviation Capital Group, 4.625%, 1/31/18 (n)	140,000	145,701
Aviation Capital Group, 6.75%, 4/06/21 (n)	200,000	228,000
CIT Group, Inc., 6.625%, 4/01/18 (n)	319,000	347,710
CIT Group, Inc., 5.5%, 2/15/19 (n)	340,000	360,400
CIT Group, Inc., 5%, 8/15/22	400,000	412,500
Icahn Enterprises LP, 6%, 8/01/20	245,000	255,094
Icahn Enterprises LP, 5.875%, 2/01/22	320,000	326,400
Nationstar Mortgage LLC/Capital Corp., 6.5%, 8/01/18	140,000	134,400
Nationstar Mortgage LLC/Capital Corp., 7.875%, 10/01/20	555,000	534,188
SLM Corp., 4.875%, 6/17/19	58,000	58,145
SLM Corp., 8%, 3/25/20	515,000	581,306
SLM Corp., 7.25%, 1/25/22	190,000	208,525

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
<b>Financial Institutions - continued</b>		
SLM Corp., 6.125%, 3/25/24	\$ 105,000	\$ 105,000
		\$ 4,117,279
<b>Food &amp; Beverages - 2.1%</b>		
B&G Foods, Inc., 4.625%, 6/01/21	\$ 205,000	\$ 197,310
Constellation Brands, Inc., 3.75%, 5/01/21	35,000	34,825
Constellation Brands, Inc., 4.25%, 5/01/23	215,000	214,205
Darling Ingredients, Inc., 5.375%, 1/15/22	320,000	323,200
H.J. Heinz Co., 4.25%, 10/15/20	285,000	288,591
Sun Merger Sub, Inc., 5.875%, 8/01/21 (n)	285,000	302,100
		\$ 1,360,231
<b>Forest &amp; Paper Products - 0.4%</b>		
Appvion, Inc., 9%, 6/01/20 (n)	\$ 175,000	\$ 127,750
Tembec Industries, Inc., 9%, 12/15/19 (n)	135,000	135,000
		\$ 262,750
<b>Gaming &amp; Lodging - 3.6%</b>		
CCM Merger, Inc., 9.125%, 5/01/19 (n)	\$ 255,000	\$ 274,125
Chester Downs & Marina LLC, 9.25%, 2/01/20 (n)	95,000	82,888
Greektown Holdings LLC, 8.875%, 3/15/19 (n)	285,000	289,988
Hilton Worldwide Finance Co., 5.625%, 10/15/21 (n)	415,000	435,750
Isle of Capri Casinos, Inc., 8.875%, 6/15/20	80,000	84,600
Isle of Capri Casinos, Inc., 5.875%, 3/15/21	185,000	189,163
MGM Resorts International, 6.625%, 12/15/21	180,000	192,150
MGM Resorts International, 6%, 3/15/23	180,000	182,700
Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/21	325,000	322,563
Wynn Las Vegas LLC, 7.75%, 8/15/20	260,000	276,900
		\$ 2,330,827
<b>Industrial - 1.5%</b>		
Dematic S.A., 7.75%, 12/15/20 (n)	\$ 385,000	\$ 407,138
Howard Hughes Corp., 6.875%, 10/01/21 (n)	375,000	395,625
SPL Logistics Escrow LLC, 8.875%, 8/01/20 (n)	175,000	187,688
		\$ 990,451
<b>International Market Quasi-Sovereign - 0.2%</b>		
Eksportfinans A.S.A., 5.5%, 5/25/16	\$ 60,000	\$ 62,880
Eksportfinans A.S.A., 5.5%, 6/26/17	31,000	33,093
		\$ 95,973
<b>Machinery &amp; Tools - 2.4%</b>		
Ashtead Capital, Inc., 5.625%, 10/01/24 (n)	\$ 265,000	\$ 279,575
H&E Equipment Services Co., 7%, 9/01/22	320,000	340,000

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
<b>Machinery &amp; Tools - continued</b>		
Jurassic Holdings III, Inc., 6.875%, 2/15/21 (n)	\$ 265,000	\$ 261,025
Light Tower Rentals, Inc., 8.125%, 8/01/19 (n)	230,000	209,300
RSC Equipment Rental, Inc., 8.25%, 2/01/21	240,000	261,000
United Rentals North America, Inc., 7.625%, 4/15/22	177,000	195,585
		\$ 1,546,485
<b>Major Banks - 1.8%</b>		
Bank of America Corp., FRN, 5.2%, 12/31/49	\$ 385,000	\$ 353,045
JPMorgan Chase & Co., 6% to 8/01/23, FRN to 12/29/49	380,000	382,850
Royal Bank of Scotland Group PLC, 7.648% to 9/30/31, FRN to 8/29/49	275,000	321,750
Royal Bank of Scotland Group PLC, 6.99% to 10/04/17, FRN to 10/29/49 (n)	100,000	113,500
		\$ 1,171,145
<b>Medical &amp; Health Technology &amp; Services - 6.6%</b>		
CHS/Community Health Systems, Inc., 5.125%, 8/01/21	\$ 55,000	\$ 56,513
CHS/Community Health Systems, Inc., 6.875%, 2/01/22	390,000	412,913
Davita, Inc., 6.625%, 11/01/20	190,000	199,025
Davita, Inc., 5.125%, 7/15/24	135,000	138,459
Fresenius Medical Care Capital Trust III, 5.625%, 7/31/19 (n)	170,000	182,750
Fresenius Medical Care Capital Trust III, 5.875%, 1/31/22 (n)	145,000	156,963
HCA, Inc., 4.25%, 10/15/19	185,000	185,925
HCA, Inc., 7.5%, 2/15/22	380,000	435,100
HCA, Inc., 5.875%, 3/15/22	465,000	505,688
HCA, Inc., 5%, 3/15/24	160,000	162,000
HealthSouth Corp., 8.125%, 2/15/20	425,000	445,188
LifePoint Hospitals, Inc., 5.5%, 12/01/21	375,000	389,063
Tenet Healthcare Corp., 8%, 8/01/20	430,000	456,875
Tenet Healthcare Corp., 4.5%, 4/01/21	250,000	245,625
Tenet Healthcare Corp., 8.125%, 4/01/22	115,000	128,513
Universal Health Services, Inc., 7.625%, 8/15/20	245,000	221,725
		\$ 4,322,325
<b>Medical Equipment - 1.1%</b>		
Biomet, Inc., 6.5%, 8/01/20	\$ 142,000	\$ 152,028
Physio-Control International, Inc., 9.875%, 1/15/19 (n)	128,000	137,280
Teleflex, Inc., 6.875%, 6/01/19	275,000	288,063
Teleflex, Inc., 5.25%, 6/15/24 (n)	165,000	165,825
		\$ 743,196
<b>Metals &amp; Mining - 5.0%</b>		
ArcelorMittal S.A., 6.75%, 2/25/22	\$ 60,000	\$ 65,213
ArcelorMittal S.A., 7.25%, 3/01/41	95,000	95,475

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
<b>Metals &amp; Mining - continued</b>		
Arch Coal, Inc., 8%, 1/15/19 (n)	\$ 105,000	\$ 71,400
Arch Coal, Inc., 7.25%, 10/01/20	70,000	30,450
Century Aluminum Co., 7.5%, 6/01/21 (n)	225,000	238,500
Commercial Metals Co., 4.875%, 5/15/23	210,000	203,700
Consol Energy, Inc., 6.375%, 3/01/21	75,000	78,000
Consol Energy, Inc., 5.875%, 4/15/22 (n)	190,000	189,525
EVRAZ, Inc. N.A. Canada, 7.5%, 11/15/19 (n)	200,000	200,000
First Quantum Minerals Ltd., 7.25%, 10/15/19 (n)	400,000	401,000
Fortescue Metals Group Ltd., 8.25%, 11/01/19 (n)	350,000	323,750
GrafTech International Co., 6.375%, 11/15/20	270,000	251,100
Lundin Mining Corp., 7.5%, 11/01/20 (n)	105,000	108,413
Lundin Mining Corp., 7.875%, 11/01/22 (n)	105,000	108,413
Steel Dynamics, Inc., 5.125%, 10/01/21 (n)	100,000	103,750
Steel Dynamics, Inc., 5.25%, 4/15/23	165,000	171,188
Steel Dynamics, Inc., 5.5%, 10/01/24 (n)	100,000	105,000
Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20 (n)	90,000	94,482
Suncoke Energy, Inc., 7.625%, 8/01/19	155,000	161,200
TMS International Corp., 7.625%, 10/15/21 (n)	155,000	162,363
Walter Energy, Inc., 9.5%, 10/15/19 (n)	95,000	80,750
Walter Energy, Inc., 8.5%, 4/15/21	115,000	28,750
		\$ 3,272,422
<b>Midstream - 7.7%</b>		
Access Midstream Partners LP, 4.875%, 5/15/23	\$ 220,000	\$ 224,400
AmeriGas Finance LLC, 6.75%, 5/20/20	395,000	414,750
Atlas Pipeline Partners LP/Atlas Pipeline, 4.75%, 11/15/21	70,000	68,600
Atlas Pipeline Partners LP/Atlas Pipeline, 5.875%, 8/01/23	330,000	339,900
Blue Racer Midstream LLC/Blue Racer Finance Corp., 6.125%, 11/15/22 (n)	90,000	90,900
Colorado Interstate Gas Co., 6.8%, 11/15/15	91,000	95,839
Crestwood Midstream Partners LP, 6%, 12/15/20	255,000	253,725
Crestwood Midstream Partners LP, 6.125%, 3/01/22	135,000	134,325
El Paso Corp., 7.75%, 1/15/32	500,000	632,000
Energy Transfer Equity LP, 7.5%, 10/15/20	340,000	390,150
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 5/01/21	230,000	227,700
Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 1/15/22	295,000	293,525
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., 5.5%, 2/15/23	230,000	235,750
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., 4.5%, 7/15/23	260,000	253,500
Sabine Pass Liquefaction LLC, 5.625%, 2/01/21	200,000	204,500
Sabine Pass Liquefaction LLC, 5.625%, 4/15/23	450,000	459,000
Sabine Pass Liquefaction LLC, 5.75%, 5/15/24	135,000	136,519

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Midstream - continued</b>		
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 7.5%, 7/01/21	\$ 130,000	\$ 140,400
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 5.5%, 8/15/22	225,000	222,750
Targa Resources Partners LP/Targa Resources Finance Corp., 4.125%, 11/15/19 (n)	190,000	190,000
		\$ 5,008,233
<b>Network &amp; Telecom - 2.5%</b>		
Centurylink, Inc., 6.45%, 6/15/21	\$ 210,000	\$ 228,900
Centurylink, Inc., 6.75%, 12/01/23	60,000	66,600
Centurylink, Inc., 7.65%, 3/15/42	245,000	245,000
Citizens Communications Co., 9%, 8/15/31	305,000	328,638
Frontier Communications Corp., 8.125%, 10/01/18	95,000	106,875
Telecom Italia Capital, 6%, 9/30/34	70,000	70,175
Telecom Italia S.p.A., 5.303%, 5/30/24 (n)	250,000	255,000
TW Telecom Holdings, Inc., 5.375%, 10/01/22	127,000	143,828
TW Telecom Holdings, Inc., 5.375%, 10/01/22	45,000	50,963
Windstream Corp., 7.75%, 10/15/20	135,000	141,683
		\$ 1,637,662
<b>Oil Services - 1.9%</b>		
Bristow Group, Inc., 6.25%, 10/15/22	\$ 373,000	\$ 376,730
Pacific Drilling S.A., 5.375%, 6/01/20 (n)	340,000	268,600
Shale-Inland Holdings LLC/Finance Co., 8.75%, 11/15/19 (n)	245,000	252,350
Unit Corp., 6.625%, 5/15/21	365,000	350,400
		\$ 1,248,080
<b>Oils - 0.4%</b>		
CITGO Petroleum Corp., 6.25%, 8/15/22 (n)	\$ 275,000	\$ 281,875
<b>Other Banks &amp; Diversified Financials - 0.5%</b>		
Groupe BPCE S.A., 12.5% to 9/30/19, FRN to 8/29/49 (n)	\$ 225,000	\$ 305,861
<b>Pharmaceuticals - 2.2%</b>		
Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22 (n)	\$ 380,000	\$ 406,600
Mallinckrodt International Finance S.A., 5.75%, 8/01/22 (n)	265,000	270,963
Valeant Pharmaceuticals International, Inc., 7%, 10/01/20 (n)	390,000	409,500
Valeant Pharmaceuticals International, Inc., 7.25%, 7/15/22 (n)	205,000	217,300
Vantage Point Imaging, 7.5%, 7/15/21 (n)	125,000	135,000
		\$ 1,439,363
<b>Pollution Control - 0.2%</b>		
Abengoa Finance S.A.U., 8.875%, 2/05/18	EUR 100,000	\$ 117,275

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
Precious Metals & Minerals - 0.9%		
Aurico Gold, Inc., 7.75%, 4/01/20 (n)	\$ 285,000	\$ 270,750
Eldorado Gold Corp., 6.125%, 12/15/20 (n)	335,000	331,650
		\$ 602,400
Printing & Publishing - 1.2%		
American Media, Inc., 13.5%, 6/15/18 (z)	\$ 28,207	\$ 30,146
Gannett Co., Inc., 5.125%, 7/15/20	110,000	113,575
Gannett Co., Inc., 4.875%, 9/15/21 (n)	60,000	60,300
Gannett Co., Inc., 6.375%, 10/15/23	195,000	209,869
Lamar Media Corp., 5%, 5/01/23	165,000	164,175
Nielsen Finance LLC, 5%, 4/15/22 (n)	220,000	221,650
		\$ 799,715
Railroad & Shipping - 0.4%		
Watco Cos. LLC, 6.375%, 4/01/23 (n)	\$ 240,000	\$ 244,200
Real Estate - Healthcare - 1.2%		
Aviv Healthcare Properties LP/Aviv Healthcare, REIT, 6%, 10/15/21	\$ 310,000	\$ 330,150
MPT Operating Partnership LP, REIT, 6.875%, 5/01/21	150,000	160,500
MPT Operating Partnership LP, REIT, 6.375%, 2/15/22	255,000	272,850
		\$ 763,500
Real Estate - Other - 1.6%		
CNL Lifestyle Properties, Inc., REIT, 7.25%, 4/15/19	\$ 150,000	\$ 152,625
DuPont Fabros Technology LP, REIT, 5.875%, 9/15/21	290,000	300,875
EPR Properties, REIT, 7.75%, 7/15/20	200,000	241,995
EPR Properties, REIT, 5.75%, 8/15/22	50,000	55,208
Felcor Lodging LP, REIT, 5.625%, 3/01/23	315,000	314,213
		\$ 1,064,916
Retailers - 2.2%		
Best Buy Co., Inc., 5.5%, 3/15/21	\$ 335,000	\$ 343,375
Bon Ton Stores, Inc., 8%, 6/15/21	150,000	123,000
Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19 (n)(p)	185,000	168,350
Limited Brands, Inc., 7%, 5/01/20	50,000	56,250
Limited Brands, Inc., 6.95%, 3/01/33	175,000	180,250
Neiman Marcus Group Ltd., 8%, 10/15/21 (n)	105,000	111,825
Rite Aid Corp., 9.25%, 3/15/20	220,000	242,550
Sally Beauty Holdings, Inc., 6.875%, 11/15/19	195,000	207,675
		\$ 1,433,275
Specialty Chemicals - 0.5%		
Chemtura Corp., 5.75%, 7/15/21	\$ 335,000	\$ 331,650



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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
<b>Specialty Stores - 0.9%</b>		
Group 1 Automotive, Inc., 5%, 6/01/22 (n)	\$ 335,000	\$ 330,813
Men's Wearhouse, Inc., 7%, 7/01/22 (n)	75,000	77,063
Michaels Stores, Inc., 5.875%, 12/15/20 (n)	185,000	186,850
		\$ 594,726
<b>Telecommunications - Wireless - 5.8%</b>		
Crown Castle International Corp., 4.875%, 4/15/22	\$ 90,000	\$ 90,000
Crown Castle International Corp., 5.25%, 1/15/23	245,000	249,288
Digicel Group Ltd., 8.25%, 9/01/17 (n)	235,000	239,994
Digicel Group Ltd., 7.125%, 4/01/22 (n)	200,000	195,500
Eileme 2 AB, 11.625%, 1/31/20 (n)	200,000	227,500
Sprint Capital Corp., 6.875%, 11/15/28	285,000	267,188
Sprint Corp., 7.875%, 9/15/23	300,000	314,250
Sprint Corp., 7.125%, 6/15/24	305,000	301,569
Sprint Nextel Corp., 9%, 11/15/18 (n)	150,000	173,625
Sprint Nextel Corp., 6%, 11/15/22	205,000	197,313
T-Mobile USA, Inc., 6.125%, 1/15/22	35,000	35,613
T-Mobile USA, Inc., 6.5%, 1/15/24	95,000	97,138
T-Mobile USA, Inc., 6.464%, 4/28/19	85,000	88,188
T-Mobile USA, Inc., 6.25%, 4/01/21	500,000	512,500
T-Mobile USA, Inc., 6.633%, 4/28/21	125,000	128,750
Wind Acquisition Finance S.A., 4.75%, 7/15/20 (n)	250,000	240,625
Wind Acquisition Finance S.A., 7.375%, 4/23/21 (n)	405,000	389,813
		\$ 3,748,854
<b>Telephone Services - 0.4%</b>		
Cogent Communications Group, Inc., 8.375%, 2/15/18 (n)	\$ 100,000	\$ 105,000
Frontier Communications Corp., 6.25%, 9/15/21	75,000	76,598
Level 3 Financing, Inc., 8.625%, 7/15/20	80,000	87,000
		\$ 268,598
<b>Transportation - Services - 2.8%</b>		
Aguila American Resources Ltd., 7.875%, 1/31/18 (n)	\$ 300,000	\$ 294,000
Jack Cooper Holdings Corp., 9.25%, 6/01/20 (n)	335,000	355,100
Navios Logistics Finance (U.S.), Inc., 7.25%, 5/01/22 (n)	73,000	74,825
Navios Maritime Acquisition Corp., 8.125%, 11/15/21 (n)	130,000	132,600
Navios Maritime Holding, Inc., 7.375%, 1/15/22 (n)	300,000	289,500
Stena AB, 7%, 2/01/24 (n)	400,000	392,000
Synreon Group BV/Syncre, 8.625%, 11/01/21 (n)	200,000	194,500
Ultrapetrol (Bahamas) Ltd., 8.875%, 6/15/21	55,000	58,850
		\$ 1,791,375
<b>Utilities - Electric Power - 2.1%</b>		
AES Corp., 7.375%, 7/01/21	\$ 195,000	\$ 223,275
Calpine Corp., 5.375%, 1/15/23	135,000	136,856

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
Utilities - Electric Power - continued		
Covanta Holding Corp., 7.25%, 12/01/20	\$ 265,000	\$ 281,563
Covanta Holding Corp., 6.375%, 10/01/22	70,000	74,375
NRG Energy, Inc., 8.25%, 9/01/20	280,000	300,300
NRG Energy, Inc., 6.25%, 7/15/22	85,000	87,338
NRG Energy, Inc., 6.625%, 3/15/23	255,000	267,113
		\$ 1,370,820
<b>Total Bonds (Identified Cost, \$81,342,386)</b>		<b>\$ 81,420,382</b>
<b>Floating Rate Loans (g)(r) - 5.3%</b>		
Aerospace - 0.2%		
TransDigm, Inc., Term Loan C, 3.75%, 2/28/20	\$ 147,703	\$ 146,411
Building - 0.5%		
ABC Supply Co., Inc., Term Loan, 3.5%, 4/16/20	\$ 200,907	\$ 196,839
HD Supply, Inc., Term Loan B, 4%, 6/28/18	110,236	109,857
		\$ 306,696
Business Services - 0.1%		
Fleetcor Technologies, Inc., Term Loan B, 3.75%, 9/24/21 (o)	\$ 75,296	\$ 75,578
Cable TV - 0.2%		
Cequel Communications LLC, Term Loan B, 3.5%, 2/14/19	\$ 110,236	\$ 109,114
Conglomerates - 0.5%		
Entegris, Inc., Term Loan B, 3.5%, 4/30/21	\$ 173,886	\$ 172,364
Silver II U.S. Holdings LLC, Term Loan, 4%, 12/13/19	130,886	127,805
		\$ 300,169
Consumer Services - 0.2%		
Realty Corp., Term Loan B, 3.75%, 3/05/20	\$ 132,566	\$ 131,903
Containers - 0.1%		
Berry Plastics Group, Inc., Term Loan E, 3.75%, 1/06/21	\$ 93,214	\$ 91,915
Electronics - 0.3%		
Avago Technologies Cayman Ltd., Term Loan B, 3.75%, 5/06/21	\$ 224,566	\$ 224,406
Energy - Independent - 0.2%		
MEG Energy Corp., Term Loan, 3.75%, 3/31/20	\$ 119,044	\$ 115,770
Entertainment - 0.1%		
Cedar Fair LP, Term Loan B, 3.25%, 3/06/20	\$ 81,451	\$ 81,179

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Floating Rate Loans (g)(r) - continued</b>		
<b>Food &amp; Beverages - 0.1%</b>		
H.J. Heinz Co., Term Loan B2, 3.5%, 6/05/20	\$ 58,662	\$ 58,567
<b>Gaming &amp; Lodging - 0.3%</b>		
Hilton Worldwide Finance LLC, Term Loan B2, 3.5%, 10/25/20	\$ 196,957	\$ 194,917
<b>Medical &amp; Health Technology &amp; Services - 0.3%</b>		
Community Health Systems, Inc., Term Loan D, 4.25%, 1/27/21	\$ 43,531	\$ 43,619
DaVita HealthCare Partners, Inc., Term Loan B, 3.5%, 6/24/21 (o)	167,522	166,475
		\$ 210,094
<b>Metals &amp; Mining - 0.2%</b>		
FMG Resources Ltd., Term Loan B, 3.75%, 6/30/19	\$ 108,306	\$ 101,492
<b>Printing &amp; Publishing - 0.2%</b>		
CBS Outdoor Americas Capital LLC, Term Loan B, 3%, 1/31/21	\$ 129,188	\$ 126,651
<b>Retailers - 0.4%</b>		
Dollar Tree, Inc., Term Loan, 8/06/15 (o)	\$ 150,000	\$ 150,000
Rite Aid Corp., Second Lien Term Loan, 4.87%, 6/21/21	79,361	79,311
		\$ 229,311
<b>Specialty Stores - 0.2%</b>		
Men's Wearhouse, Inc., Term Loan B, 4.5%, 6/18/21	\$ 152,194	\$ 152,147
<b>Supermarkets - 0.2%</b>		
Albertson's Holdings LLC, Term Loan B4, 4.5%, 8/25/21	\$ 155,418	\$ 155,830
<b>Telephone Services - 0.3%</b>		
Level 3 Financing, Inc., Term Loan B5, 4.5%, 1/31/22	\$ 179,407	\$ 179,984
<b>Transportation - Services - 0.4%</b>		
Commercial Barge Line Co., First Lien Term Loan, 7.5%, 9/15/19	\$ 275,708	\$ 275,708
<b>Utilities - Electric Power - 0.3%</b>		
Calpine Construction Finance Co., Term Loan B1, 3%, 5/03/20	\$ 201,783	\$ 197,328
<b>Total Floating Rate Loans (Identified Cost, \$3,491,267)</b>		<b>\$ 3,465,170</b>
<b>Common Stocks - 0.0%</b>		
<b>Automotive - 0.0%</b>		
Accuride Corp. (Identified Cost, \$64,378) (a)	4,099	\$ 19,183

**Table of Contents***Portfolio of Investments continued***Money Market Funds - 2.2%**

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	1,428,474	\$ 1,428,474
<b>Total Investments (Identified Cost, \$86,326,505)</b>		<b>\$ 86,333,209</b>
<b>Other Assets, Less Liabilities - (32.6)%</b>		<b>(21,233,041)</b>
<b>Net Assets - 100.0%</b>		<b>\$ 65,100,168</b>

(a) Non-income producing security.

(g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$30,687,309 representing 47.1% of net assets.

(o) All or a portion of this position has not settled. Upon settlement date, interest rates for unsettled amounts will be determined. The rate shown, if any, represents the weighted average coupon rate for settled amounts.

(p) Payment-in-kind security for which interest income may be received in additional securities and/or cash. During the period, the following amount of interest income was received in additional securities and/or cash:

<b>Payment-in-kind Securities</b>	<b>Cash</b>	<b>Additional Securities</b>
Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19	\$18,038	\$
Schaeffler Holding Finance B.V., 6.25%, 11/15/19		
<b>Total</b>	<b>\$18,038</b>	<b>\$</b>

(r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

<b>Restricted Securities</b>	<b>Acquisition Date</b>	<b>Cost</b>	<b>Value</b>
American Media, Inc., 13.5%, 6/15/18	12/22/10	\$28,474	\$30,146
Energy XXI Gulf Coast, Inc., 6.875%, 3/15/24	11/24/14-11/25/14	42,217	41,250
LGE Holdco VI B.V., 7.125%, 5/15/24	7/21/11-3/15/12	197,797	185,198
Schaeffler Holding Finance B.V., 6.25%, 11/15/19	10/21/14	204,427	209,250
Sensata Technologies B.V., 5.625%, 11/01/24	10/07/14-10/16/14	115,446	122,044
<b>Total Restricted Securities</b>			<b>\$587,888</b>
<b>% of Net assets</b>			<b>0.9%</b>

**Table of Contents**

*Portfolio of Investments continued*

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

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

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

EUR Euro

**Derivative Contracts at 11/30/14**

**Forward Foreign Currency Exchange Contracts at 11/30/14**

Type	Currency	Counter-party	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
<b>Asset Derivatives</b>							
SELL	EUR	Credit Suisse Group	247,783	1/09/15	\$313,084	\$308,384	\$4,700
SELL	EUR	Goldman Sachs International	5,489	1/09/15	6,878	6,832	46
SELL	EUR	Royal Bank of Scotland Group PLC	69,050	1/09/15	86,497	85,938	559
							\$5,305
<b>Liability Derivatives</b>							
BUY	EUR	Citibank N.A.	108,619	1/09/15	\$137,368	\$135,184	\$(2,184)
BUY	EUR	Goldman Sachs International	5,400	1/09/15	6,732	6,721	(11)
BUY	EUR	UBS AG	108,316	1/09/15	137,051	134,807	(2,244)
							\$(4,439)

**Futures Contracts at 11/30/14**

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
<b>Liability Derivatives</b>					
<i>Interest Rate Futures</i>					
U.S. Treasury Note 10 yr (Short)	USD	5	\$635,234	March - 2015	\$(4,627)

At November 30, 2014, the fund had cash collateral of \$6,000 to cover any commitments for certain derivative contracts. Cash collateral is comprised of Restricted cash on the Statement of Assets and Liabilities.

**See Notes to Financial Statements**

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

At 11/30/14

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

<b>Assets</b>	
Investments-	
Non-affiliated issuers, at value (identified cost, \$84,898,031)	\$84,904,735
Underlying affiliated funds, at cost and value	1,428,474
Total investments, at value (identified cost, \$86,326,505)	\$86,333,209
Cash	77,735
Restricted cash	6,000
Foreign currency, at value (identified cost, \$6,614)	6,570
Receivables for	
Forward foreign currency exchange contracts	5,305
Investments sold	194,041
Interest	1,340,124
Other assets	2,006
Total assets	\$87,964,990
<b>Liabilities</b>	
Notes payable	\$22,000,000
Payables for	
Distributions	15,552
Forward foreign currency exchange contracts	4,439
Daily variation margin on open futures contracts	1,563
Investments purchased	574,837
Treasury shares reacquired	121,420
Payable to affiliates	
Investment adviser	24,351
Transfer agent and dividend disbursing costs	779
Payable for independent Trustees' compensation	10
Accrued interest expense	29,646
Accrued expenses and other liabilities	92,225
Total liabilities	\$22,864,822
Net assets	\$65,100,168
<b>Net assets consist of</b>	
Paid-in capital	\$78,989,104
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	2,874
Accumulated net realized gain (loss) on investments and foreign currency	(13,889,050)
Accumulated distributions in excess of net investment income	(2,760)
Net assets	\$65,100,168
Shares of beneficial interest outstanding (21,092,613 shares authorized less 56,975 capital shares)	21,035,638
Net asset value per share (net assets of \$65,100,168 / 21,035,638 shares of beneficial interest outstanding)	\$3.09

**See Notes to Financial Statements**

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

Year ended 11/30/14

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

<b>Net investment income</b>	
Income	
Interest	\$5,492,007
Dividends	11,014
Dividends from underlying affiliated funds	2,289
Total investment income	\$5,505,310
Expenses	
Management fee	\$683,254
Transfer agent and dividend disbursing costs	15,771
Administrative services fee	19,686
Independent Trustees compensation	12,356
Stock exchange fee	23,876
Custodian fee	14,427
Interest expense	179,953
Shareholder communications	36,921
Audit and tax fees	78,161
Legal fees	17,444
Miscellaneous	28,093
Total expenses	\$1,109,942
Fees paid indirectly	(59)
Reduction of expenses by investment adviser	(30,984)
Net expenses	\$1,078,899
Net investment income	\$4,426,411
<b>Realized and unrealized gain (loss) on investments and foreign currency</b>	
Realized gain (loss) (identified cost basis)	
Investments	\$1,466,868
Futures contracts	(15,426)
Swap agreements	55,743
Foreign currency	16,944
Net realized gain (loss) on investments and foreign currency	\$1,524,129
Change in unrealized appreciation (depreciation)	
Investments	\$(2,514,352)
Futures contracts	(4,627)
Swap agreements	(43,963)
Translation of assets and liabilities in foreign currencies	7,055
Net unrealized gain (loss) on investments and foreign currency translation	\$(2,555,887)
Net realized and unrealized gain (loss) on investments and foreign currency	\$(1,031,758)
Change in net assets from operations	\$3,394,653
<b>See Notes to Financial Statements</b>	



**Table of Contents***Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

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

	<b>Years ended 11/30</b>	
	<b>2014</b>	<b>2013</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$4,426,411	\$4,821,441
Net realized gain (loss) on investments and foreign currency	1,524,129	1,949,459
Net unrealized gain (loss) on investments and foreign currency translation	(2,555,887)	(894,686)
Change in net assets from operations	\$3,394,653	\$5,876,214
<b>Distributions declared to shareholders</b>		
From net investment income	\$(4,766,931)	\$(5,069,865)
Change in net assets from fund share transactions	\$(156,622)	\$136,596
Total change in net assets	\$(1,528,900)	\$942,945
<b>Net assets</b>		
At beginning of period	66,629,068	65,686,123
At end of period (including accumulated distributions in excess of net investment income of \$2,760 and undistributed net investment income of \$37,536, respectively)	\$65,100,168	\$66,629,068
<b>See Notes to Financial Statements</b>		

**Table of Contents***Financial Statements***STATEMENT OF CASH FLOWS**

Year ended 11/30/14

This statement provides a summary of cash flows from investment activity for the fund.

<b>Cash flows from operating activities:</b>	
Change in net assets from operations	\$3,394,653
<b>Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities	(54,467,728)
Proceeds from disposition of investment securities	53,214,546
Proceeds from futures contracts and swap agreements	40,317
Proceeds from disposition of short-term investments, net	1,234,037
Realized gain/loss on investments	(1,466,868)
Realized gain/loss on futures contracts and swap agreements	(40,317)
Unrealized appreciation/depreciation on investments	2,514,352
Unrealized appreciation/depreciation on foreign currency contracts	(7,225)
Unrealized appreciation/depreciation on swaps	43,963
Net amortization/accretion of income	224,175
Decrease in interest receivable	51,475
Decrease in accrued expenses and other liabilities	(1,201)
Increase in payable for daily variation margin on open futures contracts	1,563
Increase in restricted cash	(6,000)
Increase in other assets	(51)
Decrease in interest payable	(4,001)
Net cash provided by operating activities	\$4,725,690
<b>Cash flows from financing activities:</b>	
Distributions paid in cash	(4,767,876)
Repurchase of shares of beneficial interest	(35,202)
Net cash used by financing activities	\$(4,803,078)
Net decrease in cash	\$(77,388)
<b>Cash:</b>	
Beginning of period	\$161,693
End of period (including foreign currency of \$6,570)	\$84,305
Supplemental disclosure of cash flow information:	

Cash paid during the year ended November 30, 2014 for interest was \$183,954.

**See Notes to Financial Statements**

**Table of Contents***Financial Statements***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

	Years ended 11/30				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	\$3.16	\$3.12	\$2.84	\$3.02	\$2.72
<b>Income (loss) from investment operations</b>					
Net investment income (d)	\$0.21	\$0.23	\$0.26	\$0.27	\$0.29
Net realized and unrealized gain (loss) on investments and foreign currency	(0.05)	0.05	0.31	(0.14)	0.28
Total from investment operations	\$0.16	\$0.28	\$0.57	\$0.13	\$0.57
<b>Less distributions declared to shareholders</b>					
From net investment income	\$(0.23)	\$(0.24)	\$(0.29)	\$(0.31)	\$(0.27)
Net increase from repurchase of capital shares	\$0.00(w)	\$	\$	\$	\$
Net asset value, end of period (x)	\$3.09	\$3.16	\$3.12	\$2.84	\$3.02
Market value, end of period	\$2.73	\$2.80	\$3.08	\$2.85	\$3.01
Total return at market value (%)	5.46	(1.49)	18.81	4.90	36.61
Total return at net asset value (%) (j)(r)(s)(x)	5.77	9.75	20.77	4.19	21.94
<b>Ratios (%) (to average net assets) and Supplemental data:</b>					
Expenses before expense reductions (f)	1.66	1.72	1.89	1.92	2.31
Expenses after expense reductions (f)	1.61	1.67	1.73	1.81	1.88
Net investment income	6.61	7.28	8.55	8.83	9.85
Portfolio turnover	48	46	38	60	57
Net assets at end of period (000 omitted)	\$65,100	\$66,629	\$65,686	\$59,411	\$63,092
<b>Supplemental Ratios (%):</b>					
Ratio of expenses to average net assets after expense reductions and excluding interest expense (f)	1.34	1.35	1.35	1.35	1.03
<b>Senior Securities:</b>					
Total notes payable outstanding (000 omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of indebtedness (k)	\$3,959	\$4,029	\$3,986	\$3,701	\$3,868

**Table of Contents**

*Financial Highlights continued*

- (d) Per share data is based on average shares outstanding.
- (f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
- (j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.
- (k) Calculated by subtracting the fund's total liabilities (not including notes payable) from the fund's total assets and dividing this number by the notes payable outstanding and then multiplying by 1,000.
- (r) Certain expenses have been reduced without which performance would have been lower.
- (s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
- (w) Per share amount was less than \$0.01.
- (x) The net asset values per share and total returns at net asset value per share have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

**See Notes to Financial Statements**

**Table of Contents**

**NOTES TO FINANCIAL STATEMENTS**

**(1) Business and Organization**

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

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

**(2) Significant Accounting Policies**

**General** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund’s Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund invests 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.

In June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASU 2014-11). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund’s adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

**Balance Sheet Offsetting** The fund’s accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund’s right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund’s Significant Accounting Policies note under the captions for each of the fund’s in-scope financial instruments and transactions.

---

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

**Investment Valuations** Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Swap agreements are generally valued at valuations provided by a third-party pricing service, which for cleared swaps includes an evaluation of any trading activity at the clearinghouses. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is

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

principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of November 30, 2014 in valuing the fund's assets or liabilities:

<b>Investments at Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity Securities	\$19,183	\$	\$	\$19,183
Non-U.S. Sovereign Debt		95,973		95,973
U.S. Corporate Bonds		65,951,101		65,951,101
Commercial Mortgage-Backed Securities		36,471		36,471
Foreign Bonds		15,336,837		15,336,837
Floating Rate Loans		3,465,170		3,465,170
Mutual Funds	1,428,474			1,428,474
Total Investments	\$1,447,657	\$84,885,552	\$	\$86,333,209
<b>Other Financial Instruments</b>				
Futures Contracts	\$(4,627)	\$	\$	\$(4,627)
Forward Foreign Currency Exchange Contracts		866		866

For further information regarding security characteristics, see the Portfolio of Investments.

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

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

	<b>Equity Securities</b>
Balance as of 11/30/13	\$35,350
Realized gain (loss)	(101,867)
Change in unrealized appreciation (depreciation)	67,815
Proceeds from a tender offer	(1,298)
Balance as of 11/30/14	\$

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

**Derivatives** The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were purchased options, futures contracts, forward foreign currency exchange contracts, and swap agreements. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract tables, generally are indicative of the volume of its derivative activity during the period.



**Table of Contents**

Notes to Financial Statements continued

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at November 30, 2014 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Interest Rate	Interest Rate Futures	\$	\$ (4,627)
Foreign Exchange	Forward Foreign Currency Exchange	5,305	(4,439)
Total		\$5,305	\$ (9,066)

(a) The value of futures contracts includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day variation margin for futures contracts is separately reported within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2014 as reported in the Statement of Operations:

Risk	Futures Contracts	Swap Agreements	Foreign Currency	Investments (Purchased Options)
Interest Rate	\$(15,426)	\$	\$	\$
Foreign Exchange			23,378	
Equity				(9,643)
Credit		55,743		
Total	\$(15,426)	\$55,743	\$23,378	\$(9,643)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended November 30, 2014 as reported in the Statement of Operations:

Risk	Translation of Assets and Liabilities in			
	Futures Contracts	Swap Agreements	Foreign Currencies	
Interest Rate	\$(4,627)	\$	\$	
Foreign Exchange				7,225
Credit			(43,963)	
Total	\$(4,627)		\$(43,963)	\$7,225

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an ISDA Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to



**Table of Contents**

*Notes to Financial Statements continued*

close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared swap agreements, and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as Restricted cash or Deposits with brokers. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

**Purchased Options** The fund purchased call options for a premium. Purchased call options entitle the holder to buy a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument purchased.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

**Futures Contracts** The fund entered into futures contracts which may be used to hedge against or obtain broad market exposure, interest rate exposure, currency exposure, or to manage duration. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

**Table of Contents**

*Notes to Financial Statements continued*

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures contracts is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures contracts may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

**Forward Foreign Currency Exchange Contracts** The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

**Swap Agreements** During the period the fund entered into swap agreements. Certain types of swaps (cleared swaps) are required to be centrally cleared under provisions of the Dodd-Frank Regulatory Reform Bill. In a cleared swap transaction, the swap agreement is novated to a central counterparty (the clearinghouse)

**Table of Contents**

*Notes to Financial Statements continued*

immediately following execution of the swap contract with an executing broker. Thereafter, throughout the term of the cleared swap, the fund interfaces indirectly with the clearinghouse through a clearing broker.

A swap agreement is generally an exchange of cash payments, at specified intervals or upon the occurrence of specified events, between the fund and a counterparty. The net cash payments exchanged are recorded as a realized gain or loss on swap agreements in the Statement of Operations. The value of the swap agreement, which is adjusted daily and includes any related interest accruals to be paid or received by the fund, is recorded in the Statement of Assets and Liabilities, as Swaps, at value for uncleared swaps and is included in Due from brokers or Due to brokers for cleared swaps. The daily change in value, including any related interest accruals to be paid or received, is recorded as unrealized appreciation or depreciation on swap agreements in the Statement of Operations. The daily change in valuation of cleared swaps is recorded as a receivable or payable for variation margin in the Statement of Assets and Liabilities. Amounts paid or received at the inception of the swap agreement are reflected as premiums paid or received in the Statement of Assets and Liabilities and are amortized using the effective interest method over the term of the agreement. A liquidation payment received or made upon early termination is recorded as a realized gain or loss on swap agreements in the Statement of Operations.

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. The fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the contract's remaining life, to the extent that the amount is positive. To address counterparty risk, swap agreements are limited to only highly-rated counterparties. For uncleared swaps, that risk is further reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. Although not covered by an ISDA Master Agreement, the fund's counterparty risk due to cleared swaps is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

The fund entered into credit default swap agreements in order to manage its exposure to the market or certain sectors of the market, to reduce its credit risk exposure to defaults of corporate and sovereign issuers or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. In a credit default swap agreement, the protection buyer can make an upfront payment and will make a stream of payments to the protection seller based on a fixed percentage applied to the agreement notional amount in exchange for the right to receive a specified return upon the occurrence of a defined credit event on the reference obligation (which may be either a single security or a basket of securities issued by corporate or sovereign issuers) and, with respect to the rare cases where physical settlement applies, the delivery by the buyer to the seller of a defined deliverable obligation. Although agreement-specific, credit events generally consist of a combination of the following: bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or

**Table of Contents**

*Notes to Financial Statements continued*

repudiation/moratorium, each as defined in the 2003 ISDA Credit Derivatives Definitions as amended by the relevant agreement. Restructuring is generally not applicable when the reference obligation is issued by a North American corporation and obligation acceleration, obligation default, or repudiation/moratorium are generally only applicable when the reference obligation is issued by a sovereign entity or an entity in an emerging country. Upon determination of the final price for the deliverable obligation (or upon delivery of the deliverable obligation in the case of physical settlement), the difference between the value of the deliverable obligation and the swap agreement's notional amount is recorded as realized gain or loss on swap agreements in the Statement of Operations.

The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the agreement. For uncleared swaps, counterparty risk is reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. For cleared swaps, the fund's counterparty risk is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

**Loans and Other Direct Debt Instruments** The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which contractually obligate the fund to supply additional cash to the borrower on demand. The fund generally provides this financial support in order to preserve its existing investment or to obtain a more senior secured interest in the assets of the borrower. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

**Statement of Cash Flows** Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and does not include any short term investments.

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

**Investment Transactions and Income** Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are

**Table of Contents**

*Notes to Financial Statements continued*

recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to 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.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

**Fees Paid Indirectly** The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2014, is shown as a reduction of total expenses in the Statement of Operations.

**Tax Matters and Distributions** The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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

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

**Table of Contents**

Notes to Financial Statements continued

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

	11/30/14	11/30/13
Ordinary income (including any short-term capital gains)	\$4,766,931	\$5,069,865

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

<b>As of 11/30/14</b>	
Cost of investments	\$86,585,004
Gross appreciation	1,766,486
Gross depreciation	(2,018,281)
Net unrealized appreciation (depreciation)	\$(251,795)
Undistributed ordinary income	13,658
Capital loss carryforwards	(13,414,827)
Post-October capital loss deferral	(220,351)
Other temporary differences	(15,621)

Under the Regulated Investment Company Modernization Act of 2010 (the Act), net capital losses recognized for fund fiscal years beginning after November 30, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses (post-enactment losses). Previously, net capital losses were carried forward for eight years and treated as short-term losses (pre-enactment losses). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of November 30, 2014, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

11/30/16	\$(5,956,332)
11/30/17	(6,983,828)
11/30/18	(474,667)
Total	\$(13,414,827)

**(3) Transactions with Affiliates**

**Investment Adviser** The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.65% of the fund's average daily net assets. The fund pays the adviser a monthly fee equal to 20% of the fund's leverage income after deducting the expenses of leveraging (Net leverage income); provided, however, if the fund's net leverage income is less than zero, the adviser pays the fund the percentage indicated of the fund's net leverage income. The management fee incurred for the year ended November 30, 2014 was equivalent to an annual effective rate of 1.02% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and



**Table of Contents**

*Notes to Financial Statements continued*

transaction costs, and investment-related expenses, such that total fund operating expenses do not exceed 1.34% annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2015. For the year ended November 30, 2014, this reduction amounted to \$30,868 and is included in the reduction of total expenses in the Statement of Operations.

**Transfer Agent** The fund engages Computershare Trust Company, N.A. ( Computershare ) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2014, these fees paid to MFSC amounted to \$3,090.

**Administrator** MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended November 30, 2014 was equivalent to an annual effective rate of 0.0294% of the fund's average daily net assets.

**Trustees and Officers Compensation** The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

**Other** Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the ICCO Agreements) which provided for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the ICCO Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the ICCO Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended November 30, 2014, the aggregate fees paid by the fund under these agreements were \$316 and are included in Miscellaneous expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the ICCO Agreements in the amount of \$116, which is included in the reduction

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

of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO, Assistant ICCO, and ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in Dividends from underlying affiliated funds in the Statement of Operations. This money market fund does not pay a management fee to MFS.

**(4) Portfolio Securities**

For the year ended November 30, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated \$42,587,807 and \$41,138,971, respectively.

**(5) Shares of Beneficial Interest**

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. The fund repurchased 56,975 shares of beneficial interest during the year ended November 30, 2014 at an average price per share of \$2.75 and a weighted average discount of 11.20% per share. As of December 12, 2014, the fund retired 56,975 shares of beneficial interest. During the year ended November 30, 2013, the fund did not repurchase any shares. Other transactions in fund shares were as follows:

	Year ended 11/30/14		Year ended 11/30/13	
	Shares	Amount	Shares	Amount
Shares issued to shareholders in reinvestment of distributions		\$	43,147	\$136,596
Capital shares reacquired	(56,975)	(156,622)		
Net change	(56,975)	\$(156,622)	43,147	\$136,596

**(6) Loan Agreement**

The fund has a credit agreement with a bank for a revolving secured line of credit that can be drawn upon up to \$25,000,000. This credit agreement matured on January 10, 2014. The Trustees approved the renewal of the revolving secured line of credit up to the amount of \$25,000,000 on substantially similar terms for an additional 364 day period which matures on January 9, 2015. At November 30, 2014, the fund had outstanding borrowings under this agreement in the amount of \$22,000,000, which are secured by a lien on the fund's assets. The loan's carrying value in the fund's Statement of Assets and Liabilities approximates its fair value. The loan value as of the reporting date is considered Level 2 under the fair value hierarchy. Subsequent to fiscal year end, the Trustees approved the renewal of the revolving secured line of credit up to the amount of \$25,000,000 on substantially similar terms for an additional 364 day period. Borrowing under this agreement can be made for liquidity or leverage purposes. Interest is charged at a rate per annum equal to LIBOR plus an agreed upon spread or an alternate rate, at the option of the borrower, stated as the greater of Overnight LIBOR or the Federal Funds Rate each plus an agreed upon spread. The fund incurred interest expense of \$179,953 during the period in connection with this loan.

**Table of Contents**

*Notes to Financial Statements continued*

agreement. The fund paid a commitment fee of \$2,101 based on the average daily unused portion of the revolving secured line of credit which is included in Miscellaneous expense in the Statement of Operations. For the year ended November 30, 2014, the average loan balance was \$22,000,000 at a weighted average annual interest rate of 0.82%. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

**(7) Transactions in Underlying Affiliated Funds-Affiliated Issuers**

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

<b>Underlying Affiliated Fund</b>	<b>Beginning Shares/Par Amount</b>	<b>Acquisitions Shares/Par Amount</b>	<b>Dispositions Shares/Par Amount</b>	<b>Ending Shares/Par Amount</b>
MFS Institutional Money Market Portfolio	2,662,511	21,922,595	(23,156,632)	1,428,474

  

<b>Underlying Affiliated Fund</b>	<b>Realized Gain (Loss)</b>	<b>Capital Gain Distributions</b>	<b>Dividend Income</b>	<b>Ending Value</b>
MFS Institutional Money Market Portfolio	\$	\$	\$2,289	\$1,428,474

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of MFS Intermediate High Income Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Intermediate High Income Fund (the Fund), as of November 30, 2014, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2014, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. 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 MFS Intermediate High Income Fund at November 30, 2014, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

January 15, 2015

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

(unaudited)

At the annual meeting of shareholders of MFS Intermediate High Income Fund, which was held on October 2, 2014, the following action was taken:

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

Nominee	Number of Shares	
	For	Withheld Authority
Steven E. Buller	14,114,053.859	3,111,023.159
William R. Gutow	14,094,304.859	3,130,772.159
Michael Hegarty	14,066,987.859	3,158,089.159
John P. Kavanaugh	14,132,161.859	3,092,915.159
Robert W. Uek	14,115,891.859	3,109,185.159

47

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

The Trustees and Officers of the Trust, as of January 1, 2015, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships <sup>(i)</sup></b>
<b>INTERESTED TRUSTEES</b>					
Robert J. Manning <sup>(k)</sup> (age 51)	Trustee	February 2004	2016	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach <sup>(k)</sup> (age 53)	Trustee and President	January 2014	2015	Massachusetts Financial Services Company,  Executive Vice President and Chief Operating Officer	N/A
<b>INDEPENDENT TRUSTEES</b>					
David H. Gunning (age 72)	Trustee and Chair of Trustees	January 2004	2015	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships <sup>(i)</sup></b>
Steven E. Buller (age 63)	Trustee	February 2014	2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	2015	Consultant investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	2016	Private investor	N/A
William R. Gutow (age 73)	Trustee	December 1993	2014	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 70)	Trustee	December 2004	2014	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 60)	Trustee	January 2009	2014	Private investor	N/A

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships <sup>(i)</sup></b>
Maryanne L. Roepke (age 58)	Trustee	May 2014	2016	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	2016	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	2014	Consultant to investment company industry	N/A
<b>OFFICERS</b>					
Christopher R. Bohane <sup>(k)</sup> (age 40)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark <sup>(k)</sup> (age 46)	Assistant Treasurer	January 2012	N/A	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors <sup>(k)</sup> (age 55)	Assistant Secretary and Assistant Clerk	September 2012	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey <sup>(k)</sup> (age 51)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A



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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships <sup>(i)</sup></b>
David L. DiLorenzo <sup>(k)</sup> (age 46)	Treasurer	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan <sup>(k)</sup> (age 46)	Chief Compliance Officer	November 2014	N/A	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld <sup>(k)</sup> (age 41)	Assistant Secretary and Assistant Clerk	June 2006	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton <sup>(k)</sup> (age 64)	Assistant Secretary and Assistant Clerk	May 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira <sup>(k)</sup> (age 44)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips <sup>(k)</sup> (age 44)	Assistant Treasurer	September 2012	N/A	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum <sup>(k)</sup> (age 62)	Secretary and Clerk	January 2006	N/A	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe <sup>(k)</sup> (age 40)	Assistant Secretary and Assistant Clerk	October 2014	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since <sup>(h)</sup></b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships <sup>(j)</sup></b>
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	N/A	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel <sup>(k)</sup> (age 44)	Assistant Secretary and Assistant Clerk	October 2007	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost <sup>(k)</sup> (age 54)	Deputy Treasurer	September 1990	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

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

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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

Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen and Roepke are members of the Fund's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

**Table of Contents**

*Trustees and Officers continued*

**Investment Adviser**

Massachusetts Financial Services Company  
111 Huntington Avenue  
Boston, MA 02199-7618

**Portfolio Managers**

William Adams  
David Cole

**Custodian**

State Street Bank and Trust Company  
1 Lincoln Street  
Boston, MA 02111-2900

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
200 Clarendon Street  
Boston, MA 02116

**Table of Contents**

**BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT**

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ( independent ) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2014 ( contract review meetings ) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds ). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

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

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2013 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe ), (ii) information provided by Lipper Inc. on the Fund s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the Lipper expense group ), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2013, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 21st out of a total of 31 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 24th out of a total of 33 funds for the one-year period and 9th out of a total of 31 funds for the five-year period ended December 31, 2013. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index. The Fund out-performed the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index for each of the one-, three- and five-year periods ended December 31, 2013 (one-year: 8.8% total return for the Fund versus 7.4% total return for the benchmark; three-year: 10.8% total return for the Fund versus 9.3% total return for the benchmark; five-year: 23.5% total return for the Fund versus 19.0% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

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

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was approximately at the Lipper expense group median and the Fund's total expense ratio was lower than the Lipper expense group median.

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

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

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

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

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

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

advisory agreement. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2014.

## **Table of Contents**

### **PROXY VOTING POLICIES AND INFORMATION**

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

### **QUARTERLY PORTFOLIO DISCLOSURE**

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. A shareholder can obtain the quarterly portfolio holdings report at *mfs.com*. The fund's Form N-Q is also available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the Fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Section at the above address.

### **FURTHER INFORMATION**

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the Market Commentary and Announcements sub sections in the Market Outlooks section of *mfs.com* or by clicking on the fund's name under Closed-End Funds in the Products section of *mfs.com*.

### **FEDERAL TAX INFORMATION (unaudited)**

The fund will notify shareholders of amounts for use in preparing 2014 income tax forms in January 2015.



**Table of Contents**

rev. 3/11

**FACTS**

**WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?**

**Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
<b>For our everyday business purposes</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes</b> information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes</b> information about your creditworthiness	No	We don't share

Edgar Filing: MFS INTERMEDIATE HIGH INCOME FUND - Form N-CSR

For nonaffiliates to market to you

No

We don't share

**Questions?**

Call **800-225-2606** or go to **mfs.com**.

**Table of Contents**

Page 2

**Who we are**

**Who is providing this notice?**

MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

**What we do**

**How does MFS protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.

**How does MFS collect my personal information?**

We collect your personal information, for example, when you

open an account or provide account information

direct us to buy securities or direct us to sell your securities

make a wire transfer

**Why can't I limit all sharing?**

We also collect your personal information from others, such as credit bureaus, affiliates and other companies.

Federal law gives you the right to limit only

sharing for affiliates everyday business purposes information about your creditworthiness

affiliates from using your information to market to you

sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

**Definitions**

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

**Nonaffiliates**

*MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

**Joint Marketing**

*MFS does not share with nonaffiliates so they can market to you.*

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

*MFS doesn't jointly market.*

**Other important information**

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

**Table of Contents**

**CONTACT US**

**TRANSFER AGENT, REGISTRAR, AND**

**DIVIDEND DISBURSING AGENT**

**CALL**

1-800-637-2304

9 a.m. to 5 p.m. Eastern time

**WRITE**

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

New York Stock Exchange Symbol: **CIF**

**Table of Contents**

**ITEM 2. CODE OF ETHICS.**

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. During the period covered by this report, the Registrant has not amended any provision in its Code of Ethics (the "Code") that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

A copy of the Code of Ethics is filed as an exhibit to this Form N-CSR.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

Messrs. Robert E. Butler, John P. Kavanaugh and Robert W. Uek and Meses. Maryanne L. Roepke and Laurie J. Thomsen, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Messrs. Butler, Kavanaugh and Uek and Meses. Roepke and Thomsen are "independent" members of the Audit Committee (as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002). The Securities and Exchange Commission has stated that the designation of a person as an audit committee financial expert pursuant to this Item 3 on the Form N-CSR does not impose on such a person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board of Trustees in the absence of such designation or identification.

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

**Items 4(a) through 4(d) and 4(g):**

The Board of Trustees has appointed Ernst & Young LLP ("E&Y") to serve as independent accountants to the Registrant (hereinafter the "Registrant" or the "Fund"). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser, Massachusetts Financial Services Company ("MFS"), and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ("MFS Related Entities").

For the fiscal years ended November 30, 2014 and 2013, audit fees billed to the Fund by E&Y were as follows:

	<b>Audit Fees</b>	
	<b>2014</b>	<b>2013</b>
<b>Fees billed by E&amp;Y:</b>		
MFS Intermediate High Income Fund	55,947	55,293

**Table of Contents**

For the fiscal years ended November 30, 2014 and 2013, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

	Audit-Related Fees <sup>1</sup>		Tax Fees <sup>2</sup>		All Other Fees <sup>3</sup>	
	2014	2013	2014	2013	2014	2013
<b>Fees billed by E&amp;Y:</b>						
To MFS Intermediate High Income Fund	10,843	10,714	10,016	9,894	0	0

	Audit-Related Fees <sup>1</sup>		Tax Fees <sup>2</sup>		All Other Fees <sup>3</sup>	
	2014	2013	2014	2013	2014	2013
<b>Fees billed by E&amp;Y:</b>						
To MFS and MFS Related Entities of MFS Intermediate High Income Fund*	0	0	0	0	0	0

	Aggregate Fees for Non-audit Services	
	2014	2013
<b>Fees Billed by E&amp;Y:</b>		
To MFS Intermediate High Income Fund, MFS and MFS Related Entities <sup>#</sup>	95,859	78,608

\* This amount reflects the fees billed to MFS and MFS Related Entities for non-audit services relating directly to the operations and financial reporting of the Fund (portions of which services also related to the operations and financial reporting of other funds within the MFS Funds complex).

# This amount reflects the aggregate fees billed by E&Y for non-audit services rendered to the Fund and for non-audit services rendered to MFS and the MFS Related Entities.

<sup>1</sup> The fees included under Audit-Related Fees are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under Audit Fees, including accounting consultations, agreed-upon procedure reports, attestation reports, comfort letters and internal control reviews.

<sup>2</sup> The fees included under Tax Fees are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis.

<sup>3</sup> The fees under All Other Fees are fees for products and services provided by E&Y other than those reported under Audit Fees, Audit-Related Fees and Tax Fees.

**Item 4(e)(1):**

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees relating to the pre-approval of audit and non-audit related services:

To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not

**Table of Contents**

practical to wait to seek pre-approval at the next regular meeting of the Audit Committee, pre-approval of such services may be referred to the Chair of the Audit Committee for approval; provided that the Chair may not pre-approve any individual engagement for such services exceeding \$50,000 or multiple engagements for such services in the aggregate exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

**Item 4(e)(2):**

None, or 0%, of the services relating to the Audit-Related Fees, Tax Fees and All Other Fees paid by the Fund and MFS and MFS Related Entities relating directly to the operations and financial reporting of the Registrant disclosed above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X (which permits audit committee approval after the start of the engagement with respect to services other than audit, review or attest services, if certain conditions are satisfied).

**Item 4(f):** Not applicable.

**Item 4(h):** The Registrant's Audit Committee has considered whether the provision by a Registrant's independent registered public accounting firm of non-audit services to MFS and MFS Related Entities that were not pre-approved by the Committee (because such services were provided prior to the effectiveness of SEC rules requiring pre-approval or because such services did not relate directly to the operations and financial reporting of the Registrant) was compatible with maintaining the independence of the independent registered public accounting firm as the Registrant's principal auditors.

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

The Registrant has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Messrs. Robert E. Butler, John P. Kavanaugh, and Robert W. Uek and Ms. Maryanne L. Roepke and Laurie J. Thomsen.

**ITEM 6. SCHEDULE OF INVESTMENTS**

A schedule of investments of the Registrant is included as part of the report to shareholders of the Registrant under Item 1 of this Form N-CSR.

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



**Table of Contents**

**PROXY VOTING POLICIES AND PROCEDURES**

**February 1, 2014**

Massachusetts Financial Services Company, MFS Institutional Advisors, Inc., MFS International (UK) Limited, MFS Heritage Trust Company, MFS Investment Management (Canada) Limited, MFS Investment Management Company (Lux) S.à r.l., MFS International Singapore Pte. Ltd., and MFS other subsidiaries that perform discretionary investment management activities (collectively, MFS ) have adopted proxy voting policies and procedures, as set forth below ( MFS Proxy Voting Policies and Procedures ), with respect to securities owned by the clients for which MFS serves as investment adviser and has the power to vote proxies, including the pooled investment vehicles sponsored by MFS (the MFS Funds ). References to clients in these policies and procedures include the MFS Funds and other clients of MFS, such as funds organized offshore, sub-advised funds and separate account clients, to the extent these clients have delegated to MFS the responsibility to vote proxies on their behalf under the MFS Proxy Voting Policies and Procedures.

The MFS Proxy Voting Policies and Procedures include:

- A. Voting Guidelines;
- B. Administrative Procedures;
- C. Records Retention; and
- D. Reports.

**A. VOTING GUIDELINES**

**1. General Policy; Potential Conflicts of Interest**

MFS policy is that proxy voting decisions are made in what MFS believes to be the best long-term economic interests of MFS clients, and not in the interests of any other party or in MFS corporate interests, including interests such as the distribution of MFS Fund shares and institutional client relationships.

MFS reviews corporate governance issues and proxy voting matters that are presented for shareholder vote by either management or shareholders of public companies. Based on the overall principle that all votes cast by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, set forth below, that govern how MFS generally will vote on specific matters presented for shareholder vote.

## **Table of Contents**

As a general matter, MFS votes consistently on similar proxy proposals across all shareholder meetings. However, some proxy proposals, such as certain excessive executive compensation, environmental, social and governance matters, are analyzed on a case-by-case basis in light of all the relevant facts and circumstances of the proposal. Therefore, MFS may vote similar proposals differently at different shareholder meetings based on the specific facts and circumstances of the issuer or the terms of the proposal. In addition, MFS also reserves the right to override the guidelines with respect to a particular proxy proposal when such an override is, in MFS' best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS' clients.

MFS also generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts, unless MFS has received explicit voting instructions to vote differently from a client for its own account. From time to time, MFS may also receive comments on the MFS Proxy Voting Policies and Procedures from its clients. These comments are carefully considered by MFS when it reviews these guidelines and revises them as appropriate.

These policies and procedures are intended to address any potential material conflicts of interest on the part of MFS or its subsidiaries that are likely to arise in connection with the voting of proxies on behalf of MFS' clients. If such potential material conflicts of interest do arise, MFS will analyze, document and report on such potential material conflicts of interest (see Sections B.2 and D below), and shall ultimately vote the relevant proxies in what MFS believes to be the best long-term economic interests of its clients. The MFS Proxy Voting Committee is responsible for monitoring and reporting with respect to such potential material conflicts of interest.

MFS is also a signatory to the United Nations Principles for Responsible Investment. In developing these guidelines, MFS considered environmental, social and corporate governance issues in light of MFS' fiduciary obligation to vote proxies in the best long-term economic interest of its clients.

## **2. MFS Policy on Specific Issues**

### **Election of Directors**

MFS believes that good governance should be based on a board with at least a simple majority of directors who are independent of management, and whose key committees (e.g., compensation, nominating, and audit committees) consist entirely of independent directors. While MFS generally supports the board's nominees in uncontested or non-contentious elections, we will not support a nominee to a board of a U.S. issuer (or issuer listed on a U.S. exchange) if, as a result of such nominee being elected to the board, the board would consist of a simple majority of members who are not independent or, alternatively, the compensation, nominating (including instances in which the full board serves as the compensation or nominating committee) or audit committees would include members who are not independent.

## **Table of Contents**

MFS will also not support a nominee to a board if we can determine that he or she attended less than 75% of the board and/or relevant committee meetings in the previous year without a valid reason stated in the proxy materials or other company communications. In addition, MFS may not support some or all nominees standing for re-election to a board if we can determine: (1) the board or its compensation committee has re-priced or exchanged underwater stock options since the last annual meeting of shareholders and without shareholder approval; (2) the board or relevant committee has not taken adequately responsive action to an issue that received majority support or opposition from shareholders; (3) the board has implemented a poison pill without shareholder approval since the last annual meeting and such poison pill is not on the subsequent shareholder meeting's agenda, (including those related to net-operating loss carryforwards); (4) the board or relevant committee has failed to adequately oversee risk by allowing the hedging and/or significant pledging of company shares by executives; or (5) there are governance concerns with a director or issuer.

MFS may not support certain board nominees of U.S. issuers under certain circumstances where MFS deems compensation to be egregious due to pay-for-performance issues and/or poor pay practices. Please see the section below titled "MFS Policy on Specific Issues: Advisory Votes on Executive Compensation" for further details.

MFS evaluates a contested or contentious election of directors on a case-by-case basis considering the long-term financial performance of the company relative to its industry, management's track record, the qualifications of all nominees, and an evaluation of what each side is offering shareholders.

### **Majority Voting and Director Elections**

MFS votes for reasonably crafted proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors (including binding resolutions requesting that the board amend the company's bylaws), provided the proposal includes a carve-out for a plurality voting standard when there are more director nominees than board seats (*e.g.*, contested elections) ("Majority Vote Proposals").

### **Classified Boards**

MFS generally supports proposals to declassify a board (*i.e.*; a board in which only one-third of board members is elected each year) for all issuers other than for certain closed-end investment companies. MFS generally opposes proposals to classify a board for issuers other than for certain closed-end investment companies.

**Table of Contents**

**Proxy Access**

MFS believes that the ability of qualifying shareholders to nominate a certain number of directors on the company's proxy statement ( Proxy Access ) may have corporate governance benefits. However, such potential benefits must be balanced by its potential misuse by shareholders. Therefore, we support Proxy Access proposals at U.S. issuers that establish an ownership criteria of 3% of the company held continuously for a period of 3 years. MFS analyzes all other proposals seeking Proxy Access on a case-by-case basis. In its analysis, MFS will consider the proposed ownership criteria for qualifying shareholders (such as ownership threshold and holding period) as well as the proponent's rationale for seeking Proxy Access.

**Stock Plans**

MFS opposes stock option programs and restricted stock plans that provide unduly generous compensation for officers, directors or employees, or that could result in excessive dilution to other shareholders. As a general guideline, MFS votes against restricted stock, stock option, non-employee director, omnibus stock plans and any other stock plan if all such plans for a particular company involve potential dilution, in the aggregate, of more than 15%. However, MFS will also vote against stock plans that involve potential dilution, in aggregate, of more than 10% at U.S. issuers that are listed in the Standard and Poor's 100 index as of December 31 of the previous year. In the cases where a stock plan amendment is seeking qualitative changes and not additional shares, MFS will vote its shares on a case-by-case basis.

MFS also opposes stock option programs that allow the board or the compensation committee to re-price underwater options or to automatically replenish shares without shareholder approval. MFS also votes against stock option programs for officers, employees or non-employee directors that do not require an investment by the optionee, that give free rides on the stock price, or that permit grants of stock options with an exercise price below fair market value on the date the options are granted. MFS will consider proposals to exchange existing options for newly issued options, restricted stock or cash on a case-by-case basis, taking into account certain factors, including, but not limited to, whether there is a reasonable value-for-value exchange and whether senior executives are excluded from participating in the exchange.

MFS supports the use of a broad-based employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value and do not result in excessive dilution.

**Table of Contents**

**Shareholder Proposals on Executive Compensation**

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. However, MFS also recognizes that certain executive compensation practices can be excessive and not in the best, long-term economic interest of a company's shareholders. We believe that the election of an issuer's board of directors (as outlined above), votes on stock plans (as outlined above) and advisory votes on pay (as outlined below) are typically the most effective mechanisms to express our view on a company's compensation practices.

MFS generally opposes shareholder proposals that seek to set rigid restrictions on executive compensation as MFS believes that compensation committees should retain some flexibility to determine the appropriate pay package for executives. Although we support linking executive stock option grants to a company's performance, MFS also opposes shareholder proposals that mandate a link of performance-based pay to a specific metric. MFS generally supports reasonably crafted shareholder proposals that (i) require the issuer to adopt a policy to recover the portion of performance-based bonuses and awards paid to senior executives that were not earned based upon a significant negative restatement of earnings unless the company already has adopted a satisfactory policy on the matter, (ii) expressly prohibit the backdating of stock options, and (iii) prohibit the acceleration of vesting of equity awards upon a broad definition of a change-in-control (e.g.; single or modified single-trigger).

**Table of Contents**

**Advisory Votes on Executive Compensation**

MFS will analyze advisory votes on executive compensation on a case-by-case basis. MFS will vote against an advisory vote on executive compensation if MFS determines that the issuer has adopted excessive executive compensation practices and will vote in favor of an advisory vote on executive compensation if MFS has not determined that the issuer has adopted excessive executive compensation practices. Examples of excessive executive compensation practices may include, but are not limited to, a pay-for-performance disconnect, employment contract terms such as guaranteed bonus provisions, unwarranted pension payouts, backdated stock options, overly generous hiring bonuses for chief executive officers, unnecessary perquisites, or the potential reimbursement of excise taxes to an executive in regards to a severance package. In cases where MFS (i) votes against consecutive advisory pay votes, or (ii) determines that a particularly egregious excessive executive compensation practice has occurred, then MFS may also vote against certain or all board nominees. MFS may also vote against certain or all board nominees if an advisory pay vote for a U.S. issuer is not on the agenda, or the company has not implemented the advisory vote frequency supported by a plurality/ majority of shareholders.

MFS generally supports proposals to include an advisory shareholder vote on an issuer's executive compensation practices on an annual basis.

**Golden Parachutes**

From time to time, MFS may evaluate a separate, advisory vote on severance packages or golden parachutes to certain executives at the same time as a vote on a proposed merger or acquisition. MFS will support an advisory vote on a severance package on a case-by-case basis, and MFS may vote against the severance package regardless of whether MFS supports the proposed merger or acquisition.

Shareholders of companies may also submit proxy proposals that would require shareholder approval of severance packages for executive officers that exceed certain predetermined thresholds. MFS votes in favor of such shareholder proposals when they would require shareholder approval of any severance package for an executive officer that exceeds a certain multiple of such officer's annual compensation that is not determined in MFS's judgment to be excessive.

**Anti-Takeover Measures**

In general, MFS votes against any measure that inhibits capital appreciation in a stock, including proposals that protect management from action by shareholders. These types of proposals take many forms, ranging from poison pills and shark repellents to super-majority requirements.

## **Table of Contents**

MFS generally votes for proposals to rescind existing poison pills and proposals that would require shareholder approval to adopt prospective poison pills, unless the company already has adopted a clearly satisfactory policy on the matter. MFS may consider the adoption of a prospective poison pill or the continuation of an existing poison pill if we can determine that the following two conditions are met: (1) the poison pill allows MFS clients to hold an aggregate position of up to 15% of a company's total voting securities (and of any class of voting securities); and (2) either (a) the poison pill has a term of not longer than five years, provided that MFS will consider voting in favor of the poison pill if the term does not exceed seven years and the poison pill is linked to a business strategy or purpose that MFS believes is likely to result in greater value for shareholders; or (b) the terms of the poison pill allow MFS clients the opportunity to accept a fairly structured and attractively priced tender offer (e.g. a chewable poison pill that automatically dissolves in the event of an all cash, all shares tender offer at a premium price). MFS will also consider on a case-by-case basis proposals designed to prevent tenders which are disadvantageous to shareholders such as tenders at below market prices and tenders for substantially less than all shares of an issuer.

MFS will consider any poison pills designed to protect a company's net-operating loss carryforwards on a case-by-case basis, weighing the accounting and tax benefits of such a pill against the risk of deterring future acquisition candidates.

### **Reincorporation and Reorganization Proposals**

When presented with a proposal to reincorporate a company under the laws of a different state, or to effect some other type of corporate reorganization, MFS considers the underlying purpose and ultimate effect of such a proposal in determining whether or not to support such a measure. MFS generally votes with management in regards to these types of proposals, however, if MFS believes the proposal is in the best long-term economic interests of its clients, then MFS may vote against management (e.g. the intent or effect would be to create additional inappropriate impediments to possible acquisitions or takeovers).

### **Issuance of Stock**

There are many legitimate reasons for the issuance of stock. Nevertheless, as noted above under Stock Plans, when a stock option plan (either individually or when aggregated with other plans of the same company) would substantially dilute the existing equity (e.g. by approximately 10-15% as described above), MFS generally votes against the plan. In addition, MFS typically votes against proposals where management is asking for authorization to issue common or preferred stock with no reason stated (a blank check ) because the unexplained authorization could work as a potential anti-takeover device. MFS may also vote against the authorization or issuance of common or preferred stock if MFS determines that the requested authorization is excessive or not warranted.

**Table of Contents**

**Repurchase Programs**

MFS supports proposals to institute share repurchase plans in which all shareholders have the opportunity to participate on an equal basis. Such plans may include a company acquiring its own shares on the open market, or a company making a tender offer to its own shareholders.

**Cumulative Voting**

MFS opposes proposals that seek to introduce cumulative voting and for proposals that seek to eliminate cumulative voting. In either case, MFS will consider whether cumulative voting is likely to enhance the interests of MFS clients as minority shareholders.

**Written Consent and Special Meetings**

The right to call a special meeting or act by written consent can be a powerful tool for shareholders. As such, MFS supports proposals requesting the right for shareholders who hold at least 10% of the issuer's outstanding stock to call a special meeting. MFS also supports proposals requesting the right for shareholders to act by written consent.

**Independent Auditors**

MFS believes that the appointment of auditors for U.S. issuers is best left to the board of directors of the company and therefore supports the ratification of the board's selection of an auditor for the company. Some shareholder groups have submitted proposals to limit the non-audit activities of a company's audit firm or prohibit *any* non-audit services by a company's auditors to that company. MFS opposes proposals recommending the prohibition or limitation of the performance of non-audit services by an auditor, and proposals recommending the removal of a company's auditor due to the performance of non-audit work for the company by its auditor. MFS believes that the board, or its audit committee, should have the discretion to hire the company's auditor for specific pieces of non-audit work in the limited situations permitted under current law.

**Other Business**

MFS generally votes against other business proposals as the content of any such matter is not known at the time of our vote.



**Table of Contents**

**Adjourn Shareholder Meeting**

MFS generally supports proposals to adjourn a shareholder meeting if we support the other ballot items on the meeting's agenda. MFS generally votes against proposals to adjourn a meeting if we do not support the other ballot items on the meeting's agenda.

**Environmental, Social and Governance ( ESG ) Issues**

MFS believes that a company's ESG practices may have an impact on the company's long-term economic financial performance and will generally support proposals relating to ESG issues that MFS believes are in the best long-term economic interest of the company's shareholders. For those ESG proposals for which a specific policy has not been adopted, MFS considers such ESG proposals on a case-by-case basis. As a result, it may vote similar proposals differently at various shareholder meetings based on the specific facts and circumstances of such proposal.

MFS generally supports proposals that seek to remove governance structures that insulate management from shareholders (*i.e.*, anti-takeover measures) or that seek to enhance shareholder rights. Many of these governance-related issues, including compensation issues, are outlined within the context of the above guidelines. In addition, MFS typically supports proposals that require an issuer to reimburse successful dissident shareholders (who are not seeking control of the company) for reasonable expenses that such dissident incurred in soliciting an alternative slate of director candidates. MFS also generally supports reasonably crafted shareholder proposals requesting increased disclosure around the company's use of collateral in derivatives trading. MFS typically supports proposals for an independent board chairperson. However, we may not support such proposals if we determine there to be an appropriate and effective counter-balancing leadership structure in place (e.g.; a strong, independent lead director with an appropriate level of powers and duties). For any governance-related proposal for which an explicit guideline is not provided above, MFS will consider such proposals on a case-by-case basis and will support such proposals if MFS believes that it is in the best long-term economic interest of the company's shareholders.

MFS generally supports proposals that request disclosure on the impact of environmental issues on the company's operations, sales, and capital investments. However, MFS may not support such proposals based on the facts and circumstances surrounding a specific proposal, including, but not limited to, whether (i) the proposal is unduly costly, restrictive, or burdensome, (ii) the company already provides publicly-available information that is sufficient to enable shareholders to evaluate the potential opportunities and risks that environmental matters pose to the company's operations, sales and capital investments, or (iii) the proposal seeks a level of disclosure that exceeds that provided by the company's industry peers. MFS will analyze all other environmental proposals on a case-by-case basis and will support such proposals if MFS believes such proposal is in the best long-term economic interest of the company's shareholders.

**Table of Contents**

MFS will analyze social proposals on a case-by-case basis. MFS will support such proposals if MFS believes that such proposal is in the best long-term economic interest of the company's shareholders. Generally, MFS will support shareholder proposals that (i) seek to amend a company's equal employment opportunity policy to prohibit discrimination based on sexual orientation and gender identity; and (ii) request additional disclosure regarding a company's political contributions (including trade organizations and lobbying activity) (unless the company already provides publicly-available information that is sufficient to enable shareholders to evaluate the potential opportunities and risks that such contributions pose to the company's operations, sales and capital investments).

The laws of various states or countries may regulate how the interests of certain clients subject to those laws (e.g. state pension plans) are voted with respect to social issues. Thus, it may be necessary to cast ballots differently for certain clients than MFS might normally do for other clients.

**Foreign Issuers**

MFS generally supports the election of a director nominee standing for re-election in uncontested or non-contentious elections unless it can be determined that (1) he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason given in the proxy materials; (2) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (3) since the last annual meeting, the board has either implemented a poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. In such circumstances, we will vote against director nominee(s). Also, certain markets outside of the U.S. have adopted best practice guidelines relating to corporate governance matters (e.g. the United Kingdom's Corporate Governance Code). Many of these guidelines operate on a comply or explain basis. As such, MFS will evaluate any explanations by companies relating to their compliance with a particular corporate governance guideline on a case-by-case basis and may vote against the board nominees or other relevant ballot item if such explanation is not satisfactory. In some circumstances, MFS may submit a vote to abstain from certain director nominees or the relevant ballot items if we have concerns with the nominee or ballot item, but do not believe these concerns rise to the level where a vote against is warranted.

MFS generally supports the election of auditors, but may determine to vote against the election of a statutory auditor in certain markets if MFS reasonably believes that the statutory auditor is not truly independent.

## **Table of Contents**

Some international markets have also adopted mandatory requirements for all companies to hold shareholder votes on executive compensation. MFS will vote against such proposals if MFS determines that a company's executive compensation practices are excessive, considering such factors as the specific market's best practices that seek to maintain appropriate pay-for-performance alignment and to create long-term shareholder value. We may alternatively submit an abstention vote on such proposals in circumstances where our executive compensation concerns are not as severe.

Many other items on foreign proxies involve repetitive, non-controversial matters that are mandated by local law. Accordingly, the items that are generally deemed routine and which do not require the exercise of judgment under these guidelines (and therefore voted with management) for foreign issuers include, but are not limited to, the following: (i) receiving financial statements or other reports from the board; (ii) approval of declarations of dividends; (iii) appointment of shareholders to sign board meeting minutes; (iv) discharge of management and supervisory boards; and (v) approval of share repurchase programs (absent any anti-takeover or other concerns). MFS will evaluate all other items on proxies for foreign companies in the context of the guidelines described above, but will generally vote against an item if there is not sufficient information disclosed in order to make an informed voting decision. For any ballot item where MFS wishes to express a more moderate level of concern than a vote of against, we will cast a vote to abstain.

In accordance with local law or business practices, some foreign companies or custodians prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting (share blocking). Depending on the country in which a company is domiciled, the blocking period may begin a stated number of days prior or subsequent to the meeting (e.g. one, three or five days) or on a date established by the company. While practices vary, in many countries the block period can be continued for a longer period if the shareholder meeting is adjourned and postponed to a later date. Similarly, practices vary widely as to the ability of a shareholder to have the block restriction lifted early (e.g. in some countries shares generally can be unblocked up to two days prior to the meeting whereas in other countries the removal of the block appears to be discretionary with the issuer's transfer agent). Due to these restrictions, MFS must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. For companies in countries with share blocking periods or in markets where some custodians may block shares, the disadvantage of being unable to sell the stock regardless of changing conditions generally outweighs the advantages of voting at the shareholder meeting for routine items. Accordingly, MFS will not vote those proxies in the absence of an unusual, significant vote that outweighs the disadvantage of being unable to sell the stock.

**Table of Contents**

In limited circumstances, other market specific impediments to voting shares may limit our ability to cast votes, including, but not limited to, late delivery of proxy materials, untimely vote cut-off dates, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, MFS votes securities on a best efforts basis in the context of the guidelines described above.

**B. ADMINISTRATIVE PROCEDURES**

***1. MFS Proxy Voting Committee***

The administration of these MFS Proxy Voting Policies and Procedures is overseen by the MFS Proxy Voting Committee, which includes senior personnel from the MFS Legal and Global Investment Support Departments. The Proxy Voting Committee does not include individuals whose primary duties relate to client relationship management, marketing, or sales. The MFS Proxy Voting Committee:

- a. Reviews these MFS Proxy Voting Policies and Procedures at least annually and recommends any amendments considered to be necessary or advisable;
- b. Determines whether any potential material conflict of interest exists with respect to instances in which MFS (i) seeks to override these MFS Proxy Voting Policies and Procedures; (ii) votes on ballot items not governed by these MFS Proxy Voting Policies and Procedures; (iii) evaluates an excessive executive compensation issue in relation to the election of directors; or (iv) requests a vote recommendation from an MFS portfolio manager or investment analyst (e.g. mergers and acquisitions); and
- c. Considers special proxy issues as they may arise from time to time.

***2. Potential Conflicts of Interest***

The MFS Proxy Voting Committee is responsible for monitoring potential material conflicts of interest on the part of MFS or its subsidiaries that could arise in connection with the voting of proxies on behalf of MFS clients. Due to the client focus of our investment management business, we believe that the potential for actual material conflict of interest issues is small. Nonetheless, we have developed precautions to assure that all proxy votes are cast in the best long-term economic interest of shareholders.<sup>1</sup> Other MFS internal policies require all MFS employees to avoid actual and potential conflicts of interests between personal activities and

<sup>1</sup> For clarification purposes, note that MFS votes in what we believe to be the best, long-term economic interest of our clients entitled to vote at the shareholder meeting, regardless of whether other MFS clients hold short positions in the same issuer.

**Table of Contents**

MFS client activities. If an employee (including investment professionals) identifies an actual or potential conflict of interest with respect to any voting decision (including the ownership of securities in their individual portfolio), then that employee must recuse himself/herself from participating in the voting process. Any significant attempt by an employee of MFS or its subsidiaries to unduly influence MFS voting on a particular proxy matter should also be reported to the MFS Proxy Voting Committee.

In cases where proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures, no material conflict of interest will be deemed to exist. In cases where (i) MFS is considering overriding these MFS Proxy Voting Policies and Procedures, (ii) matters presented for vote are not governed by these MFS Proxy Voting Policies and Procedures, (iii) MFS evaluates a potentially excessive executive compensation issue in relation to the election of directors or advisory pay or severance package vote, (iv) a vote recommendation is requested from an MFS portfolio manager or investment analyst (e.g. mergers and acquisitions); or (v) MFS evaluates a director nominee who also serves as a director of the MFS Funds (collectively, Non-Standard Votes ); the MFS Proxy Voting Committee will follow these procedures:

- a. Compare the name of the issuer of such proxy against a list of significant current (i) distributors of MFS Fund shares, and (ii) MFS institutional clients (the MFS Significant Distributor and Client List );
- b. If the name of the issuer does not appear on the MFS Significant Distributor and Client List, then no material conflict of interest will be deemed to exist, and the proxy will be voted as otherwise determined by the MFS Proxy Voting Committee;
- c. If the name of the issuer appears on the MFS Significant Distributor and Client List, then the MFS Proxy Voting Committee will be apprised of that fact and each member of the MFS Proxy Voting Committee will carefully evaluate the proposed vote in order to ensure that the proxy ultimately is voted in what MFS believes to be the best long-term economic interests of MFS clients, and not in MFS corporate interests; and
- d. For all potential material conflicts of interest identified under clause (c) above, the MFS Proxy Voting Committee will document: the name of the issuer, the issuer's relationship to MFS, the analysis of the matters submitted for proxy vote, the votes as to be cast and the reasons why the MFS Proxy Voting Committee determined that the votes were cast in the best long-term economic interests of MFS clients, and not in MFS corporate interests. A copy of the foregoing documentation will be provided to MFS Conflicts Officer.

## **Table of Contents**

The members of the MFS Proxy Voting Committee are responsible for creating and maintaining the MFS Significant Distributor and Client List, in consultation with MFS distribution and institutional business units. The MFS Significant Distributor and Client List will be reviewed and updated periodically, as appropriate.

If an MFS client has the right to vote on a matter submitted to shareholders by Sun Life Financial, Inc. or any of its affiliates (collectively Sun Life), MFS will cast a vote on behalf of such MFS client pursuant to the recommendations of Institutional Shareholder Services, Inc. (ISS) benchmark policy, or as required by law.

Except as described in the MFS Fund's prospectus, from time to time, certain MFS Funds (the top tier fund) may own shares of other MFS Funds (the underlying fund). If an underlying fund submits a matter to a shareholder vote, the top tier fund will generally vote its shares in the same proportion as the other shareholders of the underlying fund. If there are no other shareholders in the underlying fund, the top tier fund will vote in what MFS believes to be in the top tier fund's best long-term economic interest. If an MFS client has the right to vote on a matter submitted to shareholders by a pooled investment vehicle advised by MFS, MFS will cast a vote on behalf of such MFS client in the same proportion as the other shareholders of the pooled investment vehicle.

### **3. Gathering Proxies**

Most proxies received by MFS and its clients originate at Broadridge Financial Solutions, Inc. (Broadridge). Broadridge and other service providers, on behalf of custodians, send proxy related material to the record holders of the shares beneficially owned by MFS clients, usually to the client's proxy voting administrator or, less commonly, to the client itself. This material will include proxy ballots reflecting the shareholdings of Funds and of clients on the record dates for such shareholder meetings, as well as proxy materials with the issuer's explanation of the items to be voted upon.

MFS, on behalf of itself and certain of its clients (including the MFS Funds) has entered into an agreement with an independent proxy administration firm pursuant to which the proxy administration firm performs various proxy vote related administrative services such as vote processing and recordkeeping functions. Except as noted below, the proxy administration firm for MFS and its clients, including the MFS Funds, is ISS. The proxy administration firm for MFS Development Funds, LLC is Glass, Lewis & Co., Inc. (Glass Lewis); Glass Lewis and ISS are each hereinafter referred to as the Proxy Administrator.

## **Table of Contents**

The Proxy Administrator receives proxy statements and proxy ballots directly or indirectly from various custodians, logs these materials into its database and matches upcoming meetings with MFS Fund and client portfolio holdings, which are input into the Proxy Administrator's system by an MFS holdings data-feed. Through the use of the Proxy Administrator system, ballots and proxy material summaries for all upcoming shareholders' meetings are available on-line to certain MFS employees and members of the MFS Proxy Voting Committee.

It is the responsibility of the Proxy Administrator and MFS to monitor the receipt of ballots. When proxy ballots and materials for clients are received by the Proxy Administrator, they are input into the Proxy Administrator's on-line system. The Proxy Administrator then reconciles a list of all MFS accounts that hold shares of a company's stock and the number of shares held on the record date by these accounts with the Proxy Administrator's list of any upcoming shareholder's meeting of that company. If a proxy ballot has not been received, the Proxy Administrator contacts the custodian requesting the reason as to why a ballot has not been received.

### ***4. Analyzing Proxies***

Proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures. The Proxy Administrator, at the prior direction of MFS, automatically votes all proxy matters that do not require the particular exercise of discretion or judgment with respect to these MFS Proxy Voting Policies and Procedures as determined by MFS. With respect to proxy matters that require the particular exercise of discretion or judgment, the MFS Proxy Voting Committee considers and votes on those proxy matters. MFS also receives research and recommendations from the Proxy Administrator which it may take into account in deciding how to vote. MFS uses the research of ISS to identify (i) circumstances in which a board may have approved excessive executive compensation, (ii) environmental and social proposals that warrant further consideration or (iii) circumstances in which a non-U.S. company is not in compliance with local governance or compensation best practices. In those situations where the only MFS fund that is eligible to vote at a shareholder meeting has Glass Lewis as its Proxy Administrator, then we will utilize research from Glass Lewis to identify such issues. MFS analyzes such issues independently and does not necessarily vote with the ISS or Glass Lewis recommendations on these issues. MFS may also use other research tools in order to identify the circumstances described above. Representatives of the MFS Proxy Voting Committee review, as appropriate, votes cast to ensure conformity with these MFS Proxy Voting Policies and Procedures.

## **Table of Contents**

As a general matter, portfolio managers and investment analysts have little involvement in most votes taken by MFS. This is designed to promote consistency in the application of MFS voting guidelines, to promote consistency in voting on the same or similar issues (for the same or for multiple issuers) across all client accounts, and to minimize the potential that proxy solicitors, issuers, or third parties might attempt to exert inappropriate influence on the vote. In limited types of votes (e.g. mergers and acquisitions, capitalization matters, potentially excessive executive compensation issues, or shareholder proposals relating to environmental and social issues), a representative of MFS Proxy Voting Committee may consult with or seek recommendations from MFS portfolio managers or investment analysts.<sup>2</sup> However, the MFS Proxy Voting Committee would ultimately determine the manner in which all proxies are voted.

As noted above, MFS reserves the right to override the guidelines when such an override is, in MFS best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS clients. Any such override of the guidelines shall be analyzed, documented and reported in accordance with the procedures set forth in these policies.

### **5. Voting Proxies**

In accordance with its contract with MFS, the Proxy Administrator also generates a variety of reports for the MFS Proxy Voting Committee, and makes available on-line various other types of information so that the MFS Proxy Voting Committee or proxy team may review and monitor the votes cast by the Proxy Administrator on behalf of MFS clients.

For those markets that utilize a record date to determine which shareholders are eligible to vote, MFS generally will vote all eligible shares pursuant to these guidelines regardless of whether all (or a portion of) the shares held by our clients have been sold prior to the meeting date.

### **6. Securities Lending**

From time to time, the MFS Funds or other pooled investment vehicles sponsored by MFS may participate in a securities lending program. In the event MFS or its agent receives timely notice of a shareholder meeting for a U.S. security, MFS and its agent will attempt to recall any securities on loan before the meeting's record date so that MFS will be entitled to vote these shares. However, there may be instances in which MFS is unable to timely recall securities on loan for a U.S. security, in which cases MFS will not be able to vote these shares. MFS will report to the appropriate board of the MFS Funds those instances in which MFS is not able to timely recall the loaned securities. MFS generally does not

<sup>2</sup> From time to time, due to travel schedules and other commitments, an appropriate portfolio manager or research analyst may not be available to provide a vote recommendation. If such a recommendation cannot be obtained within a reasonable time prior to the cut-off date of the shareholder meeting, the MFS Proxy Voting Committee may determine to abstain from voting.



## **Table of Contents**

recall non-U.S. securities on loan because there may be insufficient advance notice of proxy materials, record dates, or vote cut-off dates to allow MFS to timely recall the shares in certain markets on an automated basis. As a result, non-U.S. securities that are on loan will not generally be voted. If MFS receives timely notice of what MFS determines to be an unusual, significant vote for a non-U.S. security whereas MFS shares are on loan, and determines that voting is in the best long-term economic interest of shareholders, then MFS will attempt to timely recall the loaned shares.

### **7. Engagement**

The MFS Proxy Voting Policies and Procedures are available on [www.mfs.com](http://www.mfs.com) and may be accessed by both MFS clients and the companies in which MFS clients invest. From time to time, MFS may determine that it is appropriate and beneficial for representatives from the MFS Proxy Voting Committee to engage in a dialogue or written communication with a company or other shareholders regarding certain matters on the company's proxy statement that are of concern to shareholders, including environmental, social and governance matters. A company or shareholder may also seek to engage with representatives of the MFS Proxy Voting Committee in advance of the company's formal proxy solicitation to review issues more generally or gauge support for certain contemplated proposals.

### **C. RECORDS RETENTION**

MFS will retain copies of these MFS Proxy Voting Policies and Procedures in effect from time to time and will retain all proxy voting reports submitted to the Board of Trustees of the MFS Funds for the period required by applicable law. Proxy solicitation materials, including electronic versions of the proxy ballots completed by representatives of the MFS Proxy Voting Committee, together with their respective notes and comments, are maintained in an electronic format by the Proxy Administrator and are accessible on-line by the MFS Proxy Voting Committee. All proxy voting materials and supporting documentation, including records generated by the Proxy Administrator's system as to proxies processed, including the dates when proxy ballots were received and submitted, and the votes on each company's proxy issues, are retained as required by applicable law.

### **D. REPORTS**

#### **U.S. Registered MFS Funds**

MFS publicly discloses the proxy voting records of the U.S. registered MFS Funds on a quarterly basis. MFS will also report the results of its voting to the Board of Trustees of the U.S. registered MFS Funds. These reports will include: (i) a summary of how votes were cast (including advisory votes on pay and golden

**Table of Contents**

parachutes ) ; (ii) a summary of votes against management's recommendation; (iii) a review of situations where MFS did not vote in accordance with the guidelines and the rationale therefore; (iv) a review of the procedures used by MFS to identify material conflicts of interest and any matters identified as a material conflict of interest; (v) a review of these policies and the guidelines; (vi) a review of our proxy engagement activity; (vii) a report and impact assessment of instances in which the recall of loaned securities of a U.S. issuer was unsuccessful; and (viii) as necessary or appropriate, any proposed modifications thereto to reflect new developments in corporate governance and other issues. Based on these reviews, the Trustees of the U.S. registered MFS Funds will consider possible modifications to these policies to the extent necessary or advisable.

**Other MFS Clients**

MFS may publicly disclose the proxy voting records of certain other clients (including certain MFS Funds) or the votes it casts with respect to certain matters as required by law. A report can also be printed by MFS for each client who has requested that MFS furnish a record of votes cast. The report specifies the proxy issues which have been voted for the client during the year and the position taken with respect to each issue and, upon request, may identify situations where MFS did not vote in accordance with the MFS Proxy Voting Policies and Procedures.

Except as described above, MFS generally will not divulge actual voting practices to any party other than the client or its representatives because we consider that information to be confidential and proprietary to the client. However, as noted above, MFS may determine that it is appropriate and beneficial to engage in a dialogue with a company regarding certain matters. During such dialogue with the company, MFS may disclose the vote it intends to cast in order to potentially effect positive change at a company in regards to environmental, social or governance issues.

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

**Portfolio Manager(s)**

Information regarding the portfolio manager(s) of the MFS Intermediate High Income Fund (the Fund ) is set forth below. Each portfolio manager is primarily responsible for the day-to-day management of the Fund.

**Table of Contents**

<b>Portfolio Manager</b>	<b>Primary Role</b>	<b>Since</b>	<b>Title and Five Year History</b>
William J. Adams	Portfolio Manager	2011	Investment Officer of MFS; employed in the investment area of MFS since 2009, Credit Analyst at MFS from 1997 to 2005.

David P. Cole	Portfolio Manager	2007	Investment Officer of MFS; employed in the investment area of MFS since 2004.
---------------	-------------------	------	---

**Compensation**

Portfolio manager compensation is reviewed annually. As of December 31, 2013, portfolio manager total cash compensation is a combination of base salary and performance bonus:

*Base Salary* Base salary represents a smaller percentage of portfolio manager total cash compensation than performance bonus.

*Performance Bonus* Generally, the performance bonus represents more than a majority of portfolio manager total cash compensation.

The performance bonus is based on a combination of quantitative and qualitative factors, generally with more weight given to the former and less weight given to the latter.

The quantitative portion is based on the pre-tax performance of assets managed by the portfolio manager over one-, three-, and five-year periods relative to peer group universes and/or indices ( benchmarks ). As of December 31, 2013, the following benchmarks were used to measure the following portfolio manager s performance for the Fund:

<b>Fund</b>	<b>Portfolio Manager</b>	<b>Benchmark(s)</b>
MFS Intermediate High Income Fund	William J. Adams	Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index
	David P. Cole	Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index

Additional or different benchmarks, including versions of indices, custom indices, and linked indices that combine performance of different indices for different portions of the time period, may also be used. Primary weight is given to portfolio performance over a three-year time period with lesser consideration given to portfolio performance over one- and five-year periods (adjusted as appropriate if the portfolio manager has served for less than five years).

The qualitative portion is based on the results of an annual internal peer review process (conducted by other portfolio managers, analysts, and traders) and management s assessment of overall portfolio manager contributions to investor relations and the investment process (distinct from fund and other account performance). This performance bonus may be in the form of cash and/or a deferred cash award, at the discretion of management. A deferred cash award is issued for a cash value and becomes payable over a three-year vesting period if the portfolio manager remains in the continuous employ of MFS or its affiliates. During the vesting period, the value of the unfunded deferred cash award will fluctuate as though the portfolio manager had invested the cash value of the award in an MFS Fund(s) selected by the portfolio manager. A selected fund may be, but is not required to be, a fund that is managed by the portfolio manager.

Portfolio managers also typically benefit from the opportunity to participate in the MFS Equity Plan. Equity interests and/or options to acquire equity interests in MFS or its parent company are awarded by management, on a discretionary basis, taking into account tenure at MFS, contribution to the investment process, and other factors.

**Table of Contents**

Finally, portfolio managers also participate in benefit plans (including a defined contribution plan and health and other insurance plans) and programs available generally to other employees of MFS. The percentage such benefits represent of any portfolio manager's compensation depends upon the length of the individual's tenure at MFS and salary level, as well as other factors.

**Ownership of Fund Shares**

The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund's portfolio manager(s) as of the Fund's fiscal year ended November 30, 2014. The following dollar ranges apply:

- N. None
- A. \$1 - \$10,000
- B. \$10,001 - \$50,000
- C. \$50,001 - \$100,000
- D. \$100,001 - \$500,000
- E. \$500,001 - \$1,000,000
- F. Over \$1,000,000

Name of Portfolio Manager	Dollar Range of Equity Securities in Fund
William J. Adams	N
David P. Cole	N
Other Accounts	

In addition to the Fund, each portfolio manager of the Fund is named as a portfolio manager of certain other accounts managed or subadvised by MFS or an affiliate. The number and assets of these accounts were as follows as of November 30, 2014:

Name	Registered Investment Companies*		Other Pooled Investment Vehicles		Other Accounts	
	Number of Accounts	Assets	Number of Accounts	Total Assets	Number of Accounts	Total Assets
William J. Adams	13	\$ 8.1 billion	4	\$ 1.2 billion	1	\$ 109.7 million
David P. Cole	12	\$ 8.1 billion	2	\$ 964.8 million	1	\$ 109.7 million

\* Includes the Fund.  
 Advisory fees are not based upon performance of any of the accounts identified in the table above.

**Potential Conflicts of Interest**

The Adviser seeks to identify potential conflicts of interest resulting from a portfolio manager's management of both the Fund and other accounts, and has adopted policies and procedures designed to address such potential conflicts.

**Table of Contents**

The management of multiple funds and accounts (including proprietary accounts) gives rise to conflicts of interest if the funds and accounts have different objectives and strategies, benchmarks, time horizons and fees as a portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. In certain instances there are securities which are suitable for the Fund's portfolio as well as for accounts of the Adviser or its subsidiaries with similar investment objectives. The Fund's trade allocation policies may give rise to conflicts of interest if the Fund's orders do not get fully executed or are delayed in getting executed due to being aggregated with those of other accounts of the Adviser or its subsidiaries. A portfolio manager may execute transactions for another fund or account that may adversely affect the value of the Fund's investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed by the Adviser to be fair and equitable to each. Allocations may be based on many factors and may not always be pro rata based on assets managed. The allocation methodology could have a detrimental effect on the price or volume of the security as far as the Fund is concerned.

The Adviser and/or a portfolio manager may have a financial incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor accounts other than the Fund, for instance, those that pay a higher advisory fee and/or have a performance adjustment and/or include an investment by the portfolio manager.

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.****MFS Intermediate High Income Fund**

<b>Period</b>	<b>(a) Total number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs</b>
12/01/13-12/31/13	0	N/A	0	2,107,020
1/01/14-1/31/14	0	N/A	0	2,107,020
2/01/14-2/28/14	0	N/A	0	2,107,020
3/01/14-3/31/14	0	N/A	0	2,109,261
4/01/14-4/30/14	0	N/A	0	2,109,261
5/01/14-5/31/14	0	N/A	0	2,109,261
6/01/14-6/30/14	0	N/A	0	2,109,261
7/01/14-7/31/14	0	N/A	0	2,109,261
8/01/14-8/31/14	0	N/A	0	2,109,261
9/1/14-9/30/14	0	N/A	0	2,109,261
10/1/14-10/31/14	0	N/A	0	2,109,261
11/1/14-11/30/14	56,975	2.75	56,975	2,052,286
<b>Total</b>	<b>56,975</b>	<b>2.75</b>	<b>56,975</b>	

Note: The Board of Trustees approves procedures to repurchase shares annually. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1<sup>st</sup> of each year. The programs conform to the conditions of Rule 10b-18 of the Securities Exchange Act of 1934 and limit the aggregate number of shares that may be purchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of shares available for purchase for the March 1, 2014 plan year is 2,109,261.

**Table of Contents**

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There were no material changes to the procedures by which shareholders may send recommendations to the Board for nominees to the Registrant's Board since the Registrant last provided disclosure as to such procedures in response to the requirements of Item 407 (c)(2)(iv) of Regulation S-K or this Item.

**ITEM 11. CONTROLS AND PROCEDURES.**

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the Act)) as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Table of Contents**

**ITEM 12. EXHIBITS.**

- (a) File the exhibits listed below as part of this form. Letter or number the exhibits in the sequence indicated.
- (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Code of Ethics attached hereto.
  - (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2): Attached hereto.
  - (3) Any written solicitation to purchase securities under Rule 23c-1 under the Act sent or given during the period covered by the report by or on behalf of the Registrant to 10 or more persons. Not applicable.
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

**Table of Contents**

**Notice**

A copy of the Agreement and Declaration of Trust, as amended, of the Registrant is on file with the Secretary of State of the Commonwealth of Massachusetts and notice is hereby given that this instrument is executed on behalf of the Registrant by an officer of the Registrant as an officer and not individually and the obligations of or arising out of this instrument are not binding upon any of the Trustees or shareholders individually, but are binding only upon the assets and property of the respective constituent series of the Registrant.



**Table of Contents**

SIGNATURES

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

Registrant MFS INTERMEDIATE HIGH INCOME FUND

By (Signature and Title)\* ROBIN A. STELMACH  
Robin A. Stelmach, President

Date: January 15, 2015

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

By (Signature and Title)\* ROBIN A. STELMACH  
Robin A. Stelmach, President

(Principal Executive Officer)

Date: January 15, 2015

By (Signature and Title)\* DAVID L. DILORENZO  
David L. DiLorenzo, Treasurer  
(Principal Financial Officer

and Accounting Officer)

Date: January 15, 2015

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